DAOSWAP WHITEPAPER

One, DAO Organized Decentralized Exchange

The Internet is forming a monopoly, and DEFI is endlessly producing bubbles!
Where will the Internet go, and where is the way out for DEFI?
The core team of DAOSWAP believes that the future of the Internet lies in the blockchain, the future of the blockchain lies in DEFI, and the future of DEFI is the integration of DEX+NFT+DAO.
Because only the blockchain can realize the real value flow, the financial basis of value flow is DEFI, and the landing of DEFI is inseparable from the integration of DEX+NFT+DAO.

1, The future of the internet is blockchain

Everyone in the world spends an average of 6 hours a day on the Internet, sending messages, reading news, transferring files, watching videos, sending emails, watching web pages, etc. All these activities are transmitting information. This is also the greatest value of the Internet, which has brought subversive information interaction methods to mankind. The data generated by mankind in just ten years has surpassed the sum of mankind's history.
The value generated by our activities on the internet has gathered into a ocean of "Internet", but only a very small number of groups (various types of centralized platforms and companies) can profit from this ocean of internet. **They have built a dam of Internet monopoly and formed a "barrier lake" of digital value,** and only they can use it free of charge and capture the traces of people's behavior, and even the commercial value generated by private data, this is more than simple. The algorithm is familiar with and accurate advertising, but also predicts our activities and simulates our lives. It can almost create a brand new you in the world of data, without you knowing it.

Today, the development of the Internet has entered a huge bottleneck because:

1. It only solves information interaction, because the infrastructure is built on a centralized system, which makes it unable to solve the "double spend" problem. The value generated by information is monopolized in the hands of a small number of centralized groups, and some centralized companies or institutions have moved towards a new type of "Capitalist Monopoly" i.e., Information Monopoly.

2. The value of assets such as currency, real estate, cars, stocks, intellectual property, insurance, accounts receivable, etc. cannot be freely transmitted on the Internet. For example, if I want to transfer my money to the other side of the earth, I need to go through a series of centralized clearing and settlement systems. Not to mention that I want to transfer the property to another person on the other side of the ocean. This will be a long and maddening process.

The future of Internet development lies in the **blockchain**, because it solves the problem of decentralized information and value transmission. After the financial crisis in 2008, the fundamental reason why the blockchain still exploded with strong vitality despite continuous blows was that it allowed information and value to flow freely in the data world. **The first crossing was cut in the dam of the "barrier lake" of digital value.**

2, The future of blockchain is DEFI

The prosperity of the blockchain must be premised on the prosperity of decentralized finance (DEFI), because:

1. The digital value that has gathered for decades in the "barrier lake" of digital value needs to flow. The traditional Internet cannot solve the defect of the decentralized flow of value, making Internet finance impossible to succeed. The failure of P2P is a typical proof.
2. Blockchain is the best choice for value flow, and the most direct manifestation of value is finance.

Blockchain is to the world today, just as the Internet was to the world in 2000, business models based on information interaction such as blogs, social interactions, and e-commerce have just taken shape, and the current prosperity of the Internet is based on these areas. On the basis of. DEFI is also the embryonic successful business model in the current blockchain field, and the prosperity of the future blockchain will inevitably be based on the prosperity of DEFI.

DEFI also made a second pass in the dam of the "barrier lake" of digital value.

3, The future of DEFI is the integration of DEX, NFT and DAO

Finance is to serve the real economy through the financing of financial instruments, but nowadays, there is Only **gold but no financing in DEFI**. The funds in DEFI did not serve the real economy, it was just capital hype, and there was no real economy bottoming out. If it has always been in this mode,

then DEFI will only become a "bubble maker" and generate numerous bubbles without market rules. **How can DEFI serve the real economy?**

First of all, the real economy is divided into two categories: the traditional real economy and the digital economy. There is still a long-time gap in the digitalization of the traditional real economy. In contrast, the digital economy is naturally born in the digital world and has its own digital value. Therefore, from the perspective of categories, DEFI's current main service target will be the digital economy, and the digital economy is inseparable from three basics:

1. The road to digitization of asset property right: **NFT**;
2. A new collaborative model for value creation: **DAO**;
3. Decentralized trading market: **DEX**

3.1，The Road to Digitization of Asset Property Rights (NFT)

BTC, ETH, UNI equivalently qualitatively encrypted digital currencies (FT) represent **equity**, Similar to stocks, options, currencies, etc., they are all homogenized. In other words, there is no difference between your 1 BTC and mine, and can be exchanged one to one.

