# DEFX

## Decentralized Forecast Xei White Paper

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Polygon Tron Arbitrum BscScan A product of Etherscan

## 1. Overview

DEFX stands for Decentralized Forecast Xei. The term Decentralized means decentralized and distributed, Forecast means forecasting and Xei is used in mathematics to refer to unknown numbers or variables in algebra. In Spanish, X stands for unknown, and in the medical field it is used for magical unknown phenomena, such as x-rays. This meaning of the letter X can be traced back to the Arabic word say for "thing". In ancient texts, such as the Al-Jabr, a manuscript written in Baghdad in 820 AD establishing the rules of algebra, mathematical variables are called things. For example, an equation could be read as "three things equal 15" - one thing equals 5. DEFX is meant to be a decentralized prediction of the magical future.

Prediction markets were touted as one of the best blockchain use cases back in 2014 when the first prediction market-like platform, Augur, was launched. Since then, however, availability and liquidity have gradually deteriorated due to high Ethereum gas fees, causing most of the early platforms to start disappearing. In 2020, however, the emergence of scaling solutions and differentiated incentive structures for Ethereum led to the birth of a new group of decentralized prediction markets. Unlike before, many of these developers have already found an early product market fit.

As these platforms evolve, we believe this category could become a new form of social media and a leader in the next wave of mainstream adoption. And similar beliefs are held by others in the community who have seen the evolution of the space from the beginning.

DEFX is a decentralized non-custodial options trading platform and prediction marketplace. DEFX's functionality is implemented in smart contracts on the Coin Smart chain, Wavefield and Polygon, with open source and tamper-evident code. It can ensure the security of users' assets and the fairness of the rules.

DEFX is currently used to address the following pain points.

 Opaque options trading, price manipulation and misappropriation of user assets in centralized exchanges.
There are many illegal options trading platforms on the market, many of which are licensed to trade, and they make illegal gains by manipulating users' profits and losses and embezzling their assets. DEFX uses a decentralized approach to building its trading platform, with all operations implemented through smart contracts. The security of users' assets and the openness of transactions are ensured due to the open, tamper-evident and traceable nature of the blockchain.

 Users hold a portfolio of volatile assets and wish to hedge their risk.
For example, a user is bullish on Bitcoin and buys Bitcoin assets, but the user is worried about a black swan event causing the price of Bitcoin to fall. Then the user can buy a put option and if the price continues to rise, the user will only lose a small amount of the option premium, and if there is a black swan event the price of Bitcoin falls, the user can gain from the put option and thus hedge the risk of the portfolio.

 Providing a high security, low barrier to entry investment channel.
DEFX is implemented based on decentralized smart contracts, allowing users to participate in trading as long as they have digital assets in mind, without the need for a complex account opening and authentication process, which can significantly reduce the barrier to entry for users.

 Short-term speculative trading options for risk-averse users
DEFX offers short-term options trading varieties, divided into 5 minutes, 15 minutes and 30 minutes, providing a good investment target for users with a high risk appetite.

## 2. Decentralized Prediction Market

### 2.1 How Prediction Markets Work

In simple terms, a prediction market is one that allows users to place bets on the outcome of binary events (events that have not yet come to fruition). In a decentralized prediction market, users can buy "Y tokens" or "N tokens", which represent two different outcomes of a binary event and are priced between $0 and $1 depending on demand and supply. For example, if the odds are equal for either outcome, both tokens are priced at $0.50. On the day of the event, the value of the winning token becomes $1 while the other becomes $0 and the value shifts from the losing queue to the winning queue.

The prediction market benefits from the decentralization of three key parameters.

1. Globalization: For the first time, users can place bets on global activity without any infrastructure, currency exchange barriers.

2. Less restrictive: Many centralized platforms have started to impose their own user restrictions. For example, frequent winners may no longer be allowed to place bets.

3. Limited counter-party risk: There are already many centralized prediction markets that have been forced to close abruptly, such as Intrade.

**In a decentralized prediction market, the outcome of events can be reported in two ways.**

1. Token-based prophecy machine incentives: the platform introduces native tokens that can be pledged by prophecy machine service providers. In exchange, part of the cost is shared with the prophecy machine service provider.

