Algomint Litepaper V1.0

The cross-chain liquidity network.

March 2022

Overview

Algomint is a cross-chain liquidity network, with a focus on maintaining liquid interoperability while safely and securely optimising capital efficiency and cross chain transactions.

At its core, Algomint is a bridge but bridges have traditionally sacrificed capital efficiency for certainty of interoperability. Algomint solves this by combining bridging, native stable swaps and multichain DEX aggregation allowing anyone to bridge at low cost as well as access a truly dynamic and efficient market aggregator. Algomint utilises the native aggregator to arbitrage assets it holds, keeping the market stable and increasing the utility of DEXes. It aggregates by recentring pricing across markets via the range of assets the protocol holds. The protocol will eventually be governed by goMINT token holders through the Algomint DAO. All fees and arbitrage generated by the platform will be delivered to the DAO treasury and controlled through the DAO governance.

4 Pillars of Algomint

1) **Bridging** where the user can choose to receive Algomints official wrapped assets or any other like-for-like assets Algomint offers. Algomint wrapped assets are created when a user deposits accepted assets and are distributed tokenized representations of the underlying principle, written as $goASSETs.
Algomint Wrapping e.g., $BTC deposited would receive $goBTC
1:1 minus fees eg. User swaps USDT on Ethereum for USDC on Algorand.
2) **Aggregation**, using the range of assets held with Algomint as well as the minting ability of additional goASSETs allows users to aggregate trades through the platform, finding the most efficient price possible through 1000's of potential pairing options on

a range of DEXes, as well as from its own internal assets and baskets of like for like assets.

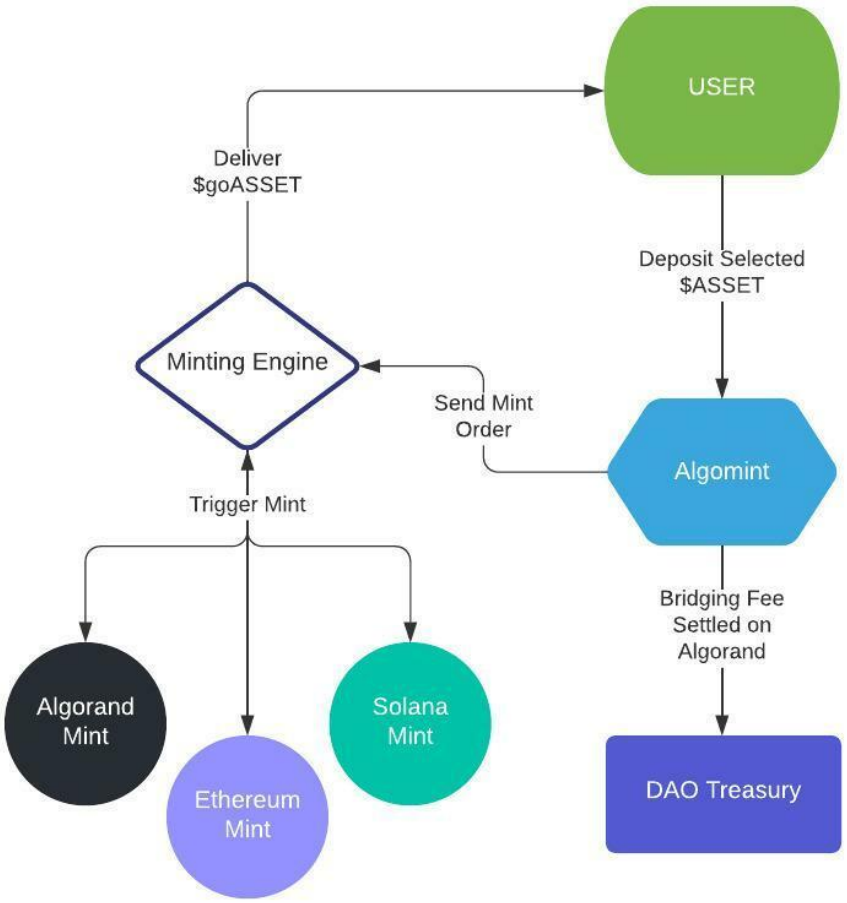
3) Arbitrage, utilising the assets held in the protocol and the native aggregator, Algomint will work to constantly find arbitrage delivering a portion of any gains to the DAO treasury and retaining a portion to incentivise deposits of specific assets to keep baskets balanced.