In addition to rights and interest in economic activities, more assets are **embodied** in the form of property rights, such as real estate, land, digital copyright, codes, etc., are all non-homogeneous i.e., to say, my 1 property and your 1 property cannot be completely indistinguishable, and they cannot be exchanged one to one. The property rights of these assets in the data world cannot be expressed by FT. They need unique, non-tamperable, self-certified certificates like real estate certificates and land certificates. This is what we are going to say **non-homogeneous tokens (NFT)**, It has unique, non-tamperable, tradable, traceable, and programmable features,

which enable it to effectively represent the property rights of any asset in the digital world.

In this way, we can freely exchange property rights in the digital world.

With digital property rights, DEFI is practical "Subject matter" In order to serve the digital economy through financial tools similar to mortgages and guarantees.

Through FT, everyone can speculate on equity digital currencies such as BTC and ETH, and through NFT, everyone can speculate on real digital assets.

3.2, New collaborative model of value creation (DAO)

Nowadays, most of the successful projects of blockchain, BTC, Ethereum, Uniswap, etc. are not created by companies, and more than 90% of the Internet infrastructure is not invented by companies. They are all invented by a group of open-source community contributors who love technology and advocate a free economy. Such contributors do not collaborate through the company system, but through open-source community model.

The corporate system can no longer satisfy the value creation of the digital economy, and a new model is needed to organize contributors to create value. And this open-source community model has two fatal flaws:

1. There is no governance mechanism, loose cooperation, and the resulting contribution cannot be quantified in the form of similar company wages;

2. There is no protection mechanism, and open-source achievements are profitable after being acquired by the company for free, while open-source contributors have almost no benefits.

The open-source community has suffered from this drawback for decades, and it is in this context that **decentralized self-organization (DAO)** was born

i.e., through a decentralized self-organization model to **collaborate, autonomy, contribution** and **profitability**.

The DAO organizational model is also becoming the mainstream form of value creation in the digital economy。

3.3，Decentralized Exchange Market (DEX)

The real-world value flow is carried out through centralized platforms such as Nasdaq, Shanghai Stock Exchange, Shenzhen Stock Exchange, etc. However, the digital economy requires a new decentralized trading venue due to the liquidity of its value and the decentralization of the main body. And this kind of decentralized exchange (**DEX**) has matured in the recent years.

In summary, the prosperity of the digital economy is inseparable from freely flowing assets (NFT) and a benign form of collaboration (DAO) to continuously generate value, and it is also inseparable from the support of decentralized exchanges (DEX).

The fusion of DEX+NFT+DAO will be the third crossing in the dam of the "barrier lake" of digital value.

4，DAOSWAP integrates DEX, NFT and DAO to make a better DAO organization DEX

NFT and DAO are not new concepts. They have been developed for several years. They rely on the construction of many blockchain foundations such as public chain computing, public chain storage, tokens, decentralized governance mechanisms, and DEFI. In 2021, the reason why NFT and DAO became popular is because we:

- Seeing the gradual maturity of public chains such as Ethereum;

- Seeing the unstoppable momentum of BTC and other cryptocurrencies and algorithm currencies;
- Saw the emergence of public chain storage technologies such as FIL and SWARM;
- Saw the prosperity of Automated Market (AMM) DEX such as Uniswap;
- More importantly, we have seen that DAO and NFT have begun to have the possibility of realizing the blockchain, and the value Internet of the true digital economy is also taking shape.

It will take time for DAO and NFT to mature. When the melons are ripe for 3 or 10 years, only the infrastructure providers mentioned above can really catch the melons. They can harvest them because they have the groundwork. The construction of these infrastructures has very high technology, resources and cognitive thresholds.

The open-source community has been popular as early as the 1990s. Everyone gathers for the same dream, which is to be able to start a business freely and survive without relying on centralized methods such as companies. They are the buds of the DAO organization, but because they have not solved the basic problems of contribution quantification, governance decentralization, and financial liquidity, the open-source community has always been in an embarrassing situation of only doing things without gains.

The popularity of DEX in 2018 ignited the dreams of this group of people. The emergence of DAO made the route clearer and made it possible to quantify the contribution to financial liquidity. The core contributors of **DAOSWAP** come from these early people who dreamed of DAO, and built DAOSWAP with their professional accumulation in the fields of finance, blockchain and sociology.

