POOL-X

Pool-X White Paper

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Background

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Background

To date, the crypto market along with its derivatives has become a well infrastructural built and participated scene. Contrary to the increasingly free flowing circulated cryptocurrency in the ecosystem, staked crypto assets is growingly exponentially, yet its demand for liquidity is seldom excavated and fulfilled.

Take Staked Assets as an example, due to the voting necessity of the PoS consensus mechanism, over 50% of assets remain staked in a network normally, with some exceptions where staking rate of over 90%. In recent years, Staked Assets in the De-Fi sector have become increasingly large. It is deducible the staking rush could occur in crypto derivative arena too.

However, in contrast to the increasing scale, when users need to liquidate their Staked Assets, the market lacks an efficient mechanism to supply the need for liquidation. The inadequate infrastructure presently in the market fail to address this particular demand.

The launch of Pool-X and conception of POL (Proof of Liquidity), aim to establish a free market to solve the liquidity dilemma of Staked Assets, as well as to promote sustainable growth of the crypto market, in hope that global crypto community would also participate to explore this frontier.

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Introduction

Introduction

◆ What is Pool-X?

Pool-X is a free market for Staked Assets, aiming to establish an ecosystem in solving liquidity dilemma of Staked Assets. Firstly, Pool-X will offer liquidity solutions for the Staked Asset class on the blockchain, then introduce more asset classes at a later date. Secondly, Pool-X will focus on building a liquidity trading venue catering to supply and demand sides, providing a solution for the liquidity dilemma of Staked Assets, lowering fractional cost for staking, improving staking rates. In parallel, Pool-X opens a channel for users to manage Staked Assets easily, also choose a like-minded service provider in governing their Staked Assets (node option). Furthermore, Pool-X holds rigid principles onboarding core service providers, catering to their needs while enabling tools like liquidity exchange and client management, which would forge mutually beneficial relationships. After the initial iterations, the governance will be delegated to community till a decentralized stage, where Staked Assets of DeFi, derivatives and other classes will be integrated to ecosystem, by the help of all participants.

◆ Operation Mechanism

When a user has entered the Pool-X ecosystem, users will need to stake their assets. In early stages, users may choose to stake by selecting the desired node from the node network, thus generating a staking certificate and automatically participating in Pool-X's staking mining. User's Mining Power depends on the value adjusted by the Liquidity Evaluation System [2]. Mining of POL is carried out on the basis of individual score of Mining Power (Individual Score= Individual Mining Power/Total Mining Power). As for Staked Asset's liquidity dilemma, Pool-X has provided a solution through the liquidity trading venue, where liquidity providers can supply liquidity. The pricing of acquiring liquidity for Staked Assets will be automatically adjusted by supply and demand of the market, hence the free flow of Staked Assets and liquidity supply could be realized,

Pool-X will integrate a variety of crypto assets and its service providers will introduce more solutions for node deployment. Multiple crypto assets, nodes, and asset classes construct the Pool-X ecosystem.

(1) Node Network
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Pool-X will meet the liquidity demand by providing a free market for traders. Compared with other staking mechanisms, Pool-X will integrate with the nodes on-chain in several batches and open system resources instead of becoming a public chain node directly to form multi-chain and multi-node status. The mass integration of cryptocurrencies in batches and the multi-node of a single cryptocurrency will bring more efficient and convenient channels as well as abundant choices for node staking.

(2) Liquidity Evaluation System
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A system that determines the liquidity of the corresponding cryptocurrency integrated with Pool-X nodes by measuring the liquidity adjustment coefficient to adjust the allocation from staking mining. For individual cryptocurrencies, the system will specify the liquidity and form up the index parameters - liquidity adjustment coefficient, by monitoring the open order price and depth of the target exchanges.

(3) Liquidity Trading Market
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It provides a liquidity matching mechanism for users who hold staked assets on the platform. For users who hold and need to redeem the Staked Assets in the short term, they can proceed to place an order in the liquidity trading market and exchange the tradable cryptocurrencies from the current suppliers by paying an extra amount of POL. The mechanism has provided staking participants a more convenient way to ensure liquidity and secure a lower threshold for joining the nodes.

