

TacoSwap - White Paper

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1. Abstract

TacoSwap is a community-driven DAO that is committed and created to solve the problem of “liquidity”. This issue may be defined as the incompetence of different forms of liquidity that connects with the market and vice versa. The current solutions to this problem offer a progressive approach. However, TacoSwap’s vision is expected to create a broader range of network effects. It does not limit itself to a single solution but rather knits many decentralized markets and instruments together.

The core products which will be described further include a decentralized exchange, a decentralized lending market, yield instruments and staking derivatives. Tacos products are designed in a manner that permits the entire platform to maintain decentralized governance of eTACO - V2 token holders, while continuing to innovate on the collective foundations by design. On the other hand, crucial changes are voted on by the community. The day to day operations, rebalancing of pools and ratios, business strategy and overall development is finally decided upon by TacoSwap DAO.

Tacoswap, which at the protocol and smart contract level, share an identical interface to Sushiswap and UniSwap; except for the crucial detail that it would pay a 0.5% liquidity provider fee, as opposed to 0.3% for Sushiswap and (0.1%-1%) for UniSwap. We believe that liquidity is more important for the end users than trading fees, and 0.5% liquidity fee looks like a balanced number between interest of the traders and providers. All transactions carried out on TacoSwap are carried out using smart contracts which are properly audited by Certik. The concerned audit report can be found [here](#).

TacoSwap is aiming to pay a 0.5% fee to its participants, the breakdown for the fee is as follows:

- 80% of the fee is distributed as a direct payment.
- 20% of the fee is distributed to its xTACO holder protocol.

2. Project background

TacoSwap project is a product of the CRD Network suite of microservices which was initially created to enhance the CRD Token utility for all its users.

Further, the original TACO tokens were farmed via a liquidity mining program by staking SLP and UNI-v2 tokens in several pools, including CRD token pool. Most of the TACO tokens were farmed this way, so TACO tokens were not minted by a single entity, but distributed across communities. The project itself did not raise any money.

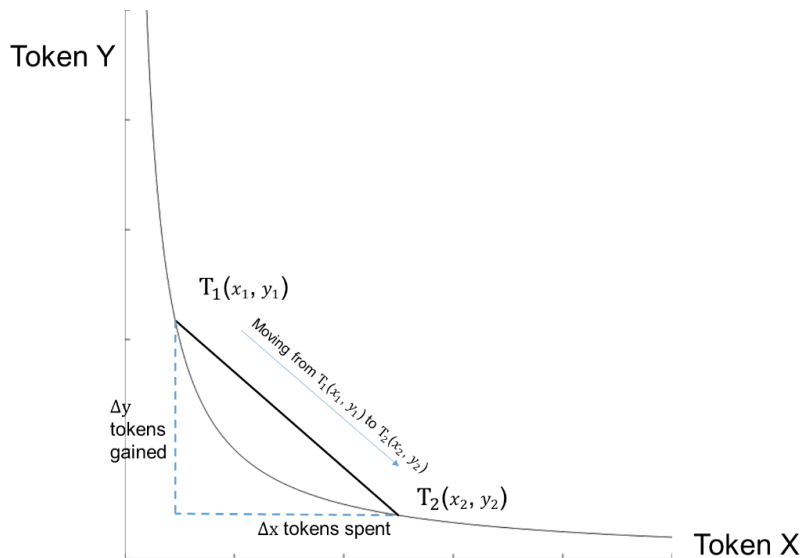
The objective of TacoSwap is to provide a regulatory friendly DAO based DEX environment, with increased focus on customer user support.

3. TacoSwap DEX.

A DEX is a decentralized platform that allows direct transactions between two interested parties (peer-to-peer). TacoSwap is an automated liquidity protocol powered by a constant product formula and implemented in a system of upgradeable smart contracts on the Ethereum blockchain. It eliminates the need for trusted intermediaries, prioritizing decentralization,

censorship resistance, and security. Further, each TacoSwap smart contract, or pair, manages a liquidity pool made up of reserves of two ERC-20 tokens.

It can also be defined as a Decentralized Exchange also known as a DEX. TacoSwap is non-custodial which means it does not have a regulator as opposed to Centralized Exchanges like a Stock Exchange. It also does not possess your tokens for you to trade them. TacoSwap permits its users to trade peer-to-peer and with the liquidity supplied by other users. This translates into the fact that emerging projects can seamlessly connect to their target markets as long as there is an entity ready to provide the liquidity.