Two，Product introduction

DAOSWAP is decentralized financial platform that adopts an automatic market-making model, which integrates multi-chain technology and is Compatible with polymorphic assets。The vision is:

1. Let DEFI Popularize the public;

2. Let DEFI serve the Virtual economy. The route is to integrate DEX, DAO and NFT, and pioneer AMM+ALP to solve the two major problems of "people" and "money" for the DAO to organize innovative projects, and realize the first listing and then starting a business.

The core contributor of DAOSWAP is an idealistic dream maker and a practitioner of realism. To realize the dream of the future, we must lay a solid foundation for the present. The following dream trilogy is indispensable.

- **DEX**: Starting with DEX to pave the way is more conducive to the decentralized financial foundation of NFT and DAO organizations;

- **NFT**: Compatible with all types of assets such as NFT and expand the financial foundation;

- **DAO**: Finally, it provides an innovative contribution to the DAO organization, namely the mining mechanism, to achieve the realization of listing first and then starting a business and What you do is what you get.

DAOSWAP 1.0 Starts with financial basic DEX. Ecologically, Ethereum is the main fusion multi-chain and two-layer technology, and automated market-model is adopted for liquidity. Fundamentally solve the liquidity problem, subvert the traditional order book exchange model and all rights of centralized trading, open all rights to the project party, and truly use the blockchain to provide a guaranteed liquid market for innovative projects.

Anyone can provide a pair of equivalent ERC20 Tokens (one is the ERC20 Token approved by the project, and the other is the project Token issued by the project party itself, such as 1 ETH/ 100 Token A), to initialize and create a liquid market for their own project.

Afterwards, anyone can add new liquidity to the liquidity market, but it needs to be provided at the real-time price after initialization. At the same time, everyone can exchange the desired Token from the market at any time. The exchange requires a transaction fee of 0.3%. The transaction fee will be added to the market again. At the same time, all liquidity providers can share their liquidity proportions. Get this part of the handling fee.

DAOSWAP has the following characteristics:

- 1, **Multi-chain fusion**

Mainly on the Ethereum main network, integrating HECO, BSC, and the latest layer 2 technology to provide full-link ecological services.

- 2, **Service entity**

The first automatic liquidity ALP model, compatible with the governance of DAO projects and the flow of NFT, taps the long-tail demand of Defi, and truly serves the physical native digital economy.

- 3, **Efficient and low cost**

To achieve centralized efficiency and decentralized security, the handling fee is as low as 0.01 USDT.

- 4, **Security autonomy**

The project runs in a community autonomous mode, all codes are open sourced, and the whole chain is decentralized.
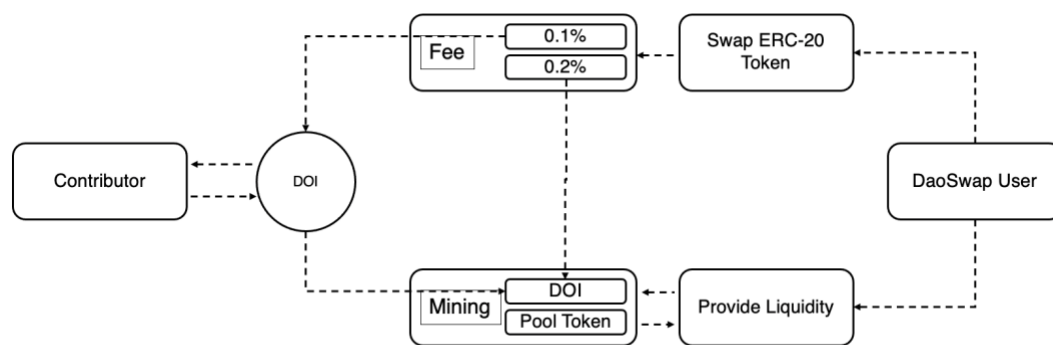
Three, function

DAOSWAP 1.0 is a smart contract system on the Ethereum blockchain, which implements an automatic liquidity agreement based on a constant product formula. Each DAOSWAP trading pair stores two assets in the fund pool, and provides liquidity for these two assets, so that the product of these two assets does not decrease. The trader pays a 0.3% transaction fee to the liquidity provider.

