Very Banking

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Abstract

This technical whitepaper explains some of the base design concepts behind the Very Banking smart contract infrastructure and DeFi unification proposals. It covers the primary motivations — including transparency, revenue distribution, referral points system and introduces a community owned and inspired fee distribution model that enables continuous growth with fairness. Furthermore, this whitepaper describes the primary mechanics of contracts including the smart contract that stores ownership revenue and the points system used to facilitate the distribution of protocol revenue among its owners and users.

1 Introduction

The Very Banking protocol allows users to effortlessly lend, borrow, stake, invest and earn interest using their digital assets. Depositors providing liquidity to the protocol earn yield, while borrowers are able to borrow by over collateralizing their positions.

DeFi has grown substantially over the past few years and at current most of DeFi's activity is on the Ethereum Network. Multiple layer 1 protocols have chosen to adopt DeFi applications into their ecosystems to continue the incorporation of institutional value and limitless liquidity. With all these new networks emerging into the scene, Very Banking proposes unifying all of DeFi across multiple chains with seamless integration. This will conquer the barrier to entry for newcomers and legacy adopters by being the only banking hub solely owned by the people.

2 Features

Permissionless multi-chain lending and borrowing market

- Supply assets to borrow and withdraw liquidity from a community shared liquidity market
- Borrow assets from a liquidity market using another asset as collateral

Multi-chain capital efficient liquid staking

- Enables the utilization of locked capital to secure networks and earn further rewards
- Obtain additional utility on yield-generating asset by utilizing it within Decentralized Finance

Multi-chain investment ecosystem

- Stake and invest assets with community members to earn yield from various investment models
- Earn ownership revenue through a lucrative referral incentive system others and continuous protocol adoption

Depositing

To start users deposit their preferred asset that is accepted by the protocol. Users will be able to earn interest based on the asset's market demand for borrowing. Additionally, deposited assets can be used as collateral to allow the user to borrow other assets. Interest earned by depositing funds offsets the accumulated interest rates from borrowing.

Additional token pools will be added as the platform grows. The additions into the protocol will be initially decided by the core team and as the protocol's governance transitions into a Decentralized Autonomous Organization (DAO), additional pools will be approved based on community votes and proposals using the VB governance token.

Earning Through Asset Supplying

Depositors will receive continuous earnings (interest) on their assets that adjust based on market conditions. Each asset has its own market of supply and demand with its corresponding APY (Annual Percentage Yield) that is subject to change over time as supply and demand for borrowing and lending evolve.

Borrowing

A user may want exposure on their current asset appreciating (aka. Taking a long position) while looking to enter another position with additional capital. As a result, the user would be able to borrow, using the current asset being deposited in the protocol instead of completely selling it off to realize the liquidity. This provides the user liquidity (working capital) without the need to sell their current asset.

A user who wishes to borrow and who has sufficient balances stored within the Very Banking protocol may call the '`borrow`' function on the relevant contract pool. This function call will check the user's account balances, and if sufficient collateral is present, will update the user's borrowing power balance, transfer the tokens to the user's address, and bring the money market's floating interest rate up to date.

Any borrower has the right to repay any outstanding loan at any time by calling the '`repay`' function, this triggers the repayment of the outstanding balance.

2.1 Liquidity Incentive Structure

Protocol will rely on the interest rate modelling to incentivize liquidity. When there are periods of extreme demand for an asset the liquidity of the protocol (the tokens available to withdraw or borrow) will go down; when this occurs, interest rates will rise up, incentivizing supply and making borrowing less attractive.

Very Banking will also use its incentive pool noted in the Token Economics (Section 6) combined with a community voting structure to provide further incentives for bring capital into the VB ecosystem.

2.2 Interest Rate

Instead of arbitrary or inefficient and clunky negotiation models going back and fourth among parties, VB will use simple interest rate modelling that is able to achieve a fair value based on economic theory. In any individual market it is solely based on supply and demand.

We propose following basic economic principals that will determine a fair price for borrowed money.

3 Ownership Referral System

Revenue can only be generated when there are active users on the protocol and Very Banking becomes a household name. The referral system for obtaining protocol ownership has one motivation: Build awareness. In order to accomplish this task we need to align incentives for everyone.

Our theory is that the more people who own the protocol means more revenue generated and being a stakeholder will enable individuals to:

- Adopt cryptocurrency
- Educate themselves on blockchain and true decentralization
- Earn from the long term growth of Very Banking
- Tell their friends of the risk free opportunity to own a piece of Very Banking

3.1 Maximum

Very Banking has no ownership maximum unless governance decides otherwise. We propose a points system that is referral heavy to attract mass adoption and awareness.

Action	Points
Initial Claim	1
Referral	2

3.2 Experimental Design

We propose the ownership smart contract have a write '`stop`' function by the contract owner which will end the ownership claim period. This function can be activated at any point in time to prevent further users from claiming an ownership position. It is undecided when this will be executed however it's implementation will be determined through governance.

4 Fee Distribution

Distributing fees on a preset frequency schedule would impose additional unnecessary gas costs on every transaction. To avoid this, accumulated fees are collected only when requested by the user or owner.

All fees generated in Very Banking can be withdrawn at anytime however redemption requires the sacrifice of VB tokens. Network gas fees are also to be paid by all owners or users of the protocol whenever they call a `redeem` or `close` function.

Proposed initial fee distribution % are as follows:

Individual	%
Users	50%
Owners	50%

4.1 Protocol Users

Protocol users are lenders, liquidity providers, stakers and other participants who actively contribute to the health and liquidity of the Very Banking ecosystem. They are entitled to receive fees based on the revenue their transactions yield. Depending on what market the fees are generated in each product will yield a portion that is directly paid to suppliers.

