

HodaiSwap

January, 2021

White Paper

VI.0



EOS-based Decentralized Exchange Protocol

Disclaimer

This white paper is a conceptual document intended for informational purposes only. It contains a forward-looking description of the HodaiSwap system and some assumptions and related information about HodaiSwap. No statement or warranty is given by anyone as to the completion and reasonableness of any plans, projections, and prospects.

Part of this white paper may be adjusted accordingly in the new version as the project progresses. The platform may be updated during the development process, including but not limited to the platform mechanism, tokens and their mechanisms, and token distribution. The team will make the updates available to the public by posting an announcement or a new version of the white paper on the website.

Participants shall obtain the latest version of the white paper in time and adjust decisions in accordance with the updates.

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Abstract

Vision

To become the preferred EOS-based DeFi application in aspects including but not limited to exchange, transactions, lockups, payment, cross-chain aggregation, and other DeFi solutions.

Mission

Through a complete DeFi protocol, serve global investors, simplify the traditional investment process, and eliminate middlemen and the need for third-party platforms for a new financial order that is completely fair, open, and inclusive.

Overview of HodaiSwap

HodaiSwap is a decentralized exchange protocol built on the EOS public blockchain, and anyone can easily invest and trade EOS assets on HodaiSwap. Based on blockchain technology, every investment of HodaiSwap can be traced on the chain, truly breaking the shackles of information asymmetry on traditional financial investments for an open and transparent decentralized finance system.

In the first phase of deployment, HodaiSwap is focused on implementing smart lockups and exchange functions that can greatly simplify the trading process for investors, while enhancing the security and privacy of transactions. HodaiSwap provides a blockchain solution for traditional financial investments that can skip third-party middlemen and initiates a new pattern of financial transactions and markets.

HodaiSwap will provide an interactive platform where users can view real-time prices, weighted dividends, invitation rebates, and lockup periods for assets in liquidity pools.

HodaiSwap is supported by the payment token ECH for exchange. ECH is a general asset issued on the EOS public blockchain and benchmarked against the fiat cash status of modern finance, and is an important financial asset that supports EOS ecological transfers, payments, exchange, and chain crossing. HodaiSwap chooses ECH as the exchange currency and automated market maker (AMM), and holders who lock ECH into liquidity pools receive a share of the exchange commission. The total issue of ECH is 99,000, with no pre-mining, private placement or additional issue, while investing and using ECH on HodaiSwap will bring significant benefits under the deflationary mechanism.

With stronger public demand for investments not subject to authority manipulation, Decentralized finance (DeFi) has become a new investment trend, and cryptocurrencies have been included in the regular portfolios of the U.S. Wall Street institutions.

After careful market research, the HodaiSwap team found that the scale of cryptocurrency-based market investment has exceeded \$70 billion and is still expanding at a rapid pace, and that if HodaiSwap can account for 1% of the investment, the annual transaction volume will exceed \$700 million. With the penetration of cryptocurrencies into traditional financial institutions, HodaiSwap has reason to believe that the decentralized financial revolution has arrived and that any participant is in the midst of this new financial trend.

HodaiSwap Core Competitive Advantages

HodaiSwap provides investors with decentralized financial services through integrated DeFi functional components.

User-friendly Operation

The low threshold setting enables easy application of HodaiSwap to investment transactions, even for novice users who have no experience in using DeFi products. HodaiSwap simplifies the process of using DeFi products, with interactive interfaces and user functions that are more in line with traditional investors' habits.

An Efficient and Transparent Investment Market

HodaiSwap has a complete value system. Compared with traditional investment goods such as spot gold, stocks, and funds, the cryptocurrency investment market creates a common time zone globally and runs 24/7, and anyone can view real-time transaction information through the blockchain.

On-chain EOS Financial Innovation

After HodaiSwap goes live, investors can conveniently swap assets and make financial payments on the EOS chain, which will provide a more stable and higher-yielding solution for cryptocurrencies.

