1Pool.finance:
Decentralized Money Market Protocol

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Abstract

1Pool.finance is a decentralized money market protocol that establishes money markets based on liquidity provider tokens for lending, borrowing and yield aggregation. This paper explains the ecosystem components of 1Pool. finance, tokenomics and challenges and vulnerabilities.

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Introduction

During the first decade since Satoshi Nakamoto created Bitcoin as " a purely peer-to-peer version of electronic cash (that) would allow online payments to be sent directly from one party to another without going through a financial institution" (Nakamoto, 2009), the practical function of Bitcoin and subsequently other cryptocurrencies were somewhat a misnomer of the original mission.

Despite the stated mission to salvage the users from the tyranny of the centralized authority, cryptocurrencies were largely dependent on centralized exchanges for trading. This created a trust factor- that the users had to be content with the belief that the exchanges would not get hacked, hold up funds or exit scam.

The advent of Decentralized Finance, a collection of financial facilities that are accessible for anyone, non-custodial and without a third party or central authority had alleviated cryptocurrencies' initial dependencies and revolutionize the original mission.

Defi has also enhanced the utility of new and old digital assets. Liquidity Provider (LP) tokens – tokens that are issued to liquidity providers on a decentralized exchange (DEX) that run on an automated market maker (AMM) protocol- is a new addition to the industry. While the standard function of LP tokens is to track the Liquidity provider's share in the overall LP pool, and by extension, his entitlement to liquidity rewards, LP tokens have recently been adopted for a wide range of economic activity. Most popular of all of which is yield farming.

Similarly, LP tokens have all the attributes of standard digital assets: They are no more volatile or no less fungible than the underlying cryptocurrencies. They have basic technical specifics of the underlying blockchain. 1Pool. Finance is founded on the premise of optimizing the use cases of LP tokens. The next section would explain how 1Pool is putting that into work.

1.1Pool.finance – money market protocol

1Pool.finance is a multi-chain money market protocol for the decentralized economy. 1Pool.finance is building a comprehensive ecosystem for yield aggregation, lending and borrowing, synthetic assets and on-chain options for LP tokens and selected stand-alone digital assets.

1Pool is founded on the following principles:

- Sustainable and risk-weighted wealth generation.
- Optimizing the economic utilization of LP tokens.
- Maximizing the APY and minimizing the risk of impermanent loss and where applicable offsetting a degree of impermanent loss and other associated financial risks in the Defi ecosystem.
- Deter supply inflation of native token (1POOL)

2. Ecosystem components

1Pool.finance has the following ecosystem components:

- Yield Aggregator
- Lending Protocol
- Governance Token
- ERC-BEP- token bridge

3. 1Pool Yield aggregator

1Pool Yield aggregator is a cross-chain yield accumulator of Erc- 20 and Binance Smart Chain (BEP- 20) digital assets.

1pool automatically farms the highest yielding assets and distributes the profits among the platform users. Farming is currently available on Ethereum and Binance Smart Chain token assets. The majority of the current and upcoming assets can be farmed through 1POOL.

1Pool vaults (Eth, USDT, USDC, wBNB, wBTC) are designed to route the investment to the risk-weighted highest APY generators.

3.1. Depositing assets

The users /farmers deposit selected LP tokens of AMM (Uniswap, Sushiswap, Pancakeswap , Curve) to 1Pool pools, which route investment via vaults to generate the highest possible APY.

Users can withdraw their LP tokens anytime following the same procedure and hitting the “withdraw’ button on the 1pool interface.

3.2. Claim Rewards

Farmers receive 1POOL tokens as farm rewards. 24,000 1POOL tokens are emitted per week on Ethereum mainnet and Binance Smart Chain and are distributed among the users of yield aggregator and lending protocol pro-rata.

3.3. Revenue share

Farmers can earn an additional interest by depositing (staking) their claimed 1POOL tokens in 1POOL revenue share vault. 1POOL staking holders would claim for 20 per cent of platform revenue proportionately to their share in the staking pool. AMM sells 20 per cent of platform revenue and buys 1POOL tokens from exchanges and distribute them among stakeholders.