2. Centralized prophecy machines: The platform itself acts as a prophecy machine in the early stages, choosing not to issue tokens. This introduces the risk of platform manipulation, but reduces the risk of early volatility until the project gains a product market fit.

### 2.2 Why prediction markets work

Prediction markets can help predict any verifiable outcome, be it political elections, weather,

economic growth, house prices, the spread of a flu outbreak ... You name it.

Research shows that prediction markets outperform traditional methods, such as expert panels and political polls. The Iowa E-Marketplace, a political prediction market, was able to outperform professional pollsters, getting it right 451 out of 596 times. HP's internal prediction market more accurately predicted printer sales than the company's executive team. Another study showed that orange juice futures could provide more accurate weather forecasts than the National Weather Service.

Remember, these studies are based on centralized prediction markets. As we will soon discover, these are limited and may pale in comparison to the predictive power of decentralized markets.
Prediction markets draw on the wisdom of the crowd, like a super magnet that absorbs all the world's information. Participants make predictions honestly and to the best of their ability, because they are 'in it' and will suffer loss or gain depending on the outcome of the prediction.

Prediction markets not only extract existing knowledge, but also stimulate the generation of new knowledge. For example, the market for weather forecasting may lead meteorologists to develop better forecasting models. Forecast markets make the creation and revelation of knowledge competitive and elite.

By compensating for accurate predictions and making incorrect predictions more costly, over time, prediction markets give greater influence to so-called super-predictors, while discouraging dishonest or inaccurate predictors.

The market always makes the truth come out. Think of the Challenger rocket explosion in 1986. After the tragedy of that manned space shuttle, which exploded seconds after launch, the world wondered what the problem was.

It took months before a team of experts identified the culprit: a contractor who made the rocket's components and whose product was defective. But minutes after the explosion, the contractor's stock plummeted. What took the team of experts months to figure out, took the stock market only minutes. Someone, or more likely a group of people, knew the truth and they were motivated by the market to disclose the facts.

However, while the stock market is good at absorbing information, its core task is to price companies, which is only a by-product. Prediction markets, on the other hand, are built from the ground up with the goal of information gathering. They incentivize all kinds of people to disclose their private knowledge and to do so as quickly as possible so that others do not get ahead of them.

Prediction markets can be a public utility, providing insights of general interest, or they can be used internally by companies to predict product sales and project completion dates.

Prediction markets not only predict the future, they also allow individuals and organizations to hedge their risks for future needs. For example, Chilean farmers can hedge against the risk of

drought by predicting low rainfall. If it rains, they have a good crop, and if it doesn't, they receive a hedge.

In 2008, a paper written by several Nobel Prize winners and Google's chief economist showed that prediction markets allow governments and businesses to make better forecasts and decisions. They encourage regulators to be tolerant of prediction markets, which can help manage economic risk and improve social welfare. prediction markets are also advocated as a means of unlocking collective insight in James Surowiecki's 2004 book, The Wisdom of Groups.

### 2.3 Limitations of centralized prediction markets

Centralized prediction markets suffer from the so-called 3Cs of centralization: closed, controlled and costly. These factors limit the effectiveness of prediction markets, information gathering and the ability to make accurate predictions.

**Closure**

Centralized prediction markets, like most financial markets, are subject to restrictions, capital controls and regulatory segregation. Operators and regulators act as gatekeepers, limiting who can participate and what they can speculate on. There are only a few speculative outcomes available, and it is impossible to create your own market.

**Controlled (and censored)**

Centralized prediction markets set low betting ceilings, which prevents participants from fully expressing their beliefs and driving the market with larger bets. This limits the market's ability to make predictions. The risk of the market being closed by regulation is also detrimental to participation.

**High Costs**

Centralized prediction markets charge fees in the form of profit drawdowns or withdrawal contributions. This can limit participation and the reduction in participation is not conducive to effective forecasting.

In short, illiquidity ...