Problems & Solutions

<p>Complex Operation with High Threshold</p> <p>The common DeFi investment market of complex on-chain operation and cross-chain transfers requires investors to have a certain financial and technical understanding.</p>	<p>HodaiSwap</p> <p>The integrated interactive interfaces guarantee the core of DeFi products, while remaining infinitely close to traditional investors' operation habits in terms of interaction.</p>
<p>Unreliability of Exchange and Other Centralized Platforms</p> <p>DeFi investment goods initiated by third-party institutions are featured by low transparency for real capital status and the possibility of perceived falsification.</p>	<p>HodaiSwap</p> <p>All investors' capital information and circulation are chained and can be checked in real time through the EOS browser against the risks of artificial evil.</p>
<p>Low Diversity and Profit Fixation</p> <p>Most existing DeFi products are developed on ETH, with mono-form incentives, serious product homogenization, and high commission.</p>	<p>HodaiSwap</p> <p>Anyone is free to create on-chain assets, based on THE EOS ecosystem in the early stage and available for cross-chain asset exchange in the future. Dynamic profit floating is realized without transfer commission.</p>

Asset Opaqueness Crypto tokens are often subject to drastic price fluctuations and thus incur a high volatile profit. With no time limit and 24/7 operation globally, crypto token investments enjoy no price limit or circuit breaker mechanisms, which means assets are always exposed to the impact of a whale sell-off.	HodaiSwap Deposit assets into HodaiSwap liquidity pools and unlock a fixed amount of token assets on a regular basis according to agreed conditions.
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Product & Service Description

HodaiSwap is an exchange protocol based on the EOS public blockchain ecosystem, integrating functions of token issue, exchange transactions, smart lockups, liquidity incentives, etc. to make it easy and convenient for anyone to use DeFi products for payments, investments, and storage without the risks and costs from a third-party platform.

HodaiSwap was originally established to enable fast, efficient and cost-effective exchange and transfers of assets without the need for third-party trust and guarantees.

HodaiSwap will be compatible with EOS on-chain assets in the first phase and implement cross-chain aggregation to support asset transfers in most public blockchains in the second phase.

HodaiSwap Time Locks

HodaiSwap time locks allow asset locking and unlocking at agreed events and time for secure and reliable crypto token transactions and payments.

The time locks will first be implemented between EOS and tokens issued based on the EOS public blockchain and will be available for more types of tokens and stablecoins. Multiple investors can issue smart contracts according to preset investment parameters, which are automatically executed when the agreed criteria are reached, with no worries about asset unlocking.

As HodaiSwap technology advances, the functions of the time locks will be constantly innovated. For instance, investors in the future can freely set the token release speed, asset portfolio allocation, etc., which will improve the controllability and security of financial transactions.

Example: A liquidity pool developer can use preset investment parameters to make the token values in the liquidity pool more secure and controllable by allowing participants to unlock liquidity rewards by time and conditions; at the same time, the developer can use smart contracts to make the unlocking progress more intuitive and transparent for participants.

HodaiSwap Smart Exchange

HodaiSwap will first be developed among EOS tokens. It allows both parties to enter into smart contracts to trade safely and securely over-the-counter without any third-party involvement. As the project progresses, more functions will be added to HodaiSwap.

Example: To avoid slippage, you wish to exchange a large number of tokens for EOS via OTC trading. You find a buyer on a forum or through personal connections, and both parties agree to a deal at a certain price.

At this point, you create a HodaiSwap smart exchange and send your tokens to activate the specified contract. The buyer also sends the EOS to the contract. Only when both funds have been credited, the EOS will be automatically sent to your wallet and the tokens to the buyer's wallet at the same time.

HodaiSwap Smart Issue

HodaiSwap smart issue will support project issuers in creating a trusted, low-cost crypto token issue solution that allows them to control the token release and enables a dynamic lockup token distribution model.

In the early deployment phase, the smart issue can be used for specific selected projects. Project issuers develop liquidity pools and specify trading pairs, setting up an event- and time-based lockup mechanism that allows participants to unlock all tokens once they achieve a specific outcome or reach a date. Meanwhile, they can design OTC trading parameters to ensure that assets in liquidity pools will not be pumped and dumped, helping to build trust among investors, participants, and traders.