4) goMINT is the protocol's native governance token used to manage the Algomint DAO which also controls the DAO treasury which is the sole recipient of all fees generated on the Algomint platform. Users will stake their goMINT tokens to participate in governance and earn rewards.

Initially, Algomint will focus on building functionality between Algorand, Ethereum (EVM), Helium, and Near with Cardano, Solana and others to follow.

Bridging

A user who wishes to bridge their $ASSET, makes a deposit via the Algomint platform and in return will receive their selected $goASSET on their selected Blockchain less any bridging and/or transaction fees.



Though initially the system will be more centralised in design, long term the bridge will be decentralised, research is currently being undertaken into the best application of Stateproofs and/or co-chains.

Baskets

Bridging won't just be mapped from one asset to a $goASSET equivalent, where possible liquidity will be consolidated when there are multiple like-for-like assets accepted by the bridge (see How does the basket work?). This feature creates the opportunity for reduced fragmentation in liquidity across a range of assets. This provides additional bridging style options (swapping within the baskets) and provides an easy path to utility for basket assets to gain instant access anywhere the basket $goASSET is accepted.

To minimise risk the baskets will have a maximum amount of single asset that can be held. Assets receive different risk / value ratings (1-4) to determine the maximum percentage as well as the protocol fees charged when wrapping, unwrapping or swapping.

When the baskets officially launch with enough variety of tokens the rating system will be implemented to govern the different parameters. Long term governance will decide token ratings and inclusion in the baskets, a key driving force for relevant protocols to accumulate $goMINT to ensure inclusion of their asset/s.

Ratings:

1. High liquidity, trusted asset. Maximum - 75%.
2. Medium liquidity asset. Maximum - 50%
3. Medium liquidity, medium volatility asset. Maximum - 25%
4. Low liquidity, medium volatility asset. Maximum - 10%

If a token exceeds or equals its maximum, new deposits of the selected asset are frozen until it falls below the threshold.

A portion of all fees collected are used to create incentives to help rebalance the pools.

How does the basket work?

Take $goUSD, which will be the Algomint standard representing a USD stable coin basket accepting $PAX, $DAI, $sUSD, $GUSD, $UST, $FEI, $USDC, $USDT, $BUSD, $TUSD and others. Users can bring any of the accepted USD tokens from any accepted chain and deposit in order to receive $goUSD or swap to any of the other tokens within the basket.

The example below, shows the value gained for stable coins that are accepted into the basket.

$GUSD (Gemini USD$ Token) which is an ERC-20 wants to bridge and have utility in the Algorand ecosystem, but faces the issue of acceptance, building liquidity in the token

and creating brand recognition. Instead, by being accepted into the Algomint $goUSD basket, holders can bridge and gain immediate utility.
Another example of the value of baskets like $goUSD, is on lending markets, launch pads or NFT marketplaces. Whereby accepting $goUSD users can access the platform's services with any of the accepted USD tokens. This will be made simpler with future API access to allow users to automatically wrap and transact directly with partner platforms.

Bridging Fees

Bridging / Swapping fees:
The protocol bridging / swapping fee[1] is calculated based on the asset being received and its current rating, for example if you are swapping $DAI ERC-20 to $USDC ASA the fee used is based on $DAI rating.
Ratings:
1. High liquidity, trusted asset. Fee - 0.1%.
2. Medium liquidity asset. Maximum - 0.2%
3. Medium liquidity, medium volatility asset. Maximum - 0.3%
4. Low liquidity, medium volatility asset. Maximum - 0.5%