Markets are equivalent to networks and have a network effect. This means that each new participant makes the network more useful and valuable. One can think of markets as networks that connect buyers and sellers. The fewer sellers there are, the less likely buyers are to find a match, and vice versa. The ability to find counterparties quickly is known as liquidity. If you can find a buyer or seller quickly, the market is liquid. The more liquid a market is, the more attractive it is to novices, which drives more liquidity.

But anything that discourages participation saps liquidity and hinders the network effect. A centralized forecast market is like a river with a dam: there is little liquidity and information does not flow freely.

Imagine that we live in a world where every country or region has its own Wikipedia, and some places do not. Some versions are more accurate and complete than others, but none would be better than the one we have today, because no one version has access to the world's

knowledge. Imagine again an alternative world where only the central government could create new Wikipedia pages, that would have even fewer pages and authorities censoring subject content.

Welcome to the world of centralized prediction markets. Different jurisdictions govern different markets, some areas have no market at all and only the operators can create it. There should be better options, right?

### 2.4 Advantages of decentralized prediction markets

A decentralized prediction market is an entity with no owner and no centralized operator. What are its advantages before we understand how it works?

**Creativity**

Decentralized prediction markets allow anyone to buy and sell transactions at will, and create markets for any outcome. Decentralized prediction markets are not only limited to prediction markets, but also allow speculation. For example, if you are in a developing country, it is difficult to access the US stock market. With decentralized prediction markets, anyone can trade the future value of any asset on a prediction market.

Participants are also able to create their own markets. Remember the Chilean farmer who fought off the risk of drought? So far, he hasn't had much luck. At best, a major bank spends millions of dollars in a huge effort to design a customized derivative instrument. For DEFX, on the other hand, it only costs the price of a Starbucks coffee and a few clicks.

**Low Cost**

Decentralized prediction markets only charge fees when they are needed to protect the network. The fees tend to be low and converge to zero over time.

**Security**

Decentralized prediction markets eliminate counterparty risk and ill-intentioned operators, and participants don't need to trust anyone with their money.

**Stability**

Decentralized prediction markets are more resistant to scrutiny and unscrupulous elements. They do not shut down abruptly or have a single point of failure, as they are distributed.

**Optimization**

Each of these features is a game changer, but when you merge with them you get the magic: a global open pool of unlimited liquidity, an efficient marketplace that collects aggregated world information.

Remember that liquidity has a powerful network effect. If a centralized prediction market is a swimming pool, then a mature decentralized prediction market is a raging river, where information flows freely and unimpeded.

## 2.5 A brief history of decentralized prediction markets

Augur and Omen were early creators of decentralized prediction markets, with Augur launching back in 2014. Most of these early projects had the right idea, but it may have been too early. This is because these projects still face four major challenges.

1. user experience failures: most of the decentralized forecasting platforms came before the release of a functional version of Metamask and struggled to provide a clean user experience.

2. pricing/pricing: decentralized prediction platforms are initially priced in ETH; the volatility of the assets results in a low addressable market for users willing to take price risks.

3. High Gas costs: In the area of pre-scaled solutions, many of these decentralized forecasting projects struggle with the fact that Gas costs are often higher than the value of the bets, thus discouraging some users.

4. poor liquidity: early decentralized prediction marketplaces struggled to gain sufficient liquidity to scale up to facilitate larger stakes.

For the above reasons, most of these early projects have slowly faded out of the market's public eye.

With the rise of, for example, Coin Smartchain/Poca/Board, the experience of low value bets has become more economical. At the same time, the presidential election and the new crown epidemic as well as the halving of BTC have positively impacted the digital asset market and brought a whole new user base to the crypto ecosystem.

These favorable factors have led to the rise of decentralized prediction markets. built on top of BSC and wavefields, DEFX makes three key changes to the traditional decentralized prediction market model.
● Stable currency denomination: DEFX denominates all its markets in USDT to avoid the inconvenience of price volatility.

● Liquidity Incentives: DEFX charges a 2% fee for each trade that goes directly to a liquidity provider.

● Focus on simplifying the user experience: DEFX's user experience is more intuitive than most of its competitors in most parameters.

