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- (d) none of the Foundation, the Distributor, their respective affiliates, and/or the Velar team shall be responsible for or liable for the value of \$VELAR, the transferability and/or liquidity of \$VELAR and/or the availability of any market for \$VELAR through third

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- (b) is non-refundable, not redeemable for any assets of any entity or organisation, and cannot be exchanged for cash (or its equivalent value in any other digital asset) or any payment obligation by the Foundation, the Distributor or any of their respective affiliates;
- (c) does not represent or confer on the token holder any right of any form with respect to the Foundation, the Distributor (or any of their respective affiliates), or their revenues or assets, including without limitation any right to receive future dividends, revenue, shares, ownership right or stake, share or security, any voting, distribution, redemption, liquidation, proprietary (including all forms of intellectual property or licence rights), right to receive accounts, financial statements or other financial data, the right to requisition or participate in shareholder meetings, the right to nominate a director, or other financial or legal rights or equivalent rights, or intellectual property rights or any other form of participation in or relating to Velar, the Foundation, the Distributor and/or their service providers;
- (d) is not intended to represent any rights under a contract for differences or under any other contract the purpose or intended purpose of which is to secure a profit or avoid a loss;
- (e) is not intended to be a representation of money (including electronic money), payment instrument, security, commodity, bond, debt instrument, unit in a collective investment or managed investment scheme or any other kind of financial instrument or investment;
- (f) is not a loan to the Foundation, the Distributor or any of their respective affiliates, is not intended to represent a debt owed by the Foundation, the Distributor or any of their respective affiliates, and there is no expectation of profit nor interest payment; and
- (g) does not provide the token holder with any ownership or other interest in the Foundation, the Distributor or any of their respective affiliates.

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VELAR

A Multi-Feature DeFi Platform with Bitcoin Finality

May 2023 | <https://velar.co>

Abstract: This paper provides a comprehensive overview of the features of the first version release of the Velar Protocol, codenamed Velar “Dharma.” Additionally, it includes the Velar architecture, which represents our vision of an ideal decentralized finance ecosystem built on top of Bitcoin. Furthermore, this paper includes key implementation details of the native token, \$VELAR.

Disclosure: *Please note that this paper may contain forward-looking statements regarding future versions of Velar. These statements are based on our current plans and expectations and are subject to change as we continue to develop and refine our platform.*

Challenges

Decentralized finance (DeFi) has emerged as a promising use case for blockchain technology, offering greater accessibility, transparency, and financial inclusion to users worldwide. While Ethereum and other EVM-compatible blockchains have dominated the DeFi landscape, the transition of Ethereum from proof of work (PoW) to proof of stake (PoS) consensus is a major upgrade that comes with both opportunities and challenges for Ethereum and the DeFi ecosystem.

The upgrade focuses on improving Ethereum's energy efficiency and scalability. However, it also comes with challenges that are worth noting:

1. **Network Security:** One of the most significant challenges in cryptocurrency networks is ensuring network security. With PoS, network security is tied to the amount of cryptocurrency that users stake. The more they stake, the more likely they are to be selected to validate transactions and earn rewards. However, if a small group of users holds a large portion of the network's cryptocurrency, they could potentially collude and attack the network.
2. **Centralization:** PoS can also lead to centralization if a few large stakeholders control a significant portion of the cryptocurrency. The nature of PoS consensus consolidates the validating rights with major stakeholders to have a strong influence over the network's decision-making process, leading to a loss of decentralization.
3. **Regulation & Compliance:** Regulatory challenges are common for blockchain and cryptocurrency platforms, as they operate in a relatively new and rapidly evolving space with regulations that are still being developed and implemented. In PoS consensus-based networks, especially Ethereum, we have witnessed validators being forced to adhere to OFAC guidelines, resulting in censorship at the consensus layer.

Overall, Ethereum's transition to PoS presents both opportunities and challenges. On the one hand, it offers a more sustainable and energy-efficient consensus mechanism. On the other hand, it poses technical and economic challenges that may hinder Ethereum's ability to create a fully trustless and distributed financial system.

Solution

Bitcoin, the world's first and most well-known cryptocurrency, has disrupted the traditional financial industry since its inception over a decade ago. While Bitcoin's primary use case has been as a decentralized digital currency, its underlying technology, the blockchain, has enabled the creation of new financial systems that operate outside the control of centralized institutions.

Bitcoin's security and immutability have made it a reliable store of value. Its robust network has led to the development of Layer 2 solutions and sidechains for scalability and sophisticated smart contract dapps. This makes Bitcoin Blockchain a viable base layer for building a new decentralized financial infrastructure for the world, with the potential to bring financial inclusion and accessibility to millions of people worldwide.