(4) Node Integration Support
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Pool-X provides one-stop integration technology and operational solutions that enable more nodes to obtain their target users.
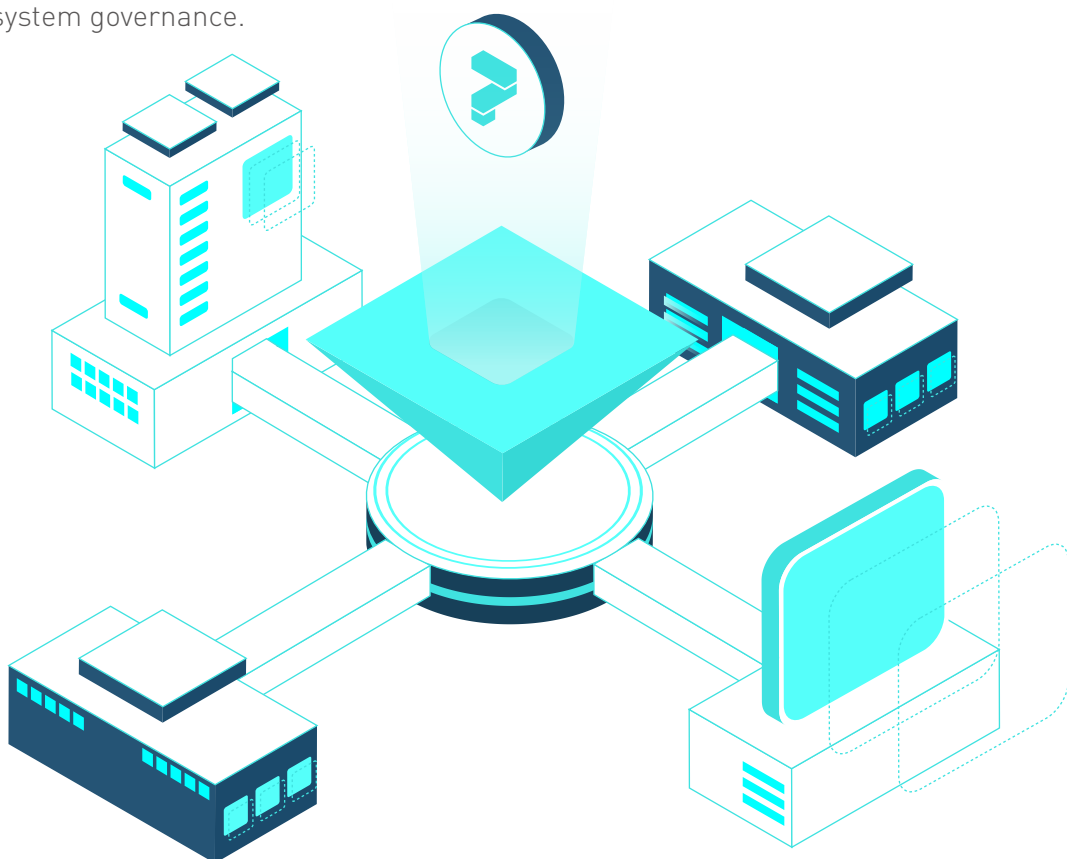
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The POL

The POL

◆ Abstract

The concept of Proof of Liquidity proof (POL) is introduced to measure the demand for liquidity for different asset classes, and to bridge Staked Assets and those in circulation. POL is generated from the staking process and governance in the ecosystem. POL is also the carrier anchoring the liquidity demand. In the process of exchanging Staked Asset liquidity, POL acts as the fuels to utilizing system resources, also as an incentive for ecosystem governance.

◆ Token Economics

POL has a total issuance of 1 billion units, with zero reserve for founding team or any individual. POL imposes a strict participation threshold, to ensure POL holders are valid participants and contributors to the ecosystem. POL will be released with the development of Pool-X. In Pool-X, users taking part in asset staking will receive POL. POL is the medium used to acquire liquidity, and to mediate supply and demand of the liquidity of Stake Assets. Besides above, POL acts as the fuels to utilizing system resources, also as an incentive for ecosystem governance.