## 2.6 Predicting the potential future of the market

Since the early days of Ether, the crypto community has been intrigued by the prospect of building its own decentralized social media platform. However, most models to date have simply tried to emulate successful Web 2.0 platforms and call them 'decentralized'. We believe that the first successful decentralized social media platform will be very different from what most people expect and will be based around the core value proposition of cryptocurrencies:

global financial interconnectivity.

For the first time, a decentralized prediction marketplace will allow people around the world to express their views on global events and current affairs through financial incentives. In doing so, a key addition to the current structure of decentralized prediction marketplaces will be the ability to comment and discuss anonymously, making these platforms truly social. Again, this has been cited by prominent members of the community and may already be on the roadmap.

In addition to connecting anonymous identities, decentralized prediction markets will begin to operate like distributed survey tools. Just as Twitter has become a source of news before it is delivered before the official media, prediction markets will become a tool for capturing public sentiment and disseminating information backed by clear economic incentives. One example of this is the 2020 presidential election, where most prediction markets predicted the outcome of the campaign before traditional new media.

Any platform that captures and disseminates this value will be able to build a strong business model based on a nominal fee.

## 3. Decentralized options

### 3.1 What is an option?

An option is a binding contract that allows you (as the buyer) to sell or buy an underlying asset (goods, stocks, indices, etc.) at a predetermined price for a specified period of time. You, as the buyer of the option contract, have the right but not the obligation to buy or sell the underlying asset. This is the big difference between an options contract and a futures contract. With futures, you are obliged to take delivery of the underlying asset. In the case of oil, for example, futures contracts can actually be negatively priced as there are some costs associated with delivery and storage!

With options, in order to receive the right to buy or sell a specific asset at a predetermined price, you must pay a price to the seller of the option, which is the option premium.

As an example, a fruit shop wants to buy 500 kg of apples from an orchardist, but these apples will not ripen until August. Due to the effects of this year's drought, the fruit shop is concerned about price increases. It therefore reaches an agreement with the orchardist that it can buy the apples in August for US$4 per kilo. However, it does not have to do this if cheaper prices are available on the market. In order to obtain this right, the fruit shop pays the orchard owner US$ 100 as compensation.

The above contract is a typical option. It is known as an ordinary call option.

In short, an option allows the user the right to buy or sell the underlying asset at a specific price before the settlement date. A call option is a buy option and a put option is a sell option. An option is the right to buy or sell the underlying asset prior to the settlement date, with the option buyer having only the right but not the obligation to do so.

### 3.2 Decentralized options

According to Glass node data, DeFi has a total market capitalization of $140 billion and covers areas such as cryptocurrency, lending, synthetic assets, instrument architecture (e.g. prophecy machines), exchanges, derivatives, etc. Of these, options are almost a blank in the derivatives space, which is why institutions such as FinNexus and Chainlink predict that decentralized options will be the next DeFi hotspot, or the saving grace of Bitcoin contracts.

The main reason why decentralized options could be the next DeFi hotspot is because it solves several major pain points that exist in traditional finance for investors involved in options, as well as decentralized options at the moment.

1. In terms of the nature of an option, an option is a contract that gives the option holder the right to buy or sell an asset at a fixed price on a specific date. The buyer of an option has only the power but not the obligation, and the seller of an option has only the obligation but not the right. This inequality of rights and obligations creates different risk attributes for the buyer and seller. The risk for the buyer is to lose the option premium, but the potential gain is unlimited; the gain for the seller is to earn the option premium, but the potential loss is unlimited.

2. Even with professional institutional participants, as sellers, to control their own risk, they also need a wealth of risk hedging instruments in the market to hedge away their potential risk. At present in the DeFi space, it is clear that hedging tools are not abundant enough.

3. Traditional options are reliant on the order book to put together transactions and require professional market makers. If this is done on the chain, there are problems of low efficiency and high cost. The GAS fee on Ether reached 300 Gwei not long ago, and the high cost will greatly reduce the motivation of users to participate.

4. Due to liquidity issues, for buyers, there is no way for option purchasers to pick the option products they expect, such as products with different underlying assets, different strike prices or expiry dates.

In response to these problems, DeFi's Decentralized Liquidity Options was born, by creating a liquidity options margin pool to act as a counterparty for all option purchasers. Option fees and other agreed rewards will be pooled into this pool and shared by users who join the pool, and all option returns and risks will be shared and borne by users across the pool.

