



WHITEPAPER

ABSTRACT

Unicon Protocol aims to unify Latin America and eventually the rest of the countries that allow crypto currency to run on the Binance blockchain.

For years, less privileged countries has been left behind in technology, infrastructure and commerce, we have been used to being the shadow of 1st world countries and just catching the crumbs.

Unicon will allow these countries the opportunity to keep up with technology and the cutting edge finance system they deserve. Through Unicon, every citizen will be able to take advantage of the blow benefits:

Transfer funds internationally with extremely low fees

Take advantage of investing in cryptocurrency

Utilize the Unicon cryptocurrency peer to peer transactions and potentially commercial transactions as well

Introduction

Decentralized finance is made possible by using decentralized exchanges in collaboration with liquidity pool smart contracts. For any token on the smart chain to have an availability to be swapped on a decentralized exchange, it must have an available liquidity pool of tokens for swapping.

The challenge remains on how to properly incentivize users to keep such liquidity pools maintained. Recognizing this, developers have attempted to satisfy these conditions by using various tokenomic structures with incentives for the user to supply liquidity into the pools. An automatic liquidity acquisition can be featured as an alternative solution compared against the traditional “farming reward” structure.

An automatic liquidity acquisition function where users are offered rewards (via reflection) in lieu of traditional farming rewards. These reflections would act to distribute tokens proportional to volume, and could thus provide a more reasonable incentive for holding. Although reflection and automatic liquidity acquisition may contribute to stability, an inherent burn which can achieve token scarcity with a depreciating token supply. The combination of these tokenomics seeks to eliminate the flaws of various predecessors, while providing useful incentives for use case and adoption.

Effectively, any application that is added with these smart contract functions could have the effect of amplifying Unicoi’s tokenomics.

Automated Liquidity Acquisition

We understand that liquidity is crucial in any trading environment. By definition, decentralized liquidity is simply the accessibility of tokens operated and controlled by a smart contract--hosted by a decentralized exchange. Historically, market makers have been used to provide a service for buyers and sellers on traditional order book exchanges for a better user experience.

The main function of these market maker services was to fill buy and sell orders promptly and reduce overall market volatility caused by large orders. However, traditional order books have long been outdated by newer technology, and have been replaced by liquidity pools in a decentralized venue. Just as market makers are compensated for providing a service in the order book environment, proper incentives for adding liquidity are a key factor in any decentralized environment.

Problems arise when the liquidity pool provider loses the incentive to add tokens into the pool, which occurs after the token pair is subjected to impermanent loss resulting from arbitrage. As a solution, Liquidity can be taken as a function of the smart contract using market activity from all swaps and transfers. A portion of these swaps and transfers will be captured by the smart contract and utilized with the function: “_swapAndLiquify”. For this to happen, the portion of the 3% fee from swap and transfers can be kept in a standalone pool within the contract itself and automatically converted to the liquidity pool after the token count reaches a threshold. Liquidity is then managed by the contract as it is sold and paired accordingly thereby alleviating the users from having to subject themselves to any impermanent loss scenarios. Large liquidity pools act to decrease the volatility of the swap impacts against the overall available supply. Therefore, as the token matures, the auto-liquidity can be attributed toward an ever-growing market stability capable of absorbing large market activity.

Token Reflection/Distribution

Traditional mining is both costly and inconvenient for the user. Frictionless, static reflection rewards accrue by simply holding your tokens, and features an innovative hold-farming reward structure that stands out from conventional pool-farming rewards. The idea behind this function is to eliminate token dependencies that have created problems in the past, including, but not limited to:

1. Pooling funds in unverified 3rd party smart contracts;
2. External website interfaces;
3. Transaction fees needed to claim rewards.

Earlier models of decentralized finance tokens such as pool farming are costly and rely on user action to manually compound rewards. As a solution, we propose the utilization of a compounding reward structure that requires no additional fees in a smart contract function, also known as token reflections. To achieve this, reflection must happen without cost or impact to the user. Considering the static rate of reflection set at 3%, the volume of market activity will directly impact the quantity of token reflection based upon the percentage of tokens held by the user relative to the overall supply. With the “_excludeFromReward” function enabled for individual addresses, accounts such as exchanges, hot wallets, dapps, etc. can be excluded from token reflection, thus granting more rewards to individual holders. 4. Depreciating Supply & Burn Address In a decentralized smart chain environment, contract functions can be utilized to achieve token scarcity. To do this, we propose also distributing rewards to the burn address, which is publicly verifiable for all participants to see.

We can then track the depreciating supply in real-time for added transparency. In our effort to establish a baseline token burn rate, we find that these values are dependent on three important factors: reflection rate, token quantity, and market volume. The rate of reflection rewards is proportional to the total supply in each holder’s wallet address. It is important to note that there are two particular variables, which will affect our calculations: the increasing scarcity of tokens and the quantity of tokens absorbed into the burn address. It can be reasonably understood that these features will have synergistic effects that can stabilize the burn rate into the future.