Example: A project issuer wants to complete token distribution through HodaiSwap, with the expectation that participants will not immediately sell their tokens. He can use HodaiSwap Smart Contract to enter into an agreement that allows participants to send EOS to a specified address. Buyers can then receive the tokens at a preset time and can complete the tasks posted by the project issuer for early unlocking. The token distribution between the issuer and participants is done through open-source smart contracts and does not require a third-party guarantee platform.

Technology & Development

EOS Underlying Public Blockchain Suitable for Financial High Concurrency

HodaiSwap is a decentralized exchange protocol based on the EOS public blockchain, where all transactions are recorded and cannot be tampered with. EOS is a commercial-grade underlying public blockchain. Compared with Ethereum, EOS has no transfer commission; in terms of performance, EOS 2.0 could process 15,000 TPS on the test network and 3,996 TPS on the main network. EOS is more suitable for technology needs for financial applications with high concurrency and big traffic.

Interactive Web3 Smart Panel

HodaiSwap supports the EOS public blockchain wallet plugin. Users registering on the platform can access a customized Web3 interface for more intuitive and convenient use of the exchange and lockup functions, skipping the complex DeFi operation process.

On-chain General Asset ECH

ECH is held as EOS AMM and has been included in the first selection of assets for HodaiSwap. Participants are entitled to 99 days of uninterrupted dividends on the HodaiSwap transaction commission.

Smart Contract Database

The team will continuously update the HodaiSwap ecosystem and launch more exchange tokens, as well as various types of smart contracts such as time-lock payments and subscription payments.

Targeted Clients

HodaiSwap's targeted clients are traditional financial investors, crypto token investors, OTC providers, blockchain startups, etc.

Traditional Finance

In the traditional financial sector, the market has developed over a century with less information inequality, a more mature access mechanism, and an already mature system of valuation models for investment goods. Therefore, it is more difficult for investors to discover value depression, while high-net-worth investment returns require high principal.

HodaiSwap offers traditional investors the opportunity to enter the nascent industry of DeFi. In over a decade since crypto tokens were created, the market has been mostly dominated by non-professional investors – there is not a unified valuation model for investment goods, and price factors are often influenced by market sentiment and information asymmetry

As a result, a portion of newly listed crypto tokens become ideal investment targets for traditional investors due to their low market values and low liquidity. This type of investment goods often offers more than 3 times the upside and less than 30% of the downside, making it easier for traditional financial investors to tap into value depression in the crypto token industry.

Crypto Tokens

Crypto token investors often need high-frequency trading operations across currencies and chains, thus requiring efficient and low-rate investment goods. A general DeFi project is based on Ethereum, which can cost tens of dollars in transfer commission and demands a complex operational and technical foundation. In this context, HodaiSwap can simplify the transaction process with zero transfer commission and provide a low-cost, easy-to-understand interactive interface for crypto token investors.

OTC Service Providers

For block traders, large OTC trades are usually necessary. In this aspect, HodaiSwap can provide a zero-rate, de-trusted, cost-effective way of trading.

Blockchain Startups

For entrepreneurs, HodaiSwap can be used to pay taxes and employee benefits and to reduce the stress of running startups.

Market Assessment

Finance is the core of the modern economy and the most important service industry in the world. According to Deloitte, the global financial service industry accounts for one-third of \$90 trillion in annual GDP.

Decentralized Finance (DeFi)

By the end of 2020, the total lockup value of DeFi (decentralized finance) exceeded \$3 billion, up more than five times from the beginning of the year. As the needs for crypto tokens in traditional finance continue to grow, the exchange channels between fiat currencies and crypto tokens become increasingly popular. In this background, DeFi projects will be widely applied, and at the same time, HodaiSwap will enter a critical phase of this nascent industry.

Current DeFi projects mainly cover debit and credit, decentralized transactions, prediction markets, financial derivatives, and cross-chain synthetic assets. In addition to exchange transactions, HodaiSwap has increased liquidity incentives and smart lockups to attract more and more DeFi users and build up EOS on-chain prosperity.