The potential of a decentralized options flow pool is the ability to create options on any underlying asset, which can be not just digital currencies such as BTC, but also traditional financial assets. Compared to centralized options, it removes intermediaries and counterparties, has unlimited liquidity and can also be pledged for mining.

With the popularity of DeFi decentralized options, playing contract users in order to reduce their risk of blowing up, options + contract hedging trading strategy will be used by more people, after opening options hedging, even if the contract is blowing up, but the profit part of

the option is much larger than the principal of the contract, so no matter what, it will eventually remain profitable.

## 4、DEFX Core Features

### 4.1 American style options

Options are a well known derivative in traditional finance. They represent a commitment (by the seller) and an opportunity (by the buyer) to buy or sell, depending on the contract they hold - both the underlying asset at maturity. The seller issues the contract and, unlike futures, it represents the buyer's right, but not the obligation, to exercise the terms of the contract if desired.

The concept of a contract that allows the buyer to hold rights rather than obligations is the most basic and inherent feature of every option contract. In addition to this, there are different types of options, types of exercise rules and types of settlement that can be adapted to obtain the best option.

Another important feature of an option is the rules governing the exercise of the contract. Options can be European or American style options. An American option is a "continuous time instrument" as it allows the buyer to exercise it at any time prior to expiry. The options offered by DEFX are American style options.

When buying an option contract, you must first determine the type of option you are buying, if you expect the price to continue to move higher you should buy a call option and vice versa for a put option.

Once the type of purchase has been determined there are also the following option elements to note.
Underlying Asset: The asset that the user wishes to have the right to buy or sell at a later date.
Strike Price: the price at which the user has the right to buy or sell at the time of exercise.
Expiry date: the time at which the contract expires and the user can only purchase the contract before it expires.
Contract price: The price of the current contract, which is the portion of the proceeds received by the seller of the option.

Example of use:
The current price of BTC is 50,000 USDT, the strike price of the BTC put contract is 49,000 USDT, and the current contract price is 1,000 USDT. The user buys a put option for 1,000 USDT. If the price of BTC falls to 40,000 USDT at a later date, the user can sell at the strike price of 49,000 USDT and receive an income of 49,000 - 40,000 - 1,000 = 8,000 USDT.

### 4.2 Simple Digital Options

One of the simplest forms of financial trading instruments to trade. There are only two possible outcomes at expiry and the decision to receive income is based on whether an underlying asset closes below or above the strike price within a specified period of time (e.g. 5

minutes, 15 minutes, 1 hour etc. in the future). If the movement of the underlying asset satisfies the pre-determined initiation conditions, the trader will receive a fixed amount of gain at lock-in and conversely lose a fixed amount of part of the investment, i.e. fixed return and risk.
Simple digital options only consider the price direction of the underlying asset (bullish or bearish), whereas with traditional financial instruments such as equities and foreign exchange, investors need to consider both the price direction (bullish or bearish) and the magnitude of the ups and downs, therefore simple digital options are simplified financial instruments. Its return and risk are pre-fixed and the return is determined only by whether the price of the underlying asset meets predetermined conditions. For example, if the underlying price exceeds the option strike price at expiry, the investor may earn a fixed amount of 200% of the amount invested, independent of the magnitude of the increase in the underlying price.

The ROI on a Simple Digital Option depends on the ratio of long to short positions, for example, if the total long position for the period is 10,000 USDT and the total short position is 20,000 USDT, the expected ROI is 200% for the long position and 50% for the short position.

Investors can judge expected market movements and anticipate market price levels and timing. Investors can anticipate market movements to achieve lucrative returns or take full control of their investments to avoid certain market risks.

### 4.3 The Predictor System

#### 4.3.1 Overview

Blockchain's decentralized ledger and smart contracts have solved the trust problem of P2P interactions for today's society without the need for any centralized institution to endorse trust, which is a major innovation in the trust system of human society. However, current smart contracts cannot actively access off-chain information, making it impossible to interconnect with the outside world because it can only perform its tasks in a closed, isolated environment.