◆ Total Supply and Distribution

- Ticker Name: POL
- Total Supply: 1 billion
- Distribution:

LockDrop (2%)

To support the initial ecosystem operation, users can deposit and lock the supported cryptocurrency of Pool-X to gain a share of POL. 20% of these shares will be available according to the distribution rules and therefore become the initial share of circulation. The remaining 80% of these shares can be gained through node staking and users can accelerate the unlocking by inviting new users and net buying of POL on KuCoin exchange. Pool-X can gain the quota through the initial deposit from LockDrop.

Staking (78%)

Staking Mining (50%)
Users involved in the actual staking process can gain POL. Everyday there will be a constant yield within a cycle, and a daily distribution quota will be assigned based on the share proportion of "adjusted market capitalization" of LockDrop set by users. The volume of daily mining will be gradually decreased as the cycle ages.

POL Node Mining (28%)
Users with POL can participate in the voting of POL node to govern the ecosystem and at the same time gain POL.

Budget System (20%)

Participants of the Pool-X ecosystem can apply for a budget according to their contribution plan and decide the distribution of budgets by node voting. Everyone can promote a proposal (however, the user needs to pay several POLs to serve as a proposal fee, which aims to avoid numerous invalid proposals). The proposal should include a detailed goal, implementation process, cycle and cost of the implementation, how much POL does it cost, and potential return to the Pool-X ecosystem. All current Block Producers will check the proposals and vote for the optimal one. The proposal that receives more than two-thirds of the votes will be approved, and every approved proposal will become a DAO (Decentralized Autonomous Organization) that operates spontaneously.

POL Work Process ▶

■ **1. The Initial Distribution**

During the initial stage of Pool-X exchange free market, POL can be gained through LockDrop to initially unlock the quota of shares.

■ **2. Staking Mining**

During the initial stage, Pool-X will evaluate and connect with quality Staked Asset and nodes, and will gradually open the access and provide technology and operations solutions, and therefore developing Pool-X with multiple cryptocurrencies. With multiple nodes/mining pools, users can choose their preferred assets and corresponding nodes/pools.

Apart from gaining the node itself and the node bonus while participating in staking asset, users can also gain a certain amount of POL (POL mining). The daily POL mining volume will be distributed according to the proportion of each user's "adjusted market capitalization" to the total sum of all users' "adjusted market capitalization". The 20% of the POL share gained from POL mining will be available immediately, while the remaining 80% will be released after 6 months (20% will be released monthly over a period of 4 months).

Adjusted fair value = number of assets that users locked in the node * the average value of the asset at that day * adjustment coefficient. The adjustment coefficient is the parameter that describes the liquidity of different types of assets, to adjust the share that users gained from Staking Mining. The system will monitor the market price and depth on the specific exchange of a certain type of asset to observe the liquidity of the asset and form the parameter that can be used as the indicator.

There is 0.5‰ (five in ten thousand) per day and 180 days as a cycle. Within each cycle, the mining volume is constant and the daily volume will decrease by 20% over a cycle.

3. POL Node Mining

As the promotion of Pool-X community governance is still underway, and there will be a need of check and record of staking certificate and corresponding trading on different chains after the on-chain of POL main chain, as well as the governance over Pool-X ecosystem, now we carry out voting through nodes. Users can stake POL in the POL node network, participate in voting and get a share of the bonus..