DeFi Trend

DeFi is a financial market built on the blockchain world where it was originally a range of financial protocols created for on-chain transfers, price references, and derivative investments. As the blockchain ecosystem becomes increasingly prosperous, protocols form a more complete DeFi offering through mutual recursion.

Compared to 2018, DeFi lockups have grown nearly fivefold, and DeFi has maintained its growth through both the bear market of 2019 and the bull market of late 2020. Financial trends show that DeFi is a financial market that can grow in the long term, so in the next 5–10 years, the one who enters the market earlier can take the first-mover

advantage earlier.

HodaiSwap aims to become a widely used financial protocol in EOS and across chains. It can provide all financial services related to payments, money management, and time locks, gaining at least 50% of the DeFi market share.

OTC Trading

Due to the nature of the crypto token market, public sales represent only a small fraction of the total trading volume. On Ether alone, there are over 1 million exchange transactions per day, with an average turnover of \$50 billion – a figure so huge that HodaiSwap can set up exchanges on the EOS public blockchain and undertake OTC trading of EOS-based assets.

Open-market Transactions

By the end of 2020, the daily turnover for centralized exchanges exceeded \$50 billion, and that for decentralized exchanges topped \$1 billion and is now still surging. Cryptocurrencies are the most noteworthy financial investment options for global investors.

HodaiSwap integrates DeFi products with decentralized exchange protocols to allow users to access the gamut of DeFi product services from transfers, transactions, lockups, and incentives, thus meeting the needs of different types of users. HodaiSwap will become the new power of EOS on-chain finance as it opens up all types of financial services.

Business & Economic Calculations

Business Development

HodaiSwap is the first EOS-based crypto token network that incorporates transaction exchange, incentive finance, and time lockups. It breaks the domination of DeFi by Ethereum and fills the DeFi gap of EOS.

As a DeFi promoter in the EOS sector, HodaiSwap aims to take the first-mover advantage to gain significant market share and create a market that is difficult for competitors to replicate.

Therefore, in terms of business logic, HodaiSwap decides to introduce a time lock mechanism during the start-up period. Investors and participants will be rewarded with a large amount of liquidity and achieve a steady rise in token prices through lockups and deflation.

1. Liquidity Pools

To build a stable and active financial market, liquidity pools, each with two types of tokens, are an essential part of the exchange protocol. A liquidity pool can be interpreted as a new trading market created for the two types of tokens. After a new pool is established, due to dynamic price differences in global markets, a portion of investors will be attracted by the spread to this pool and will improve the liquidity when transferring assets to the pool for exchange.