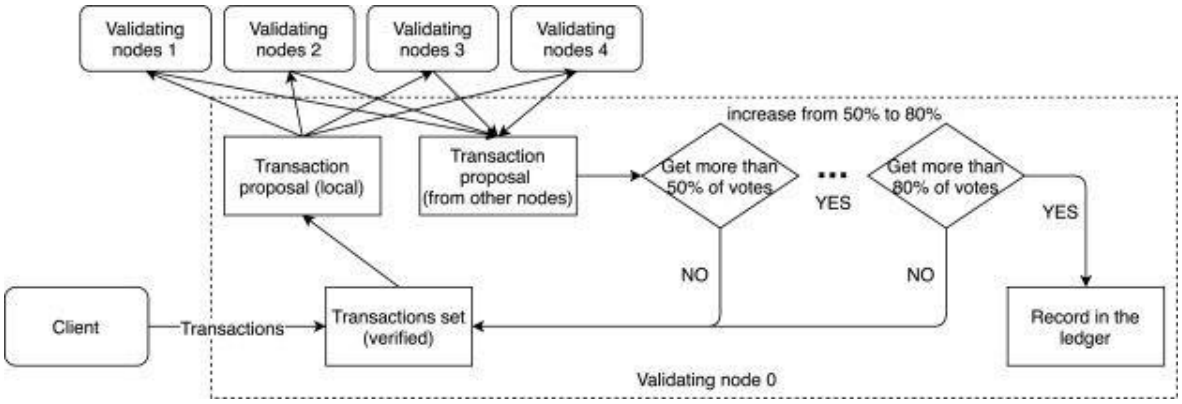
Oracle is designed to solve this problem for the blockchain by acting as a gateway for smart contracts to communicate with the outside world, opening a window to the outside world.

As an example, a user posts a predicted market betting event for a World Cup match, and other users can bet on the result via an on-chain smart contract. The data for the tournament is not generated on the chain itself, but requires the smart contract to request data from a data provider. This is where the prophecy machine comes into play. The smart contract can make a request to the prophecy machine, which executes the call to the World Cup service website interface and returns consistent response data to the smart contract for it to process.

The seemingly simple execution process actually implies a number of issues, such as
Blockchain's decentralized ledger and smart contracts have solved the trust problem of P2P interactions for today's society without the need for any centralized institution to endorse trust, which is a major innovation in the trust system of human society. But current smart contracts
The inability to actively access information off-chain to the outside world leaves it to perform

its tasks in a closed, isolated environment, unable to interconnect and interoperate with the outside world.

How can we ensure that the data from a data source does not do evil? What if a data source gives a "yes" answer to Predictor Node A and a "no" answer to Predictor Node B? Here we need to introduce multiple data source requests to guarantee the authenticity of the data source. The fact that there is no guarantee that the data requested by the user exists in more than one true and trustworthy source means that our prediction machine system must tolerate the problem of data source misbehaviour, for example by not penalising prediction machine nodes that return incorrect answers.
The list goes on, and to prevent these problems, a decentralised prophecy machine needs to be carefully and comprehensively designed.
The following design diagram is shown below,




### 4.3.2 Multiple propeller nodes

To prevent trust issues with single-node prophecy machines, multiple nodes are needed to jointly perform request processing of prophecy machine data. The data inconsistency problem that multiple nodes can bring about must be needed when aggregation of data is required. We use the BFT (Byzantine Fault Tolerance) consensus algorithm for data aggregation.
 Network nodes apply to become validators of the prophecy machine system by locking DFT assets. The number of system verifiers is dynamically changing.
 The system randomly selects one person from the current validators as the result proposer.
 The system validators vote on the outcome proposal and the vote may take multiple rounds to reach consensus. Each person's vote is weighted in proportion to the locked virtual assets.
 If the data submitted by the proposer is ultimately rejected, then there is a problem with the result proposed on behalf of the proposer and a portion of the DFT pledged by the proposal will be deducted as a penalty.

