Blockbid: Token Based Liquidity Incentive

FINAL

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1 Overview

There is somewhat of a chicken and egg problem when it comes to launching an exchange. Initially there is no liquidity. As a consequence nobody wants to trade on the exchange and therefore there is no liquidity. The proposed model aims to bootstrap the liquidity and trading activity of the Blockbid platform. This is achieved by:

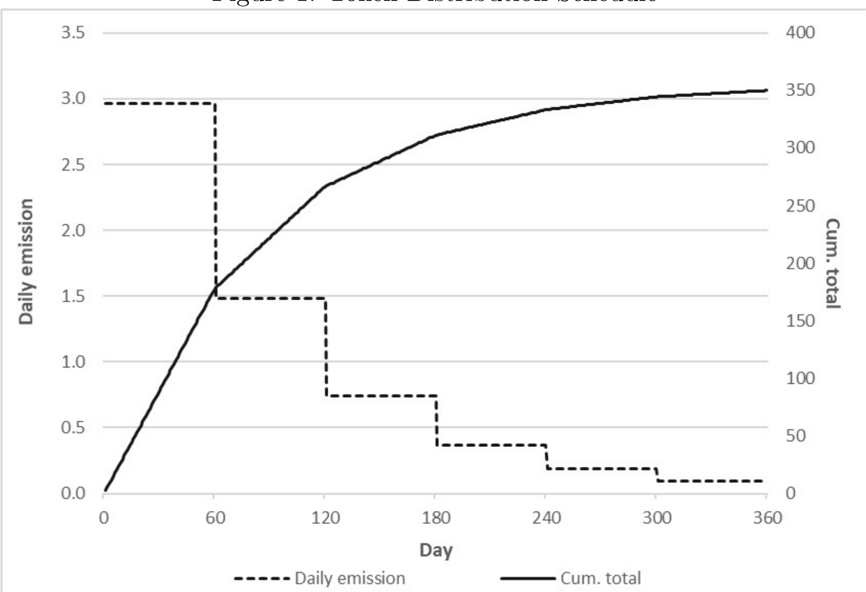
1. incentivising market makers to provide liquidity in exchange for tokens which will be repurchased using trading fees collected by platform

2. incentivising traders to move their trading activity to the platform in exchange for tokens which will be repurchased using trading fees collected by platform

2 Token Emission

The model incentivises the provision of liquidity early on in the life of the platform. The distribution of tokens is highest when liquidity is the lowest. Token emission will halve every 60 days until day 360. Token emission will be zero after day 360. See distribution schedule in figure 1 below.

Figure 1: Token Distribution Schedule



There will be a fixed number of tokens available for daily distribution per the schedule in figure 1 above. Traders will earn tokens depending on the amount of volume they trade and the nature of that volume. One third of the daily distribution will go to traders who execute market orders. Two thirds of the daily distribution will go to traders who have their limit orders executed. Traders will be allocated tokens based on their pro-rata contribution to total platform volume on that day. See equations 1 and 2 below.

Traders with limit orders which execute will earn tokens according to the following formula:

$$\text{TokenReward} = \frac{2}{3}\text{DailyDistribution}\left(\frac{\text{VolumeTraded}}{\text{TotalPlatformVolume}}\right) \tag{1}$$

Traders executing market orders will earn tokens according to the following formula:

$$\text{TokenReward} = \frac{1}{3}\text{DailyDistribution}\left(\frac{\text{VolumeTraded}}{\text{TotalPlatformVolume}}\right) \tag{2}$$

3 Token Buyback and Burn

50% of trading fees will be used to conduct periodic on market buybacks. These will be conducted every 30 days. The buyback commitment will be perpetual. Tokens that are bought back will be immediately burnt.

The funds available to buyback tokens will be calculated as follows:

$$\text{BuybackFunds} = \left(\frac{1}{2}\right)\text{Fees}_{Platform,30} \tag{3}$$

$Fees_{Platform,30}$ is the total fees collected by the platform during the 30 day period.

4 Total Supply

Total supply of tokens created will be capped at 1,000m - note that this cap will never be reached as from day 30 tokens will be bought back using trading fees. By holding 40% of the tokens the team is signaling its commitment to the buyback and burn program and appropriately aligning incentives between token holders and platform owners. As the platform grows the amount of fees collected will increase. This will mean larger buybacks and more buying pressure for the token. Since Blockbid will own 40% of the outstanding supply of tokens it is in our interest to ensure a firm commitment to the buyback and burn program.

Tokens held by the Blockbid platform will be locked for 3 years. Advisor tokens will be locked for 180 days and released gradually over the incentive period to avoid any supply shocks.

Figure 2: Token Supply