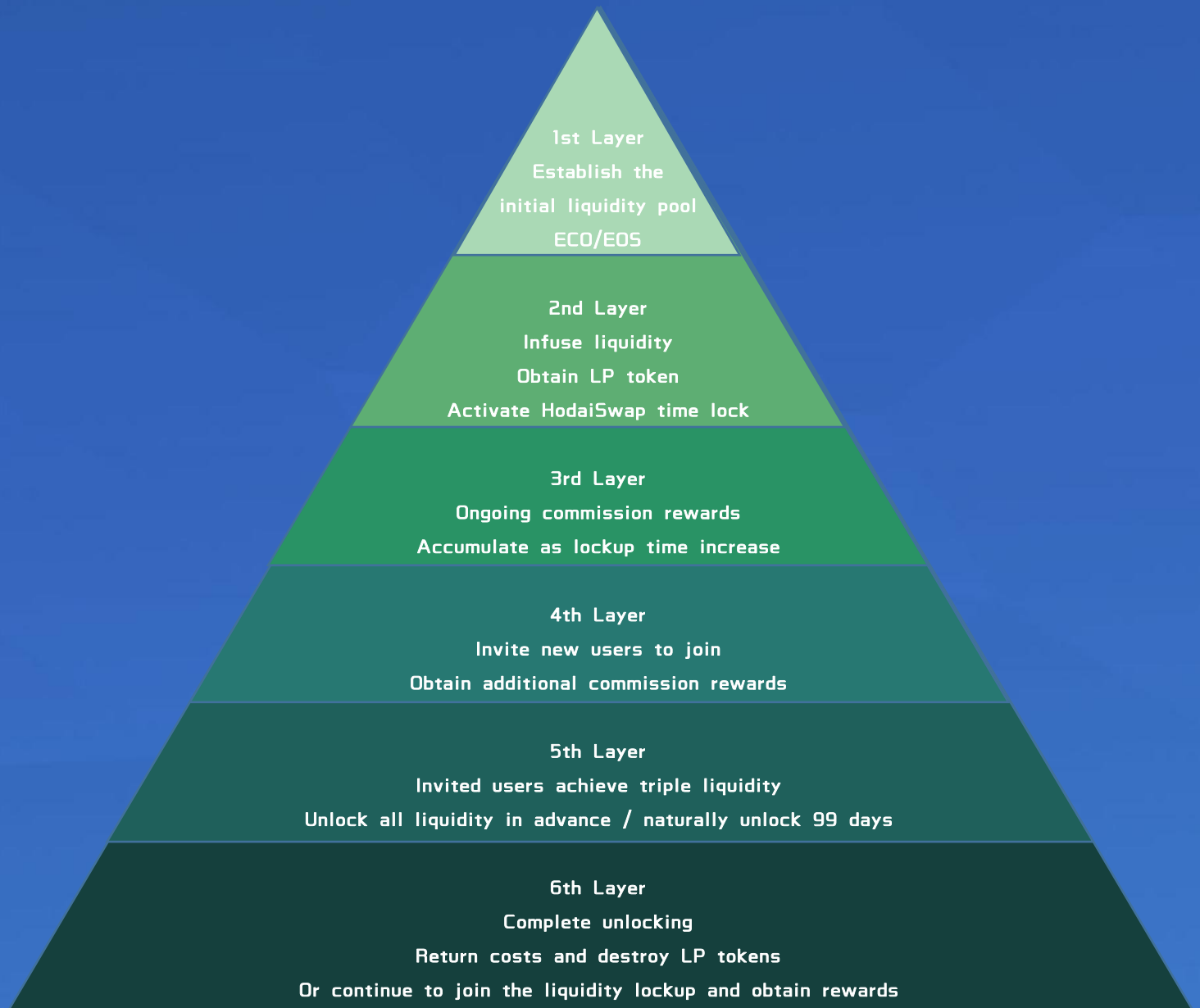
To further solidify liquidity, HodaiSwap issues LP tokens to all liquidity providers. When a transaction is concluded in the pool, a portion of the transaction commission will be allocated to LP token holders on a pro-rata basis.

HodaiSwap not only offers transaction rewards over 5 times higher than common Swaps, but also issues additional token rewards for liquidity providers to reduce slippage and provide a better trading experience. Initially, the project team will release the first liquidity pool, and any user with a need for exchange can release a pool freely in the future.