Source : <https://ethresear.ch/t/improving-front-running-resistance-of-x-y-k-market-makers/1281>

TacoSwap DEX aims to become a regulatory friendly environment by utilizing CRD Network Proof-of-KYC protocol. In short, it would allow for end users to apply and pass KYC via CRD Network and then publish their own ETH address and KYC reference proof into ETH Mainnet, without publishing any private data. There is a way to have “compliant friendly” pools which will allow trading for compliant users with increased rewards to promote this format in the future.

More notable differences from other DEXes are:

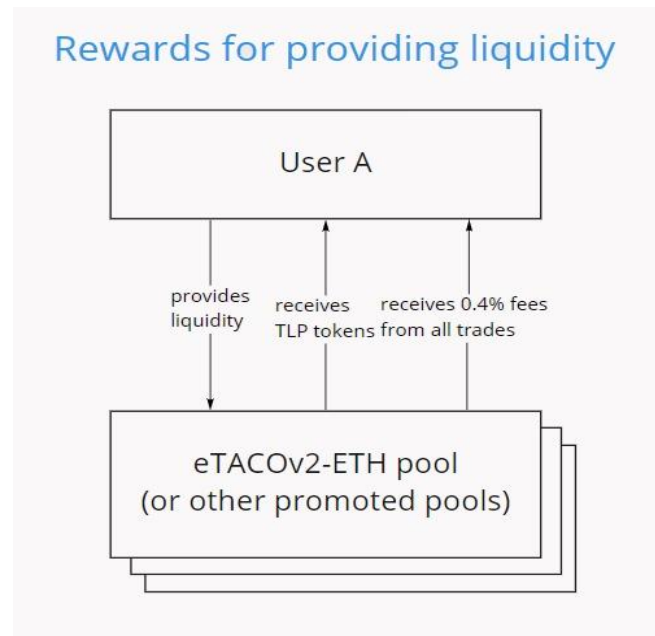
- support system (chatbot) to help new users with onboarding process

- function to “claim all rewards” if user have multiple stakes at different pools, which significantly helps in reducing ETH gas fees
- “fast liquidity add” function, which allows users to participate in the pool, even if the user has only ETH, and no other tokens - the system will buy necessary tokens to stake and will stake it within one transaction, reducing gas cost.

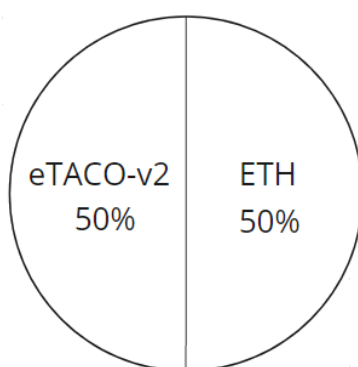
* (in development as per 2021-08-26)

3.1. Adding Liquidity to the pools.

For a clear understanding, a graphical representation is provided below. It depicts and simplifies the process of adding liquidity to the TacoSwap DEX pools and simple steps.



Tacoswap DEX rewards liquidity providers with 0.4% for every trade happening in the pool, proportionally to the provider’s liquidity share. There are extra rewards in the form of eTACO-v2 for promoted pools, for more detailed view sections below.



If you want to earn via providing liquidity in the pools, you need to understand how pools work, as shown here on the right as a pie chart.

At first you need to choose a pool to provide liquidity. Each pool is different and usually represents one crypto asset vs ETH (like eTACOV2-ETH pool). In order to start providing liquidity you need to make sure that you have both of the pool assets in your balance, before you can add liquidity to the pool.

Most pools in the DEXes are 2-sided, which means they have 2 assets in it (in Tacoswap there is only a 1-sided pool - CRD Holders).

When someone executes a trade in a 2-sided pool (lets say, buys eTACO-v2) the number of eTACO-v2 in the pool decreases, and the number of ETH increases. In this case, the price of eTACO-v2 automatically increases, because the price in the pool can always be calculated as the number of ETH / number of eTACO-v2.