This new infrastructure, including Layer 2 platforms, has the potential to provide completely trustless governance, user-friendly interfaces, decentralized identities without any central authority, and 100% security, paving the way for a new era of decentralized finance (DeFi) on a global scale.

The success of any DeFi ecosystem will depend on factors such as usability, security, scalability, and adoption by users and developers. Ethereum and other Layer 1 platforms have achieved great usability and adoption and are trying to achieve scalability but at the cost of security. Bitcoin, on the other hand, has a simpler design, allowing for higher decentralization and better security. Its long history and larger user base also provide a more robust and stable ecosystem.

Introducing Velar

Velar is a DeFi protocol with Bitcoin finality that aims to unlock Bitcoin's true potential by building a sophisticated suite of DeFi products on Bitcoin. Velar V1, codenamed "Dharma," includes an automated liquidity protocol based on the "constant product formula."

This protocol is inspired by Uniswap v2 and is written in Clarity language on Stacks L2. Dharma mainnet also features farming and staking options for users to select their strategy, as well as an IDO launchpad that facilitates the launch of tokens on the Stacks platform. Velar Dex is inspired by Uniswap V2 due to its simple design and permissionless nature.

Velar Dharma includes features such as Swap, Liquidity Pools, Staking, Farming, and an IDO Launchpad.

Velar will have the following versions in the future:

- Velar v2 - **Artha**
- Velar v3 - **Kama**
- Velar v4 - **Moksha**

All of which will be discussed later in the paper.

The Philosophy

“Be the change you want to see in the world.” - Mahatma Gandhi

Bitcoin has been called many names - a revolutionary idea, a bubble, a cult, a religion, and many more. Depending on one's knowledge of the subject, one may agree with one or more of these names. However, for us, Bitcoin represents decentralization, security, and trustlessness. It seeks to create a financial system that operates outside the control of centralized institutions and gives users complete control over their own assets and identity.

This philosophy aligns perfectly with Velar's vision for decentralized finance. Velar aims to create a decentralized financial world using the Bitcoin blockchain as the foundation. At Velar, we seek to provide users with a secure, scalable, and accessible financial system that operates without intermediaries and gives users complete control over their own assets and identity.

Together, Velar and Bitcoin share a philosophy of decentralization, security, and trustlessness. Thus, making them natural partners in the quest for a more inclusive and accessible financial system. Velar's use of the Bitcoin blockchain and its focus on decentralized finance aligns perfectly with Bitcoin's philosophy and vision for a better financial world.

That's why we're building Velar, becoming the change we want to see in the world.

Why Bitcoin

Why Velar chose Bitcoin as a base layer

1. **Simpler Design:** Bitcoin has a simpler design compared to Ethereum and other smart-contract-enabled blockchains. It is a more robust and focused system that makes it efficient and less prone to bugs or downtime. Its simpler design has stood the test of time, thus, making it the perfect choice for a base layer.
2. **Stronger Security:** Bitcoin's security model is considered stronger than Ethereum and other blockchains. Its consensus mechanism, proof-of-work (PoW), is well established and proven over time, making it more resistant to attacks. Additionally, Bitcoin has a larger network of nodes and miners, making it more decentralized and less susceptible to manipulation.
3. **Scalability:** Using Bitcoin as the base layer, there are multiple Layer 2 scaling solutions being built on top of Bitcoin that will enable instant and low-cost transactions while maintaining the security and decentralization of the base layer. One such Layer 2 solution is Stacks, introducing Clarity, a new smart contract language designed to be more secure and predictable than Solidity.
4. **Better Interoperability:** \$BTC has better interoperability than \$ETH and other L1 coins. It has established itself as the base layer for trading pairs in most cryptocurrency markets, making it easier for users to move between different tokens and assets. Additionally, Bitcoin's simple design and focus on value transfer make it easier to integrate with other blockchains and systems.
5. **Network Effect:** The network effect of Bitcoin has been one of the key factors in its success. As the first public blockchain network, Bitcoin has had ample time to establish its network effect, and it has done so to

a massive degree. As Metcalfe's Law states, the value of a network is proportional to the square of the number of participants in the network.

This massive network effect is what makes Bitcoin an excellent choice for a base layer, as it provides a strong foundation for the network to build upon and helps ensure its long-term viability and growth. Additionally, the network effect of Bitcoin has helped to create a strong community of users and developers who are invested in its success and are constantly working to improve and enhance the network.

Why Stacks

Velar Dharma is built on Stacks and written in Clarity, a Turing incomplete programming language designed for smart contracts. Stacks is a Layer 2 solution for smart contracts built on Bitcoin, making use of the security and decentralization of the Bitcoin blockchain. This provides a secure and scalable environment for decentralized applications (dApps) and smart contracts.