1, Automatic market making mode

Ordinary exchanges generally adopt a thin order limit or market price model. Market makers provide liquidity for the market by setting buying and selling prices and when there are counterparties. What DAOSWAP has to do is to mix the tokens together, and the market maker does not need to specify the price at which it wants to buy and sell.

The automatic market making model adopted by DAOSWAP is a variant based on the "Constant Product Market Maker Model". In theory, it can provide unlimited liquidity, can have a large order size, and there is no need to worry about the small flow pool. The reason for this is related to its Constant Product automatic market-making model.

The formula is X*Y=K, where X and Y are ERC20 tokens, and K is a constant. We assume that X is the ERC-20 token ABC of a certain project, and Y is ETH, DAOSWAP will keep K constant. In order to keep K unchanged, then X and Y are in a trade-off relationship. If someone buys ETH in this contract, then ABC will increase because the buyer adds ABC to the liquidity pool and reduces ETH at the same time. The ETH is bought by buyers, which reduces its amount in the liquidity pool.

As shown in the figure above, DAOSWAP mainly has two types of users: liquidity providers (LP) and trading parties (Trader), and two types of core functions: liquidity token pool and exchange.

2, Liquidity token pool

The liquidity provider creates an equivalent pair of ERC-20 token assets to create a liquidity token pool for the pair of tokens. The initial price of the token pool is determined by the ratio provided by the first creator, for example, 1 ETH and 100 TokenA are provided during creation, Then the TokenA price of the token pool is 1TokenA=0.001ETH and the ETH price is 1 ETH=100TokenA。

In addition to the creator, anyone can also add new liquidity to the created token pool by providing the equivalent pair of tokens,

but the price must be in accordance with the current token pool price, for example, if you want to provide 0.5 ETH must provide the equivalent of 50TokenA.

3, ERC-20 Token Exchange

Through the above, we know that each transaction pair is supported by the corresponding token pool. The token pool contains two different token assets (such as ABC/ETH) of a transaction pair. Because there are corresponding tokens in the token pool. Currency assets, and people will continue to add liquidity (how to incentivize liquidity providers to continue to provide liquidity will be mentioned later). Anyone can exchange one token asset for another token from the token pool at any time. Currency assets (exchange).

4, Exchange Price

Withdrawing or depositing a token from the token pool (exchange) requires paying another token equivalent to the current price, which is calculated according to the formula of constant product.

When a token is taken out of the token pool, another corresponding token needs to be paid.

When ETH is deposited (that is, ABC is exchanged with ETH), the price of ABC (ETH/ABC, how many ETH can be exchanged for 1 ABC) will rise, and the price of ETH (ABC/ETH, how much can be exchanged for 1 ETH) ETH) will drop;

When ETH is withdrawn (that is, ABC is exchanged for ETH), the price of ABC (ETH/ABC, how many ETH can be exchanged for 1 ABC) will drop, and the price of ETH (ABC/ETH, how many ETH can be exchanged for 1 ETH) ETH) will rise.

5，Exchange Fee

DAOSWAP charges a 0.30% fee for exchange transactions, which will be added back to the corresponding agency pool. This will continue to increase the liquidity of the token pool, and it will also cause each transaction to actually increase by a constant k.

1. 0.30% handling fee, of which 0.2% is used to reward liquidity providers;

2. 0.30% handling fee, of which 0.1% is used as platform currency dividends.

6，Contribute to mining

All users participating in the platform can mine through their own contributions and obtain project governance agency. Contributions include: adding liquidity, currency trading.

Add liquidity:

1. Providing liquidity will be rewarded by Pool Token. Pool Token is valid as far as possible in the current token and is only used to record shares, representing the proportion of liquidity provided by liquidity providers to the liquidity of the token pool, and according to this Proportionally, the transaction fee of the token pool will be divided. When the liquidity is withdrawn, the Pool Token will be automatically destroyed and the transaction fee will be redeemed.

2. Provide liquidity to the token pool of specific high-quality projects (the projects selected by DAOSWAP community to vote for governance), and also receive additional platform currency rewards.

Currency trading:

Participate in the exchange of any trading pool currency on the trading platform, and the platform will give a certain reward according to the community voting quota.