2. Transaction Commission Rebate

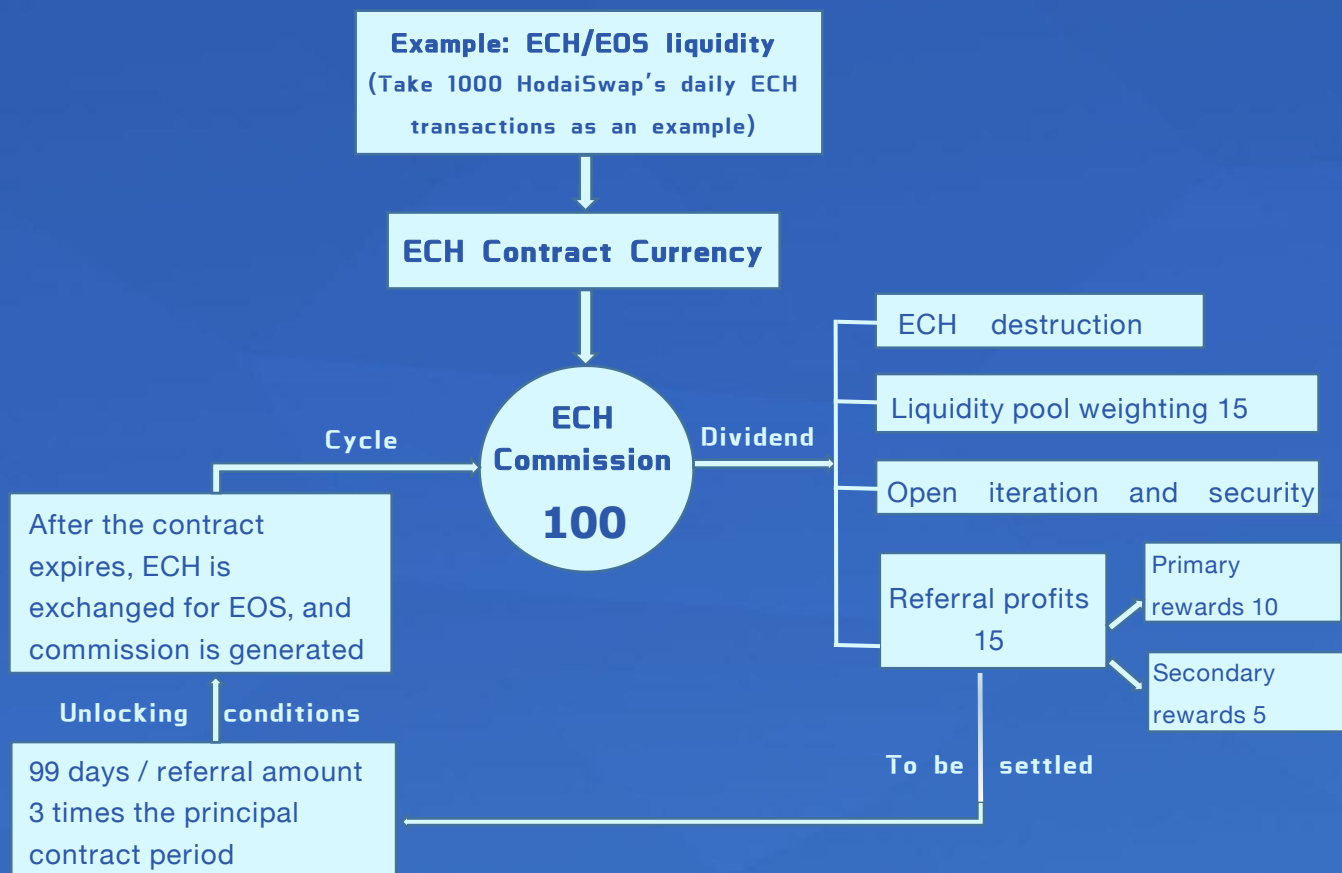
To activate the entire liquidity pool, HodaiSwap has set a series of liquidity incentives. Instead of adopting a general approach, HodaiSwap increases participants' incentive profits through a secondary referral mechanism and lockup mining and improves HodaiSwap liquidity with a richer incentive model.

Economic Calculations



手续费分配图

Commission Allocation Chart



Token Economics

Since ECH is the cash that acts as the on-chain flow in the EOS ecosystem, its value attribute is given top priority. HodaiSwap accesses

the ECH liquidity pool and utilizes its deflation to keep the pool investors' assets growing. ECH is issued at the total volume of 99,000, 90% of which is applied to liquidity pools with no pre-mining or pre-selling, and it will be destroyed until 9,900 is left. ECH functions in two main ways:

1. **Liquidity building:** Initially, ECH, as HodaiSwap's selected token, launches the function of time locks in the first phase. By adding ECH, participants sign contracts with HodaiSwap and enjoy a lucrative share of the commission.
2. **Extreme deflation:** In the ECH liquidity pool, 5% of the ECH commission goes directly to the destruction pool to keep users' principal in the pool on the rise and away from the price risk of market sell-off pressure.



99,000 in total, all for liquidity and deflation

Route Map