Stacks utilizes a unique consensus algorithm called Proof of Transfer (PoX), which allows for fast and secure transactions between the Bitcoin and Stacks blockchains. The upcoming Stacks Nakamoto Upgrade will bring several new features and improvements that will enable Velar to build more complex and sophisticated applications on top of the Stacks blockchain with Bitcoin finality.

One key improvement in the upgrade is the launch of sBTC, a two-way decentralized Bitcoin peg between the Bitcoin and Stacks blockchains. This will allow BTC to be used as sBTC on Velar Protocol, unlocking up to \$500B of value in BTC for use in DeFi to earn yield and participate in new projects in a non-custodial way while maintaining the security of all transactions on the Bitcoin blockchain.

The combination of Clarity's focus on safety, readability, and formal verification and Stacks' use of Layer 2 technology with finality on Bitcoin and the security and decentralization of the Bitcoin network makes Stacks an interesting option for Velar to build its suite of decentralized applications and smart contracts.

Velar Protocol – A DeFi Protocol with Bitcoin Finality

Our Vision

Our vision is to create a decentralized financial world using the Bitcoin blockchain as the foundation. This world would be open, accessible, and secure for all. It would allow individuals to transact without intermediaries, store and grow their wealth without fear of confiscation or inflation, and access financial services regardless of their geographic location or social status. Transactions would be fast, secure, and transparent, and users would have complete control over their own assets and identity. The system would be truly global, accessible to anyone with an internet connection, and governed by trustless, decentralized mechanisms. Ultimately, it would enable a more equitable and inclusive financial system, empowering people from all walks of life to take control of their financial future.

Architecture

Velar's architecture for a decentralized financial system built on top of Bitcoin -

1. **Base Layer Security:** Bitcoin's base layer provides high levels of security, trustlessness, and decentralization. Transactions on the base layer are secured by the Proof of Work (PoW) consensus mechanism, which validates transactions and prevents double-spending.
2. **Layer 2 Scalability:** Multiple Layer 2 solutions, such as the Lightning Network, Stacks, TARO, and RSK, enable fast and cheap transactions while reducing the load on the base layer. These Layer 2 solutions leverage the security and decentralization of the Bitcoin base layer while enabling high transaction throughput and scalability.
3. **Smart Contracts and dApps:** Smart contracts and decentralized applications (dApps) are built on top of Layer 2 solutions, such as the Stacks blockchain, which is designed to run smart contracts and dApps on top of Bitcoin. Velar is building a dex, a launchpad, staking, and yield farming in its first version Velar Dharma on Stacks, and plans to build more decentralized applications in further versions.
4. **Decentralized Identity:** The system includes a decentralized identity solution enabling users to prove their identity without relying on centralized authorities. This enables users to participate in the decentralized financial system without giving up their privacy or security.
5. **Governance:** The system is governed by a decentralized network of stakeholders, including developers, users, and other participants, ensuring transparency and fairness.
6. **User Interfaces:** The system includes user-friendly and intuitive interfaces to ensure accessibility to everyone, regardless of technical expertise. These interfaces enable users to access and use the decentralized financial system easily.
7. **Interoperability:** The system supports a wide range of currencies and assets, including Bitcoin and other cryptocurrencies, as well as traditional fiat currencies. This enables users to easily exchange and trade different assets on the platform, increasing liquidity and usability.

Overall, the Velar architecture proposes a decentralized financial system built on top of Bitcoin. This system would leverage the security and decentralization of the base layer while enabling fast and cheap transactions through Layer 2 solutions, starting with Stacks L2. Smart contracts and dApps would be built on top of Layer 2 solutions. The system would also include a decentralized identity solution and a decentralized governance mechanism. Additionally, the system would be designed to be open-sourced, non-custodial, user-friendly, and support a wide range of currencies and assets, ensuring accessibility to everyone.