4. Budget Mechanism

Budget Mechanism serves as the incentive for the contributors to the Pool-X ecosystem. If a user puts forward a proposal and wins the vote for over two-thirds, the proposal will be approved and the user can gain the budget share. Every approved proposal will become a Decentralized Autonomous Organization, and the budget will be used to carry out the proposal.
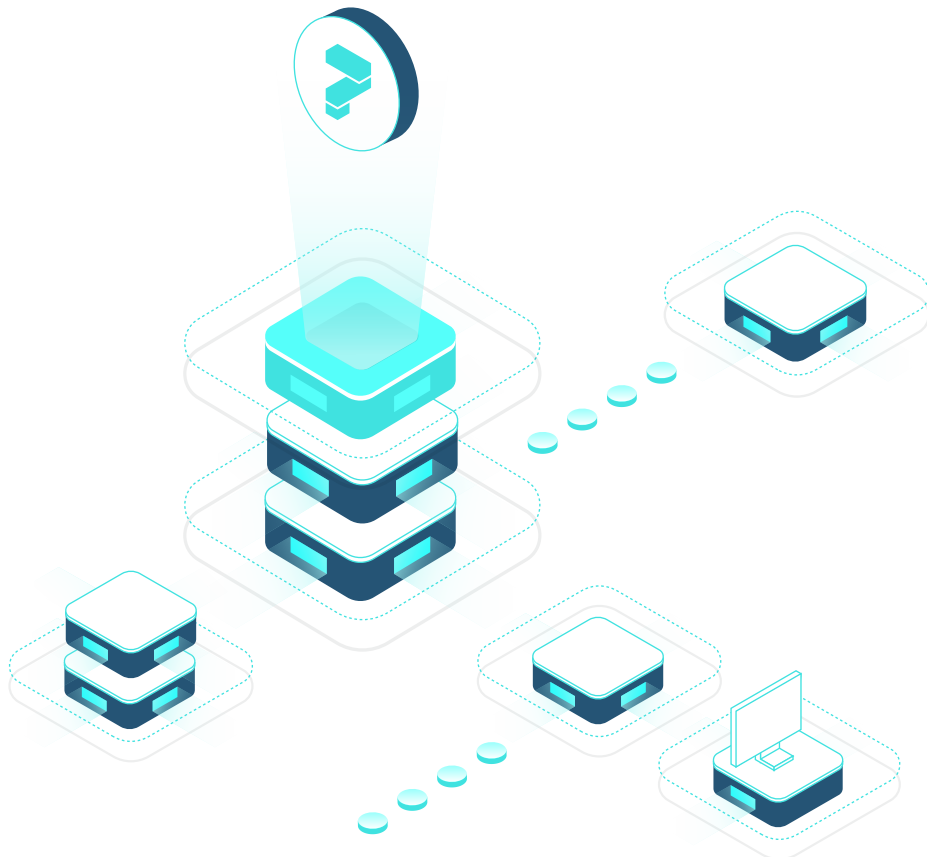
POL Use Case and Burning ▶

■ 1. Liquidity Marketplace

By participating in the staking scheme, in addition to securing dividend income from staking a token, the user will also obtain a staking certificate, which is tradable when the user requires an instant redemption of the staking allocation.

This requirement costs a certain price, in the form of POL, to be paid by the liquidity bidder to the liquidity provider. With that, the bidder will be able to withdraw the tokens from staking outright, while the certificate will be transferred to the provider. The price is market-oriented, meaning it is determined by the supply-demand relation of liquidity. Generally speaking, the demand for liquidity is positively correlated to the cryptocurrency market volatility, which encourages users to withdraw the assets to trade for potential alpha returns.

Accordingly, the demand for POL fluctuates along with the liquidity demand. A stronger demand is likely to boost the price of POL while a weaker demand may indicate a slimmer price premium.

■ 2. Node Search Optimization

As the number of token for staking and nodes for each token increases, Pool-X expects that the escalating competition amongst nodes to acquire users will boost the demand for search optimization, which is designed to be priced at least partially in POL.

■ 3. Tech Service Payment Method

In the later stages when the platform operation matures and the technology improves, it will also be able to offer full-set tech and operational solutions to new nodes, which will pay the platform in POL.

■ 4. POL Public-Chain Interoperability

When the POL main chain is launched and the technology becomes more sophisticated, it will shoulder the responsibility to record and validate the transactions of certificates across various chains. POL, as the native token of the chain, will be the method of incentive.