4.2 Protocol Owners

Protocol owners are anybody who retain `ownershipPoints` in their wallet. 50% of protocol revenue across Very Banking products is distributed and stored in a smart contract that can be called by any protocol owner to claim fractionalized revenue based on the following formula:

$$\frac{ownPts}{totalPts} * 100 = Ownership \tag{1}$$

The total collected fees can be computed by measuring the growth in $\sqrt{k}$ that is, $\sqrt{x \cdot y}$ since the last time fees were collected. This formula provides the accumulated fees betrween t_1 and t_2 as a percentage of the ownership of the protocol at t_2.

$$f_{1,2} = 1 - \frac{\sqrt{k_1}}{\sqrt{k_2}} \tag{2}$$

Withdrawal Functions

`redeem` function can be called at anytime and will require the sacrifice of VB 0.3% of total withdrawal value `close` closes a matured interest bearing position and collects the fees generated through interest.

5 Governance

As Very Banking matures, the protocol will undergo progressive decentralization and eventually be fully governed by a DAO consisting of VB token holders, `0x000...` and governance proposal structures both on-chain and off-chain.

The VB token will be required to firstly bring forth, then vote on proposals that would affect key parameters.

An example of these parameters are the following:

- Interest rate modelling
- Fee distribution for optimizing protocol longevity
- The addition of new assets that meet the minimum risk requirements of the protocol
- Risk parameters for overcollateralization and liquidation
- Changes to the Liquidity Mining Program to adjust incentives depending on market conditions
- Improvements to the protocol such as changes to smart contracts and governance processes

6 Token Economics

Very Banking is currently bootstrapped by its early team and now community. We did not do a private fundraiser and therefore will rely on the market for continued support. Our methodology for doing things this way is largely based on fairness and allowing the community to be an integral part from the start without facing the risk of VC advantage.

We propose reserving VB tokens to maintain the Very Banking ecosystem into the future in the following areas:

- Marketing - 30%

- Development - 30%
- Liquidity - 20%
- Incentives (LP, Supplier, etc) - 10%
- Emergency Reserve - 4%
- Ambassadors - 3%
- Community - 3%

We anticipate the VB DAO and community determining unlock periods through proposals and voting on multiple areas as capital is required for expansion, continued adoption and awareness.

Allocation	Unlock Schedule
Marketing	0.5% Unlocked, Rest by DAO
Development	0.5% Unlocked, Rest by DAO
Liquidity	Unlocked, Liquidity & Buy Backs Only
Incentives	Determined and Unlocked by DAO + Community
Emergency Reserve	Fully Locked, Unlocked by DAO + Community Votes
Ambassadors	0.25% Unlocked, Unlocked by DAO + Community Votes
Community	Fully Locked, Unlocked by DAO + Community Votes

Marketing

Unlocked allocation is proposed to be 0.5% of the marketing supply which at current specification is 150,000,000 VB. This will be used to generate further awareness for Very Banking through paid marketing efforts.

Development

Unlocked allocation is proposed to be 0.5% of the development supply which at current specification is 150,000,000 VB. This will be used to incentivize existing and new developers to build our DeFi assets. Supply will be locked for team members before any distribution or sold in increments to fund development. Development also includes on-going security audits.

Liquidity

Fully unlocked allocation for liquidity injection only. These tokens will enter the Very Banking ecosystem as needed for continued growth and strengthening liquidity as demand for VB rises. Being a multi-chain product we will constantly have to keep up with demand across multiple L1s.

Incentives

This allocation will specifically be for incentives to use Very Banking. These can range from LP incentives to promotion incentives and will be discussed among the community to decide on.

Emergency Reserve

Being a proprietary DeFi protocol, we propose setting aside VB for an emergency reserve. This reserve will only be called upon when necessary. After full circle decentralization this allocation can be burned.

Ambassadors

This allocation will be locked before distribution to anybody who applies to become an ambassador. Individuals must qualify to obtain an allocation from this pool and a vesting period will apply.

Community

The community pool will be for rewarding community members and good behavior. We propose using this pool for future airdrops, partnerships and incentivizing community growth.

Sell Strategy

VB will be sold off when the market is able to absorb it and also in increments when required to avoid price deterioration.

6.1 Deflationary Mechanics

We propose a small sacrifice of VB to claim protocol fees. Since ownership carries a no cost ticket aside from gas, the introduction of a token buy and burn ensures incentives are aligned for VB holders. This concept adds utility to the VB token outside of governance and introduces a non-forced deflationary model reducing overall supply so people are confident in holding for governance. As more people become owners of the protocol, they will witness the rise in fees generated and have the motivation to bring others into the ecosystem.

This fee will be a floating parameter determined by governance and will have an impact on the protocol growth. It will be set at 0.03% in the beginning and will change as necessary.

7 Risks

There is no protocol that can completely be considered free of all risk. The risks related to the protocol may potentially include Smart Contract risks and Liquidation risks from price volatility.

The team will take necessary steps to minimize these risks as much as possible. This will be done by undergoing routine audits as the protocol grows and keeping source code open to the public for community audits. A bug bounty program will be announced in the future as well.

8 Disclaimer

This paper is for general information purposes only. It does not constitute investment advice or a recommendation or solicitation to buy or sell any investment and should not be used in the evaluation of the merits of making any investment decision. It should not be relied upon for accounting, legal or tax advice or investment recommendations.