7，Liquidity mining

The DAOSWAP community voted to determine which mainstream currency liquidity pools participate in liquidity mining, such as USDT/ETH, USDT/HT, etc. Users add liquidity to the flow pool (LP for short):

The handling fee of all transactions in the liquidity pool will be divided according to the proportion of LP held. The ratio of the handling fee is 0.3% per transaction (of which 0.2% will be used to reward LP)

at the same time DAOSWAP will produce a large amount of platform currency DAO every year to reward LPs that add liquidity to the above- mentioned liquidity pool.

8，Transaction mining

In DAOSWAP, even if you simply conduct currency transactions, it is also a contribution to the platform, and you will get the platform governance currency DAO in the form of mining.

9，Pledge mining

The DAO obtained through liquidity mining can be used to pledge mining, and more DAOs can be mined according to the length of pledge time.

Four , DAO Organizational governance

The DAOSWAP community started as a Open source community and operated in a light entrepreneurial model created by contributors. There is no founding team, only the community foundation panel (initialized by contributors based on contributions in the early days) composed of the most contributors. The panel is responsible for the management of the community, and the panel personnel are also dynamically adjusted based on contributions.

1，What is contribution?

All things that benefit the project and generate value can be counted as contributions. Roughly divided into the following types:

Product category	Product evolution planning, R&D upgrade, operation and maintenance, smart contract template development and other product-related matters
Operation	Entrepreneurship model Offer design and writing, publicity plan and design, community customer service, customer consultation
market	Publicity and promotion through various channels, event organization
Financing	Raise the required funds
consultant	Provide clients with consultancy on new business models through training or one-to-one format
other	All forms of contribution recognized by the community

2，How to become a contributor?

You can apply to the community through email or various open channels, and you can become a community contributor after completing the first task of negotiating with the community. For example, completing the development of a certain function of the product, designing a publicity page or organizing a community event, etc., can all be regarded as the first contribution.

Once you become a contributor, you are deemed to accept the rules of community contribution. The community will regularly conduct autonomous evaluation of contributors and eliminate contributors who have not contributed for a long time or whose contribution index is too low, and ensure the healthy operation of the community.

3，How to measure contribution?

After becoming a contributor, all contributors can receive or spontaneously create tasks that are beneficial to the community, whether in terms of product, operation or financing, and evaluate how much the task is worth in platform currency (the community will only return contributors through platform currency and contributor can evaluate it based on the current market price of the platform currency). Moreover, the community trusts the evaluation of contributors by default, and the designated person in charge of the community is responsible for evaluating the completion quality of the contribution, and through regular community autonomy evaluation to eliminate contributors whose value does not match the evaluation.

Five，Platform Governance Currency

The core concept of DAOSWAP is the free flow and transaction of value, and through the issuance of platform governance token DAO is to practice the self-organized community ecology of de-Sinochem, all token holders have the same governance rights and no privileges, And the token DAO is fully used for community governance.

1，Platform currency DAO distribution

DAO initiated and issued a total of 1 billion pieces, and Distribution plan is as follows:

☐ Development team:25%

    ☐ Used for DEX, NFT and DAO team operations, linear release in 70 months after 6 months

☐ Community:75%

    ☐ 10% is used for computing power and contribution Mining

    ☐ 20% For trading and pledge Mining

    ☐ 20% is Used for liquidity mining

    ☐ 25% for foundation and mining by foundation panel vote.

2, DAO function

Hold the DAO Platform currency and have the following rights by default:

1. Community governance Right, enjoy the resolutions of major events in the community through voting;

2, Dividend rights, holding and pledged Tokens will automatically receive full platform fee dividends;

3, DAO Will be ticket for subsequent NFT and DAO modules.

DAOSWAP is a decentralized governance project, DAO is used for community governance to make decisions on major issues in the community, such as deciding which trading pools to reward, repurchase and destruction mechanisms, etc.

3, Platform revenue distribution

The 0.3% handling fee of all transactions on the platform is the platform revenue:

☐ 0.2% of which is obtained by liquidity provider;

☐ 0.1% is used for DAO pledge mining (accounting for 60%), repurchase and destruction (accounting for 40%), Repurchase destruction is initiated after the community governance decision and is automatically executed by the smart contract according to the price of past 7 days.

4，Repurchase and burn

A part of full platform fee will be used to trigger the repurchase mechanism through smart contracts based on the price fluctuations of the DAO governance token. That is to say, the greater the transaction volume of the platform and the greater the handling fees, the higher the value of DAO governance tokens.