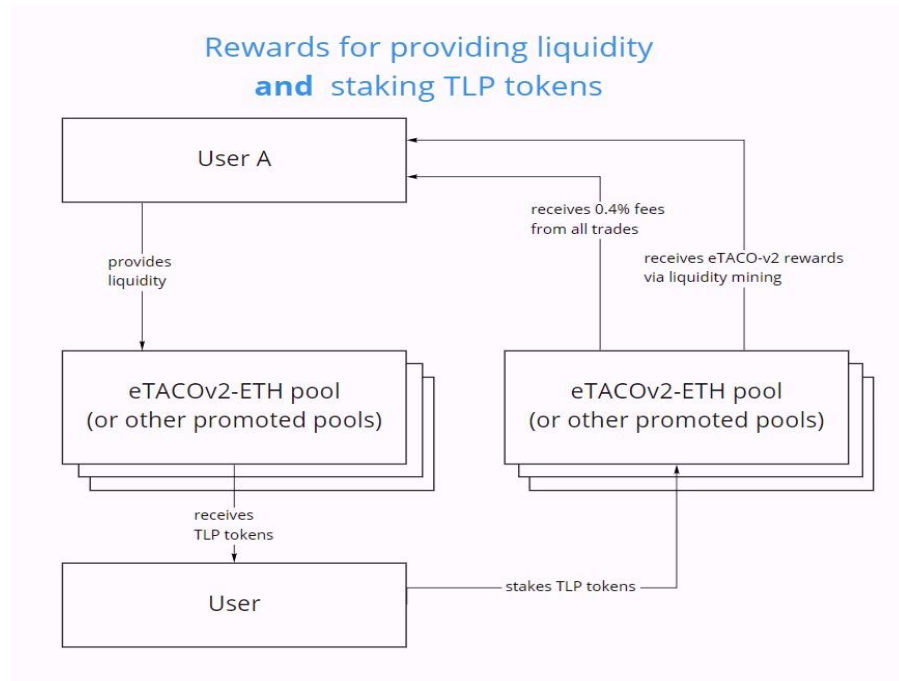
Please note that adding liquidity into any pool potentially might cause reduction of one of the assets, because when you would decide to claim back your share from the pool, the balance of the tokens in the pool might be different from the moment when you added liquidity to the pool.

Let's say there was a pool of token XXX-ETH with supply of 1000 XXX and 1 ETH and you added liquidity of 0.1ETH and 100XXX initially. Let's say that after some time, the pool contains 4000 XXX and 0.5 ETH - in this case, when you withdraw your liquidity share, you will get 400XXX and 0.05 ETH (plus earned fees). Sometimes the overall result might be in your advantage, and sometimes not.

Please don't forget about ETH transaction fees (gas) one for all operations. Currently gas fees are quite high, and processing steps 1 and 3 will cost at least 50\$ worth of ETH for each step. You can skip step 1 if you already have both tokens before adding liquidity.

3.2. Staking

With the LP tokens received by adding liquidity to a pool, it is also possible to "stake" them in a TLP pool.



Anyone can create a new pool, but only pools from “farms” page are eligible for eTACO-v2 rewards for liquidity providers. Community can vote to change which pools should be promoted. eTACO-v2 rewards generated every block, with block reward as stated in the whitepaper. Current rewards are shown [here](#).

4. Tokenomics.

4.1. Migration from eTACOs to eTACO-v2s.

The native tokens of the DEX were initially known as TACOs. TACO tokens are ERC-20 coins.

Subsequent to the formation of the DAO after the Community vote, it was decided to change the name to eTACO tokens, in order to differentiate them from already existing tokens with the same name.

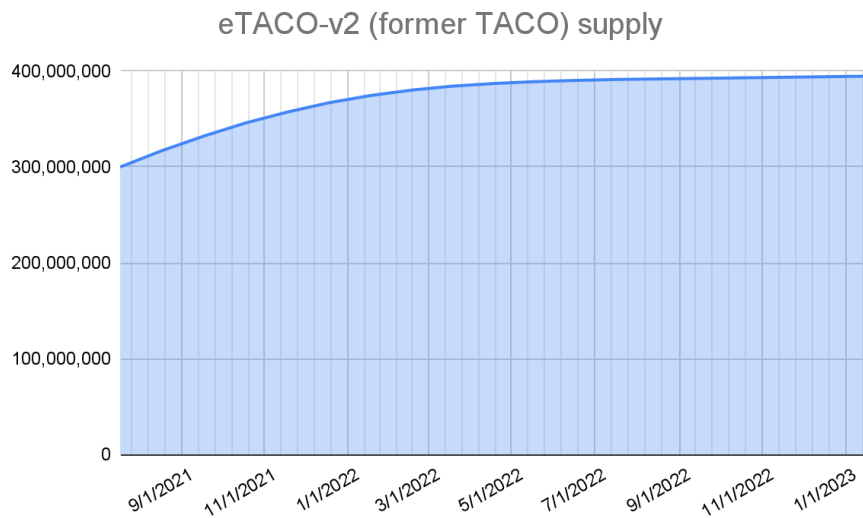
The DEX migration took place on July 4th, when the DEX was delivered to the DAO whereas the Tech Service Provider fulfilled its contractual obligation and delivered it to the DAO. The migration period from July 4 to July 18th was to ensure that the migration was successful, this indicated that all liquidity was transferred and further development of the DEX continued.