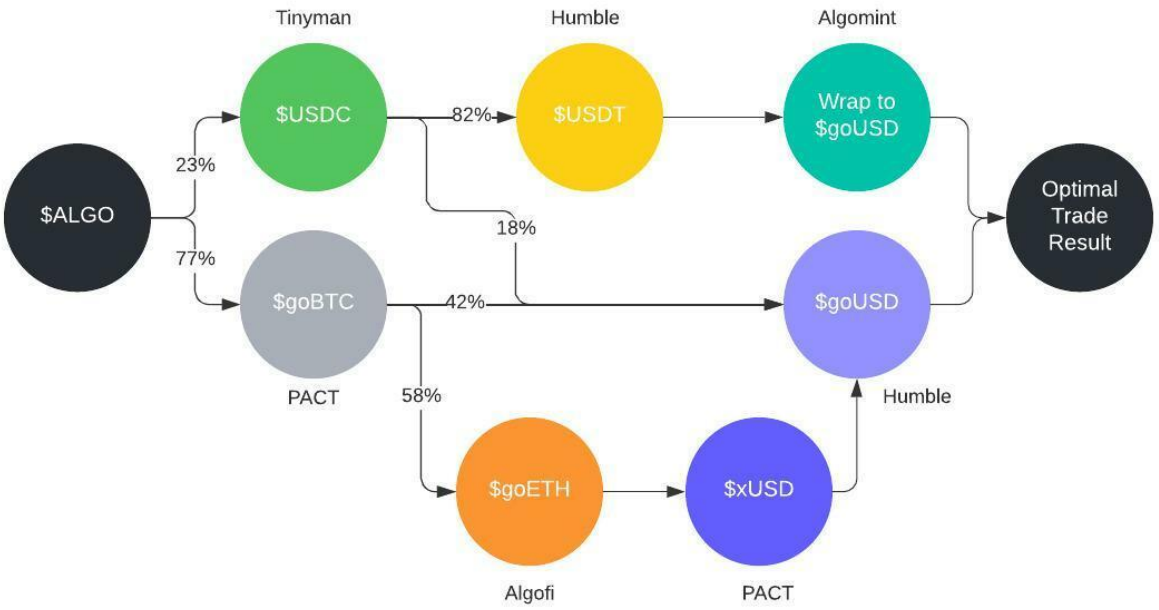
Basket balancing incentives:
As the baskets mature, incentives and disincentives will be created to encourage the rebalancing of pools. This will be based on two key variables for both the asset being deposited and being received:
1. Current % of basket dominance.
2. Ratings.
More research is being conducted on the algorithm to be used, the desired behaviour is to create incentives for users to deposit needed assets and withdraw assets reaching their maximum basket dominance percentage.

[1] These fees do not account for gas / transaction fees which are added to each transaction where they are relevant.

Aggregator

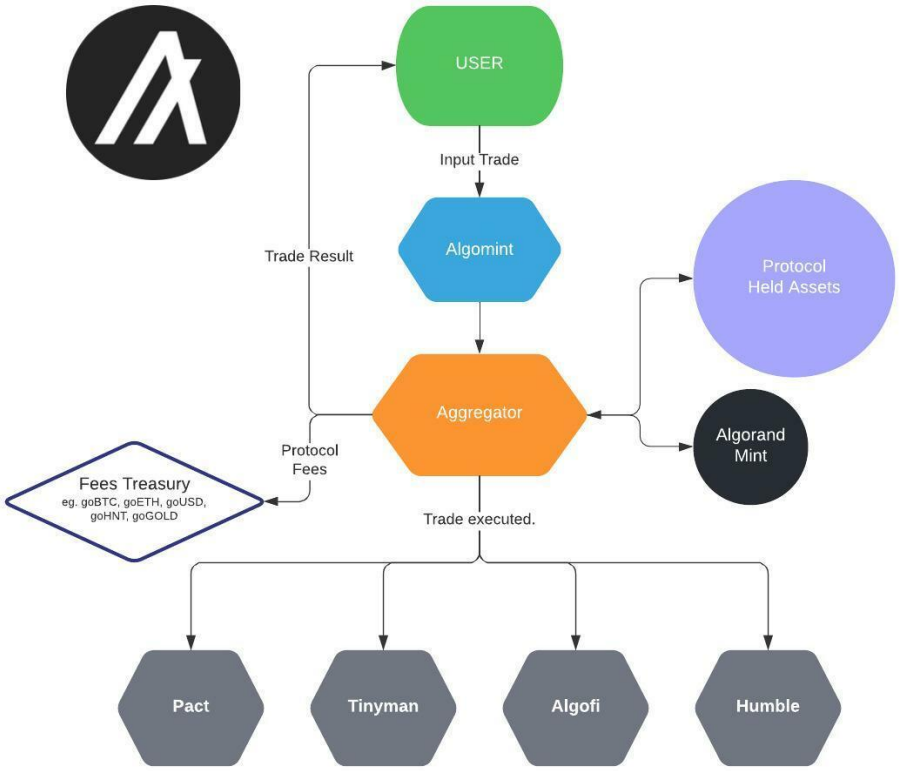
Utilising the array of assets within the protocol to maximise trading options the Algomint aggregator will offer the best pricing in the market. By having the ability to access markets across multiple blockchains both through assets held in the protocol but also through minting and burning Algomints native $goASSETs the best price can be achieved in the one place. Long term the aggregator will be cross-chain but initially it will be launched on the Algorand network.