4. 1Pool Lending Protocol

1Pool lending protocol is a decentralized cross-chain lending protocol built on Ethereum and Binance Smart Chain.

1Pool lending protocol facilitates on-chain lending and borrowing against selected Liquidity Providers (LP tokens) and stand-alone digital assets.

The users (Lenders) can earn interest on their digital assets by providing supported digital assets to the protocols. Borrowers can obtain a loan by providing selected digital assets, which would include stand-alone assets,i.e. BTC, ETH, DOT and selected LP tokens. Interest rates are adjusted algorithmically by the protocol.

4.1. Collateralizing LP tokens

Most existing platforms offer lending and borrowing on stand-alone digital assets (such as borrowing USDT/USDC against BTC or ETH collaterals). Whereas the users of 1pool can use selected Liquidity pairs as collateral and take a loan.

4.2. Supply Assets:

The holders of selected LP tokens and other digital assets deposit their assets to money market pools. The protocol aggregate the supply of each user, which creates a greater liquidity pool for lending and borrowing. users can withdraw their assets at any time, without waiting for a specific loan to mature.

Interest rate: The protocol algorithmically set the interest rate depending on the market supply and demand.

The Loan to Value Ratio (LVR): LVR would be adjusted according to the overall size of the LP pool and the market cap of the underlying asset.

Liquidation: Automated liquidation would occur if the asset depreciates below the LVR.

Liquidation would happen in stages, only sizeable enough to sustain the LVR rate.

The lender can provide additional collateral to avoid liquidation, or settle a part of the loan by liquidating a portion of the loan.

4.3. Use cases

Borrowers:

- The holders of LP tokens can take a loan against their LP collateral to subscribe to an initial coin offering or pre-sale.
- The LP token holders can take a loan against their LP assets, borrow a digital asset, that they are looking to short, send it to an exchange and sell the token, profiting from declines in overvalued tokens

Lenders:

- Holders of digital assets such as ETH. , BNB, USDT, USDC can lend their digital assets to lending protocol and earn interest

5. 1Pool Governance Token (1POOL)

1POOL Governance Token is the native token of the 1POOL ecosystem. The platform participants, i.e. yield aggregators, lenders and borrowers would receive 1POOL tokens pro-rata for their usage of the platform.

Maximum token supply: 20,000,000 (20 million) 1POOL .

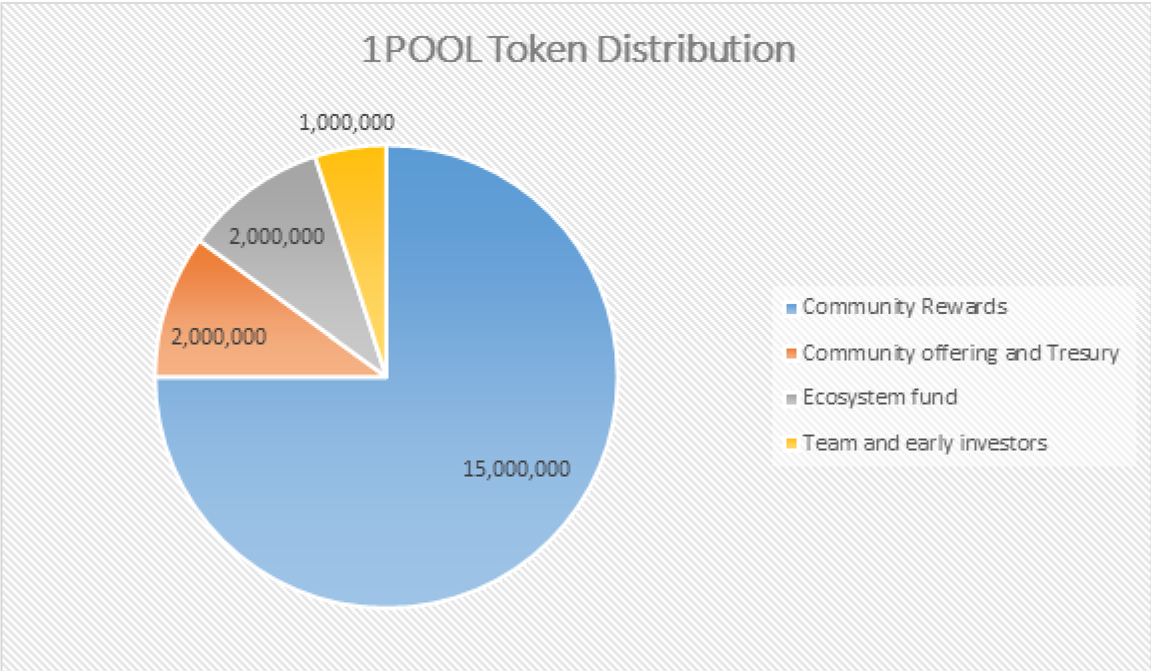
'1POOL' governance token emission is designed in a way to deter supply inflation. The Weekly emission of 1POOL tokens is capped at 24,000 in both Ethereum Mainnet and Binance Smart Chain.