4.2. The two sets of tokens.

Post the migration period, two sets of tokens were introduced: eTACO tokens as Governance tokens, and eTACO-v2 tradable tokens. The introduction of the governance tokens was essential to ensure that the community members who migrated during the migration period retain their voting power on the DAO and the DEX, as well as to ensure that the tokens are not considered a security token by the regulators, which later on could lead to potential compliance issues.

The token holders who migrated after the migration period still have their voting power on the matter of the DEX. By Community vote, there were in total 300M eTACO-v2 tokens, however, additionally 95M tokens were produced to ensure the survival of the project.

The 95M eTACO-v2 tokens are locked in a contract for reward purposes and distributed as liquidity mining rewards. The DEX, awaiting its commercial launch, needs to have a rewarding system in place to be able to attract new investors to come to the DEX and provide liquidity.



WACEO supported this initiative as a way to save the project and support the fully functional and commercially usable DEX.

4.1.1. Governance tokens.

A governance token allows its holders to influence decisions made for the development of a project. It may include but is not limited to the addition of new functionalities or any changes in the management of the project. Therefore, the governance token offers a voting right to its holders.

The TacoSwap project is governed under WACEO, and has its own governance system with its native token. Any eTACO holders can vote on decisions that can consequently impact the project.

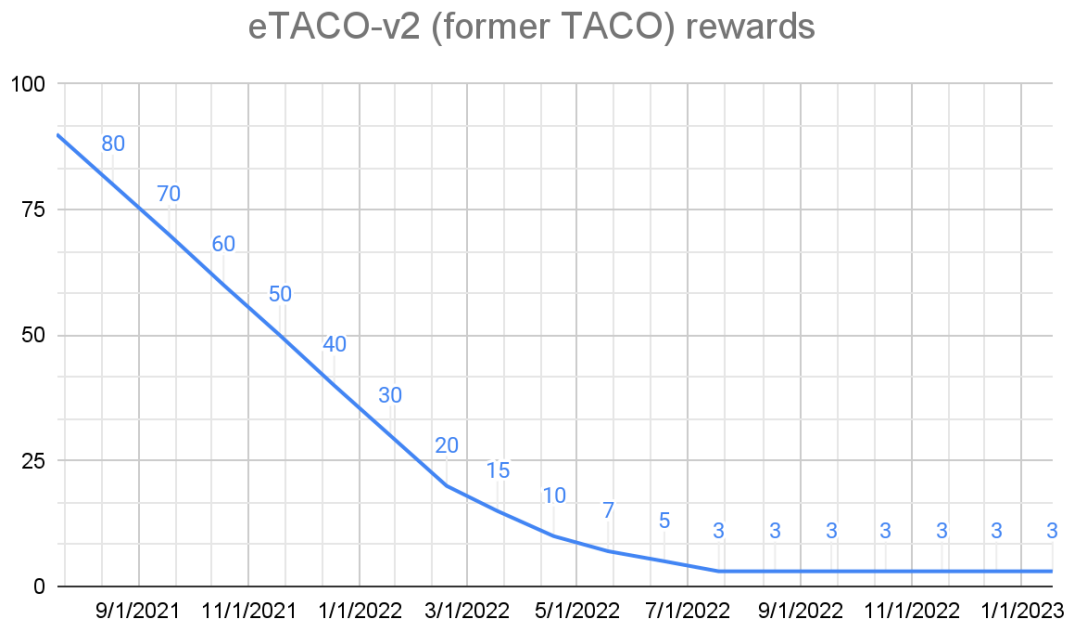
4.1.2. eTACO-v2 tokens.