Algorand aggregation trade example:
Users want to trade from $ALGO to $goUSD.
The aggregator analyses the market and determines the optimal trade as:



A key element to note here is the wrapping of $USDT is completed to fulfil 18.86% of the trade (23% x 82% x 100%).

The actions executed can be complex and be taken across multiple platforms simultaneously, with the aggregator being agnostic to method with the single goal and trade efficiency.



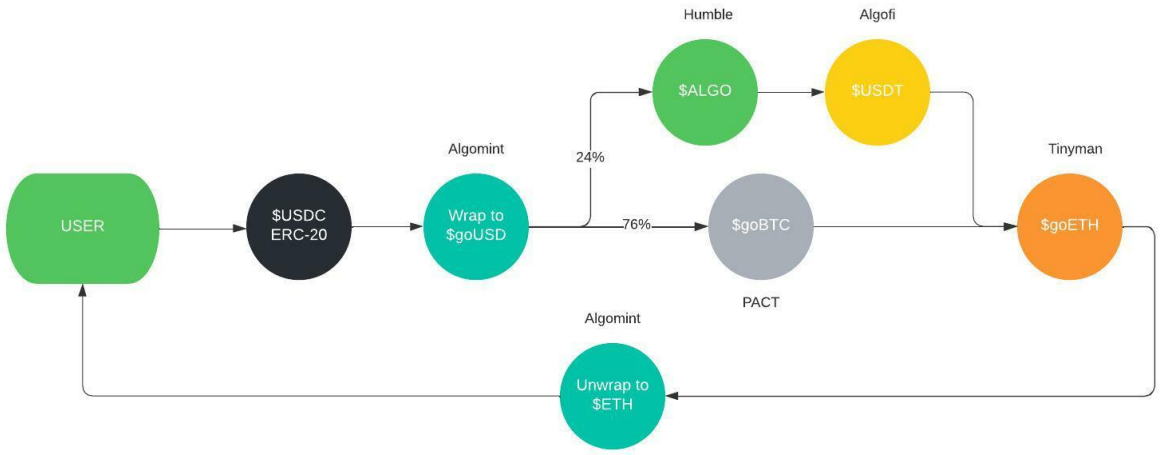
In the Algorand example, there are 3 actions Algomint allows for natively that are at the core as to why it is best positioned to aggregate.

1. Minting $goASSETs. Wrap users provided asset/s or acquired asset/s to be wrapped.
2. Burning $goASSETs. Burn users provided asset/s or acquired asset/s to be burned.
3. Swap within a basket. Swap from one like-for-like asset to another.

Cross-chain Aggregation

Cross-chain aggregation will be a part of the future roadmap (more details to come) it will utilise the same structure and functionality set-out in the Algorand example above but at its core will be basket swapping. Where the desired asset may not even be purchased directly to complete the trade, for example a user wishes to trade $USDC (ERC-20) for native ETH. Algomint wraps the $USDC to $goUSD purchases

back $goETH to burn or acquires other $ETH tokens accepted into the $goETH basket allowing $ETH held in the protocol to be released.



Aggregator Fees

Fees - 0.1% Protocol fee + Gas / Transaction Costs

Arbitrage

Goal: **Generate value through market arbitrage**

Utilising the aggregator and assets held within the protocol Algomint will operate constant arbitrage activity across the DeFi ecosystem. Initially this will be confined to within the Algorand ecosystem, progressing to cross-chain in the future.

Arbitrage will generate revenue for the protocol while also delivering a valuable service to the market in the form of market pricing stability.

A stable future:

This is particularly powerful for stable coins, with those accepted into the basket whether they be backed, algorithmic or synthetic becoming pegged to each other and the Algomint wrapped standard (within the parameters set-out in the fees section). With the arbitrage bot constantly trading across a range of DEXes, using assets in the bridge but also utilising buyback and burning of $goUSD as well as freshly minting and acquiring the tokens backing.

Buyback & burn example:
100,000 x $goUSD can be acquired for 99,000 $USDC.
Using $USDC from the basket the trade is executed with 99,000 $goUSD burnt and the arbitrage gain (1,000 $goUSD) sent to the Fees Treasury.