The emission rate is geared towards correlating the platform utility and sustainable growth.

Use Cases

- 1POOL token holders can participate in platform governance by submitting proposals and voting. More details on voting and platform governance will be updated later.
- 1POOL token holders can stake their 1POOL tokens and share 20 per cent of platform revenue pro-rata. (see below)
- 1POOL token can be used as collateral to take a loan
- Users can add liquidity to 1POOL token pairs in selected DEXes and earn a percentage of platform fees.
- Farm 1POOL LP pairs in 1POOL platform and earn 2 X rewards.

6. Tokenomics



15,000,000 (75%) Community rewards

2,000,000 (10%) Ecosystem fund

2,000,000 (10%) community offering

1,000,000 (5%) seed investors/ team and early backers

Reward token emission rate

75% of the total supply of 1POOL is allocated to reward the platform users. Reward tokens will be emitted weekly until the full token supply is exhausted over the next five years.

Reward token emission:

Per Block: 0.595225694 1POOL

Per week: 24,000 1POOL each on Eth Mainnet and on BSC chain.

Reward Token Distribution

75% : Platform users pro-rata

20%: Stake and revenue share

5%: Treasury (For team expenses, non-monetary community contributions, maintenance cost)

7. Potential Risk Factors and Vulnerabilities

1POOL is a work in progress. Being a new project in a relatively new and evolving sphere of decentralized finances, the users should take note of potential vulnerabilities, some which is outlined below, when using the platform.

Potential smart contract exploits: 1pool is a new project and there can exist smart contract vulnerabilities. We will conduct a full Smart contract audit before the formal launch and update the community accordingly. Using the platform before the audit is strongly discouraged.

Though audits could mitigate the risk, it does not negate the possibility of unforeseen bugs which could be exploited by the unscrupulous actors. The users should be mindful of these risks when using the platform.

Financial Risks: Cryptocurrency is subject to extreme price fluctuations and potential manipulation and rug-pulls, where teams could vanish with your funds. Also, be mindful, liquidity in pools can be removed at any time by large investors. Users can lose substantially during such occurrences.

Impermanent loss: Impermanent loss is a unique risk involved with providing liquidity to dual-asset pools in DeFi protocols. It is the difference in value between depositing 2 cryptocurrency assets within an Automated Market Maker-based liquidity pool or simply holding them in a cryptocurrency wallet.

Impermanent loss happens when you provide liquidity to a liquidity pool, and the price of your deposited assets changes compared to when you deposited them. The bigger this change is, the more you are exposed to impermanent loss. In this case, the loss means less dollar value at the time of withdrawal than at the time of deposit.

Please be aware of such risks and do your own research before you invest. And take appropriate precautions.

References

Nakamoto, Satoshi, Bitcoin: Peer to Peer Electronic Cash System, Bitcoin.org 2009. Accessed: https://bitcoin.org/bitcoin.pdf