### 4.3.3 Black-box proposal mechanism

The broadcast of data between the verification nodes of the propeller system introduces the Free-loading (short-loading) problem, where instead of accessing the data source to obtain data, a verification copies the answers of other verifiers. When free-loading verifiers are in the

majority, if they copy a wrong answer, this becomes a majority attack and compromises system security. We can solve this problem by using a 'black-box proposal' mechanism, where the validation submits the data answers in two stages, with the answers submitted encrypted until the proposer is identified, and the full answers decrypted after the proposer is identified. The system validator then votes on the results of the proposer.

#### 4.4.4 Reward and penalty mechanism

15% of the total number of DFTs, 150 million in total, will be used for the rewards of the prover verifiers. 20 million verifier rewards will be distributed per year initially, halved every 2 years until the rewards are scaled down to 2.5 million per year, for a total of 18 years. Subsequent verifier nodes will be rewarded primarily through transaction fees and community donations.

Verifier nodes are required to pay a deposit when they join the decentralised network to prevent node mischief. Validators who obtain the same answer as the consensus result will be rewarded, as they are all contributors to the consensus conclusion. In terms of penalty rules, if a verifier gives an answer that differs from the consensus result, the prize deducts a small portion of their margin as a penalty. This part will not be too large, as we do not know whether it is the verifier node or the data source that is doing the evil. In contrast, if a node has a free-loading problem, the node will be subject to a higher penalty.
If the node has a free-loading problem, the node will be penalised at a higher rate.

### 4.4 Prediction markets

Users can create and/or participate in prediction markets on a variety of topics (cryptocurrency, politics, sports, etc.). The prediction machine then provides validation of the results and the user holding the corresponding correct share will receive all bonuses.

Prediction markets are places where tokens representing the potential outcome of events are bought and sold. When an event occurs, the market pays the holder of the actual outcome that occurs. Also known as an information market or a decision market, the prediction market is a tool for aggregating expected outcomes regarding future events.

Predictions made by users are paid out in the form of ERC-1155 tokens, with the winning user receiving a reward after the results are announced. The tokens held by unsuccessful users lose all value.

The results of prediction events are based on the results published by the prediction machine. If participants dispute the results of the prediction machine, they can submit a dispute during the dispute submission period set for prediction events, and an arbitration committee will arbitrate the disputed events. The arbitration committee is generated by the community autonomy.

## 5. DEFX Economics

### 5.1 Token issuance

DFT is the governance token of the DEFX platform, holding DFT can participate in the governance of the platform, including modifying contract parameters, proposing governance motions, etc.

DFT has a total issuance value of 1 billion tokens, of which:
● 5% is used to provide initial liquidity.
● 15% for liquidity mining.
●15% for prophecy machine verifier rewards.
●10% for membership rewards.
●15% for private placements and early backers.
●10% for marketing such as airdrops.
●15% for team and advisors.
●15% is held by the DEFX Foundation.

### 5.2 Multi-chain support

The DEFX platform will be deployed on multiple public chains, including **BSC, Tron, Polygon** and **Arbitrum**, with the following token issuance ratios for each public chain,
**BSC: 30%**
**Tron: 30%**
**Polygon: 20%**
**Arbitrum: 20%**

### 5.3 Liquidity Mining

15% of the total number of DFTs, 150 million in total, will be used for liquidity incentives and 416,666.66 DFTs will be distributed each day for a total of one year to be fully distributed.
5.4 Deflation Mechanism
20% of the platform's transaction fees will be used to buy back and destroy DFTs until 80% of the total amount is destroyed.

### 5.5 Membership System

#### 5.5.1 Members' rights and benefits

Users pledging 100 DFTs can mint one DFV, which is the membership credential of the platform and also the value capture tool of the platform. Holders of DFVs are entitled to the following benefits.
● Dividend: 20% commission dividend on options, forecast market and NFT trading market.
● Membership bonus: 10% of the total DFT is distributed to DFV holders over a period of 2 years.
●NFT airdrop: The platform will airdrop NFT lottery tickets, limited edition NFT for partners from time to time, etc.
Invitation rebate: Holders of at least 1 DFV can invite new users and receive a 30% rebate on new user trading fees.