Mint & acquire example:
100,000 x $USDC can be acquired for 99,000 $goUSD.
Minting 100,000 new $goUSD the trade is executed with 100,000 $USDC added to the basket and the arbitrage gain (1,000 $goUSD) sent to the Fees Treasury.

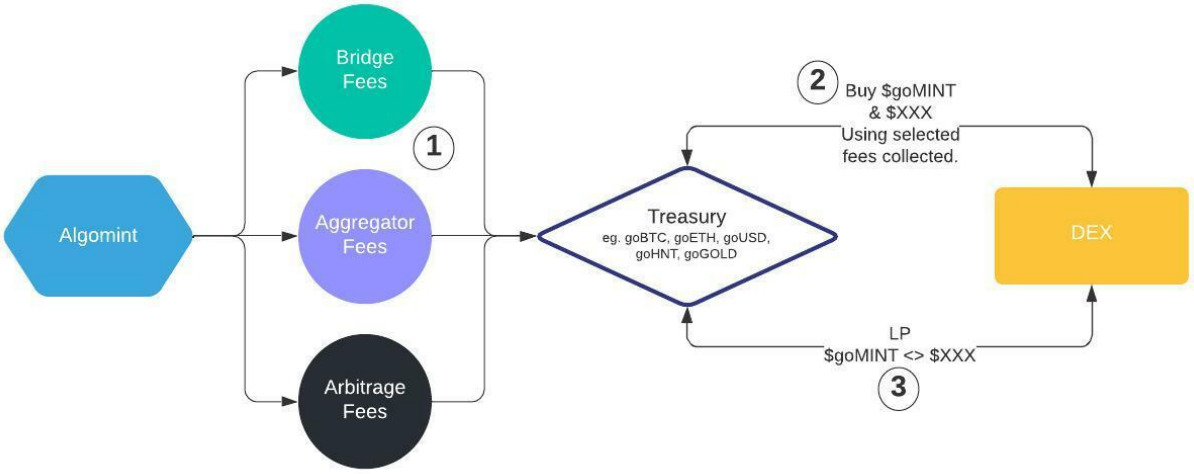
The above examples are in the simplest form and are taking into account exchange fees, slippage and Algomint fees.

Treasury

Focus: **Protocol-owned liquidity**
A portion of fees collected by the Algomint protocol will be converted into $goMINT and $XXX[2] LP pairing inside one or multiple DEXes. Any fees collected in $goMINT will remain in the treasury until they can be LP'd.
This achieves three main outcomes.

1. Removes goMINT tokens from the market.
2. Creates deeper liquidity in the goMINT token.
3. Long term revenue source through LP trading fees.

[2] The pairing token will initially be $ALGO, but may vary over time. A focus on deep consolidated liquidity will be the focus.



Initially rewards and incentives will be fuelled from the Treasury allocation of goMINT tokens. Once depleted it is expected that protocol fees will shift from the Buy-&-Make model to being distributed as rewards and incentives. With the treasury expected to last 5+yrs this will provide a significant runway allowing the treasury to amass a sufficient LP position generating long term revenue and providing deep liquidity in the goMINT token.

goMINT Token

Utility

As Algomint moves to be a decentralised smart contract platform the goMINT token will become critical to governing the protocol.

- Governance will be implemented once the token is sufficiently decentralised. Token holders will govern a range of activities such as:
    - Addition or removal of tokens into the bridge and baskets.
        - This will become particularly useful for stable coin projects wanting to ensure peg maintenance and inclusion in the stable coin baskets.
    - Fee structures.

- Treasury management, including rewards, incentives and grants.
- New blockchain integrations and partnerships.

Additional utility is also being reviewed on an ongoing basis.

Governance Staking

By staking $goMINT and participating in governance, users will be eligible for rewards.
Rewards are distributed proportionally to eligible stakers based on a combination of the quantity staked and the amount of time the stake is locked.
By locking for longer periods, stakers will receive increased voting power and increased rewards for their commitment to the protocol.

Months	**Reward & Vote-Weighting**[3]
1	100%
3	105%
6	110%
12	125%
24	150%
36	200%

[3] 100% being standard reward rates.

Governance

Algomint governance will move to be fully decentralised over time. The DAO will be structured with a Council of Elders that is elected via governance vote who oversee a series of smaller DAOs tasked with managing key areas.