In total, by community vote there were a total 300M eTACO-v2 tokens. However, an additional 95M eTACO-v2 tokens were produced in order to ensure survival of the project.

The additional 95M eTACO-v2 tokens are locked in a contract for the purpose of rewards and are distributed as liquidity mining rewards. The commercial launch for the DEX is awaited as of now, it shall have a rewarding system in place to attract potential investors to the DEX and increase liquidity.

The value of eTACO-v2 is visible on the DEX TacoSwap, by clicking on “Earn > eTACO-v2 price”. As soon as the eTACO-v2 is listed on platforms such as CoinMarketCap, Coingecko, etc. its price will also be visible on Etherscan.

Current block rewards schedule shown as following:



It is important to know that while max supply is limited, the reward schedule could be adjusted if needed. The existing setup also sets 10% of all minted rewards going to fund development & Tacoswap maintenance.

With the current scheme in place, max supply is limited by 395M eTACO-v2, and end of rewards supply is projected around January 2023.

5. Governance.

At present the operating principle under which the policies for the TacoSwap network is drafted in order to develop use cases of the technology is to increase demand while limiting the total supply of 395M tokens.

It must be noted that TacoSwap network prioritizes network operability over pre-agreed exchange range. Therefore, while we aspire to be a stable currency, it will remain free-float to some extent.

The governance of the TacoSwap Network is done in two layers:

- The [WACEO](#), a non-profit organization, maintains the organizational and regulatory requirements.
- All the DAO related matters are voted on by the community in an idealistic democratic manner where holders of a minimum of 7000 eTACO-V2 tokens get a vote proportional to their financial participation in the network.

Certain addresses have been blacklisted and have thus been banned from voting as a member by reason of them being used maliciously. Any votes put in through those addresses shall not be considered valid. A comprehensive list of the banned addresses is provided [here](#).

WACEO is monitoring these addresses in order to limit the abuse of the voting power.

6. Project Growth.

The TacoSwap project is focused on its growth, commercial launch, attracting new participants and its compliance. Main areas of growth are:

- education and ease of use for new entry
- regulatory compliant environment (both for traders and for liquidity providers)
- NFT based pools
- exploring new promising project listings with promotions

6.1. Commercial growth

Now that the TacoSwap DAO has made its DEX completely operational, it is now primarily focusing on community project awareness. TacoSwap DAO is looking into expanding the project further and making its presence felt in different lingual communities as well. Simultaneously, it aims to list different coins on the exchange. Core part of any DEX is liquidity in the project, and current TacoSwap vision that the most realistic approach to getting liquidity is to list some new

projects first and then attract those projects using bigger liquidity mining rewards than the competitors.

6.2. Community growth

With the growth of the project, there was a need to address more legal and compliance related issues. When the Community voted to become a DAO, WACEO, a non-profit organization specialized in compliance and regulations in the blockchain industry, issued a LARA - a Legal and Regulatory Audit of the DAO and addressed several legal issues and risks that the DAO and its Community may encounter.

In the light of recent events widely covered by the media, WACEO has also successfully assessed the behavior and actions of the TacoSwap lead Influence and advised the Community that they should be looking for someone who can lead the project better and in a more appropriate manner as the current Influencer was subject to controversy and proven not to be the best leader and representative.

In order to have a proper commercial launch, WACEO and the TacoSwap Community are calling for individuals interested to represent the DAO, the project, in a respectful and bona fide manner.

The project further intends to support and educate its members on the use of Decentralized Finance (DeFi) and to help bring its wider adoption.

6.3. Lost Value Recovery

WACEO, as a legal representative and guardian of the Project, takes a firm stance in maintaining the project sustainable and away from harm. Many crypto projects, and TacoSwap seems not to be an exception, on its growth path may become a victim of people who wish to harm the project in one way or another.

It has come to WACEO's attention that TacoSwap DAO has become a victim of online trolling. Several individuals were committed to spreading false information about the project and its members on different social media which led to growing lack of trust amongst community members in regards to the success of this project.

In order to protect the project, legal proceedings have been initiated in order to claim financial damages caused to the project by the individuals. WACEO aims to recover the financial losses incurred by this behaviour, and intends to apply buying pressure on the eTaco-V2 tokens via a buyback followed by an airdrop to all eTACO-v2 token holders.