POL Burning ▶

Revenue - POL generated from platform operation and other income will be utilized for POL buyback and will ultimately be burnt:

■ **Entry Fees:** Similar to the listing fees, new staking tokens that are approved by the nodes will pay a certain amount of POL which will be burnt.

■ **Liquidity Transaction Fees:** Users with redemption demand before the staking maturity will need to use the liquidity and matchmaking service offered by the platform and liquidity providers. Specifically, the bidder will be priced and paid to the liquidity provider in POL. Since the platform provides efficient and secure matchmaking services, an amount the bidder's cost will pay to the platform in POL, and a small amount of it will be ultimately burnt. By the increasing liquidity of trading market demand, while the POL circulation is accelerated, the POL burning speed will be increased accordingly.

Users chose a node to stake and lock position for a set period. For those who need to temporarily withdraw their Staked Assets, the system will match liquidity providers with users in need to liquidate, payment will be paid in POL to the liquidity provider and the system will charge a portion of the POL payment and burn a percentage of it. With the increase of liquidity transaction scale, the flow of POL token will also increase and so does its rate of burn.

■ **Node Ranking/Marketing Fees:** Nodes that seek marketing services will be able to utilize the open resources by paying POL.

◆ POL Node Governance

Five governance nodes are going to be established while Pool-X is in the weak decentralized phase. The mechanism will continue functioning to modulate the node operational principles and a decentralized Pool-X with the extra helping hands of the community.

POL node will be initially engaged when Pool-X enters a fully decentralized phase. Besides, the five governance nodes shall ultimately upgrade to POL node and empower to proceed with on-chain voting and offer further governance on POL public chain and Pool-X in manners of:

■ 1.Integration plan for projects and nodes

■ 2.Open resources: Opening up ecosystem resources for staking asset service providers.

■ 3.Budget approval: Receiving community proposals and proceeding with procedures of verification , voting, assessment, and distribution on those with the budget requirements.

■ 4.Approval on marketing needs: Reviewing and approving the collaboration terms and conditions with service providers' marketing needs.

Benefits while POL is engaging in node governance:

■ 5.Able to participate in node mining.

■ 6.Enjoy the overall benefits from Pool-X

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POL Roadmap

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POL Roadmap

◆ Early free-market phase:

From the perspective of the development process of cross-chain, it normally takes 3-5 years to build up an infrastructure that can support huge transaction volumes and a variety of crypto assets. To quickly meet the primal needs from the Staked Assets, plus with an iterative improvement in the development process, hence the early free-market phase shall be achieved in a centralized manner. The milestone shall go as follows:

- 1. The completion of initial POL token share distribution

- 2. The inception of supported tokens

- 3. The launch of Pool-X 1.0, the liquidity trading market

- 4. The initiation of staking asset node:

  - 4.1 The node establishment: Pool-X completed node deployment and began to accept user votes.

  - 4.2 The node integration: Integrate to the existing node and complete the vote transferring. In this stage, the node could be co-existing with primitive and Pool-X users. Pool-X is empowered to offer the management tool to access and relay the indigenous data.

  - 4.3 The multi-node integration: Complete the multi-node integration on more crypto assets and tokens. The node can call for various resources, forming up a competitive stance in manners of self-governance and sharing the liquidity trading market depth.

- 5. The launch of liquidity indicator

◆ Weak decentralized free-market phase:

The weak decentralized phase is formed when the initial stage of product operation and improvement has been accomplished. This may also lead to a certain part of ecology governance being transited to the community. The milestone shall go as follows:

- 1. The inception of the Pool-X public chain test net and the initiation of node governance election

- 2. The deployment of node scheme to the main chain and development of business plan and node mechanism

- 3. Election applied with voting by the router

- 4. The formation of core developers and technology development communities

◆ Decentralized free-market phase:

The products and ecology governance will enter the decentralization phase by meeting the launch of the main chain, specifically as follows:

- 1. Fully decentralized on staking operation

- 2. Only the certified Staked Asset are eligible for on-chain integration, while the trading market will ultimately go decentralized

- 3. Capable of introducing and serving other types of Staked Asset.

- 4. The establishment of nodes and initiation of the self-governance stage

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