DAO Structure

Elders Council:

- Elected via governance vote
- Responsible for appointing members of subsidiary DAOs
- Protocol strategy
- DAO management

Algomint DAO:

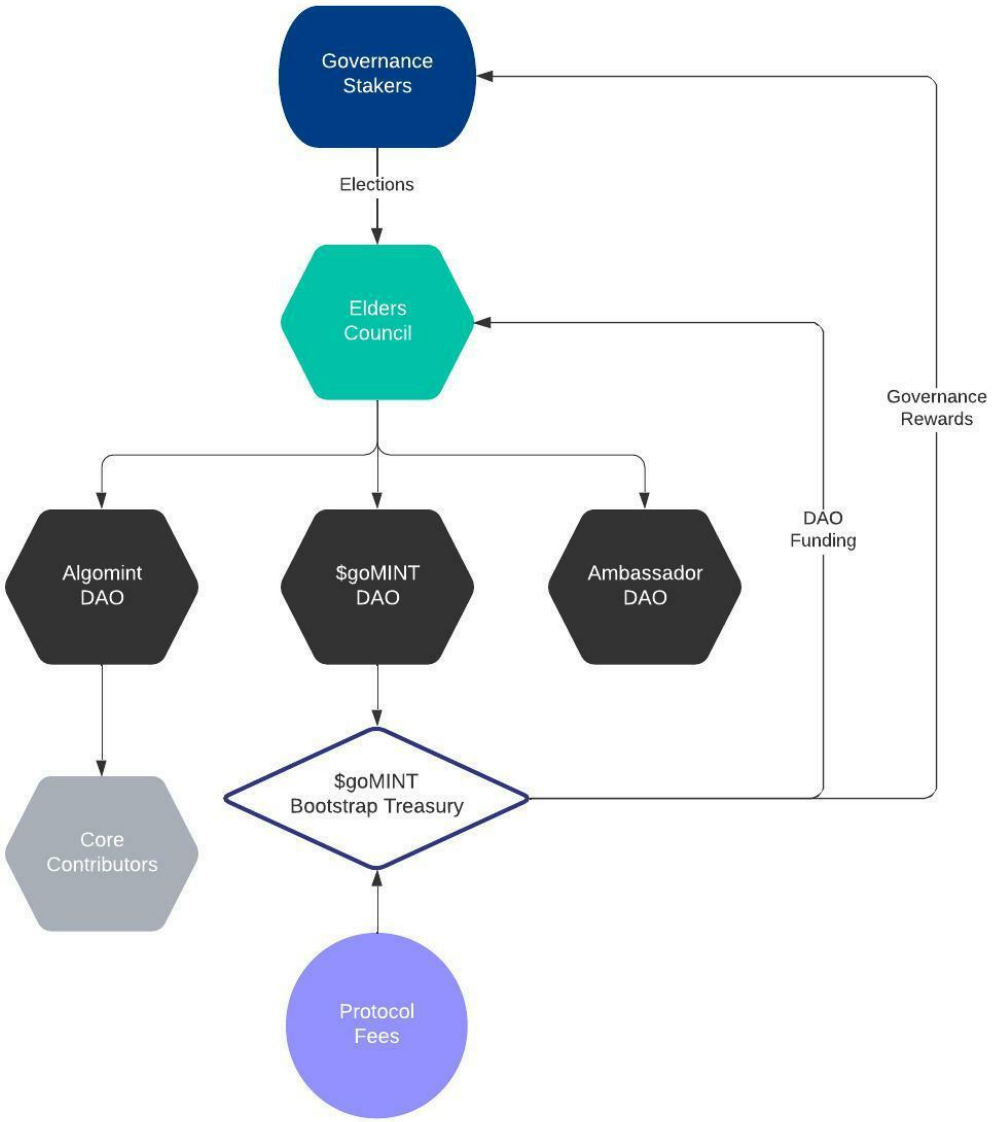
- Protocol management
- Tech development
- Product direction
- Management of core contributors

$goMINT DAO:

- Treasury management
    - Investment
    - Grants
    - Incentives / rewards

Ambassador DAO

- Community management
- Marketing
- Collaborations



Summary

Over the coming months and years Algomint will strive to create interoperability that doesn't just allow the movement of assets between chains but also:

1. Turn dead equity into a value generating resource.
2. Create asset efficiency through consolidation of like-for-like assets.
3. Deliver on effective (time and pricing) cross-chain swaps.

Still to come from the team in the later additions of the litepapers / whitepaper will include how basket balancing will be structured. How cross-chain swaps are achieved and the technology/ies to be used for the decentralisation of Algomint.