#### 5.5.2 Casting and Redemption

A pledge of 100 DFTs will result in 1 DFV, which is a member credential of the platform and is

not transferable. Inviting other users to cast DFVs will earn 10% of the invitee's bonus.

Redemption of DFVs for DFTs requires a refund fee, which will be distributed to other users who have not withdrawn in the form of DFVs.

The number of DFVs*100 divided by the number of DFTs in circulation is defined as the Loyalty Index, the higher the Loyalty Index, the lower the refund fee.
● When the Loyalty Index is greater than 0.5, more than 50% of the circulating DFTs are pledged and the withdrawal fee reaches a lower limit of 5%.
● As the Loyalty Index decreases, the refund fee gradually increases.
When the Loyalty Index is less than 0.1, less than 10% of the outstanding DFT is pledged and the refund fee reaches the upper limit, 30%.

### 5.6 Partner System

DEFX supports more partners to join in the governance and development of the decentralized organization.
1、Pledge more than 10,000 DFT to become a partner of DEFX and enjoy the dividends of the partner contract. 2、Partner's dividends will be calculated and allocated automatically by the smart contract completely, fair and just.
3, according to the rules, partners can enjoy two levels of commission, its direct development of the customer commission of 70% back to the partner.

### 5.7 Handling fee and allocation

The platform charges a handling fee of 2% of the transaction amount for each transaction of options, forecast market, NFT trading market and betting DEFI, and the distribution of the handling fee is as follows.
● No more than 30% is allocated to invitation rebates
● 20% for DFV member rewards
●20% for repurchase of DFT destruction
●10% for Predictor Verifier Reward
●5% for partner rewards
●15% for team operation

### 5.8 Allocation time and method

All distributed revenue is paid out in DFT.
The previous day's revenue will be credited to DEFT Foundation, and the DFT paid will be bought by DEFT Foundation in the secondary market at the average price of the day, and then the bought DFT will be credited to the smart contract for automatic allocation.

## 6. Risk Disclosure

Purchases (i.e. digital asset exchangers) participating in the DFT pre-sale should read this white paper carefully to fully understand the technical features of the DFT, the risk-reward

characteristics of the pre-sale, and be aware that the DFT project will not offer the return of exchanged digital assets or withdraw cash under any circumstances. The team will use the digital assets raised in the pre-sale wisely and in accordance with the disclosures in the white paper and will disclose them on a regular basis. But no matter how well thought out, there will always be risks, and the risks predicted so far include possible policy risks, transaction risks, co-ordination risks, information security risks, etc.

### 6.1 Policy Risks

Currently, the regulatory policies of some countries around the world regarding blockchain projects and ICO financing are unclear, and there is a certain possibility that participants may lose money due to policy changes. Moreover, blockchain technology has become the main target of regulation in major countries around the world, and if regulatory bodies intervene or exert influence, DEFX and its DFT tokens may be affected by them, hindering or even directly terminating their development.

### 6.2 Trading risks

As a digital currency asset, the trading of DFT tokens is highly uncertain. As there is currently no strong regulation in the field of digital asset trading, digital currencies are subject to risks such as sharp rises and falls, round-the-clock trading and dealer manipulation, and individual participants without long-term investment experience may incur losses to their personal assets. Investors should choose their investment options appropriately based on their own circumstances and experience.

### 6.3 Security Risks

Digital cryptocurrencies are anonymous and difficult to trace, and are susceptible to exploitation by criminals or hacking, or may be involved in criminal acts such as illegal asset transfers. Investors are advised to fully understand the background of the team, know the overall framework and ideas of the project, reasonably anticipate their vision and participate in token crowdfunding rationally before making a decision to participate.

### 6.4 Other Notes

(1) This white paper is for information purposes only and does not constitute any investment advice, investment intention or solicitation of investment.
(2) This White Paper does not constitute nor is it to be construed as any act of purchase or sale, or any invitation to buy or sell, any form of securities, nor is it a contract or promise of any kind, and the DEFX Foundation expressly states that the intended users clearly understand the risks of DFT, and that by participating in the project, participants in the project understand and accept the risks of the project and are willing to personally bear any consequential results or consequences thereof.

## 7. Literature sources

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