The blueprint of a completely trustless decentralized financial ecosystem:

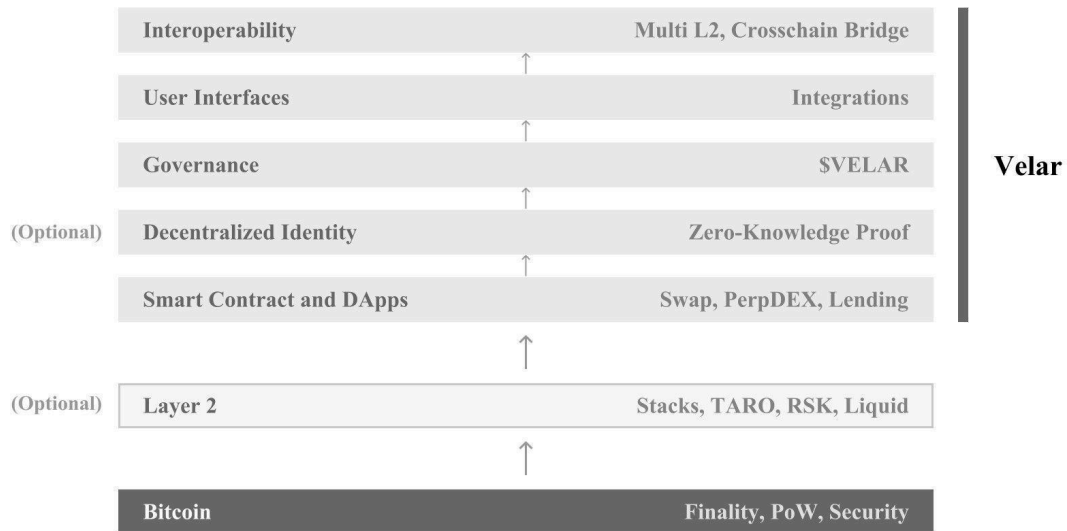


Fig 1. Velar Architecture

Velar v1: Dharma

Understanding Automated Market Makers and Liquidity Provision on Velar v1-Dharma

Automated market makers (AMMs) have been gaining popularity in the past few years. Led primarily by Uniswap, they have become a widely popular decentralized alternative to centralized order-book-based exchanges. These AMMs have managed to amass billions of dollars in assets on the Ethereum and other EVM-compatible chains.

AMMs are decentralized, automated systems that allow users to become liquidity providers and earn fees for their contributions. They use a mathematical formula to determine the price of assets in a liquidity pool and enable users to trade between these assets. This formula ensures that the product of the quantities of two assets in a liquidity pool remains constant, which maintains the balance of the pool and ensures efficient price discovery.

Velar AMM aims to provide users with a mathematically sound/mature and vigorously tested AMM model that facilitates:

1. Token swap
2. Liquidity provision
3. Earning trading fees

Working of Velar AMM

Velar AMM is a constant product market maker (CPMM) AMM, which can be represented by the simple equation:

$$x \times y = k;$$

where x and y are denoted as the quantity of asset A & B in the pool respectively.

Despite its simplicity, it relies on a powerful principle: the product of the quantities of two assets in a liquidity pool must remain constant.

Assuming a trader wants to exchange a specific amount of asset A for asset B, they would send asset A to the liquidity pool. This increases the quantity of asset A in the pool and decreases the quantity of asset B. The constant product formula ensures that the product $x \times y$ remains constant, so the decrease in the quantity of asset B results in an increase in the price of asset B. The trader then receives asset B from the pool, which has increased in price compared to asset A.

Let's understand this through an example. Suppose there are two tokens, token x and token y , as per the model, the pool liquidity is defined as k which is a constant or invariant. At an initial amount of liquidity be x_0 and y_0 , the swap price of the token x can be represented as the ratio of the two tokens in reserve,

$$P_{y/x} = y_0/x_0$$

Further in the example, let's represent the trading fee as ' τ ', so for a trade where the user wants to exchange token x to get token y from the liquidity, trading fee for the trade will be represented as

$$x \times \tau$$

Amount available for trade after fee deduction is represented as

$$x - x \times \tau = \Delta x$$

$$x \times (1 - \tau) = \Delta x$$

Let's call $(1 - \tau)$ as δ for rest of the calculation

For a trader who deposits Δy amount of token y to get Δx amount of token x with x_0 and y_0 representing the initial reserve and x_1 and y_1 representing the reserve after the exchange, k_0 as initial constant and τ is the trading fees. Δx and Δy satisfy this equation

$$\Delta y \times (1 - \tau) = (k_0/x_1 - y_1)$$

$$x_1 \times (y_0 \times (1 - \tau) + y_1) = k_0$$

$$(x_0 - \Delta x) \times (y_0 \times (1 - \tau) + y_1) = k_0$$

Understanding Geometry of Velar AMM

The geometry of the AMM is based on a rectangular hyperbola in a two-dimensional graph as shown in Figure 2. The exchange equation states that the product of two quantities always remains constant, represented as $xy = k$, the equation can be rearranged to express y in terms of x ,

$$y = k/x$$

This equation represents a hyperbola in the $x - y$ plane, where x and y are the quantities of the two assets in the liquidity pool. The curve is symmetric about the line $y = x$, which represents the diagonal of the $x - y$ plane.

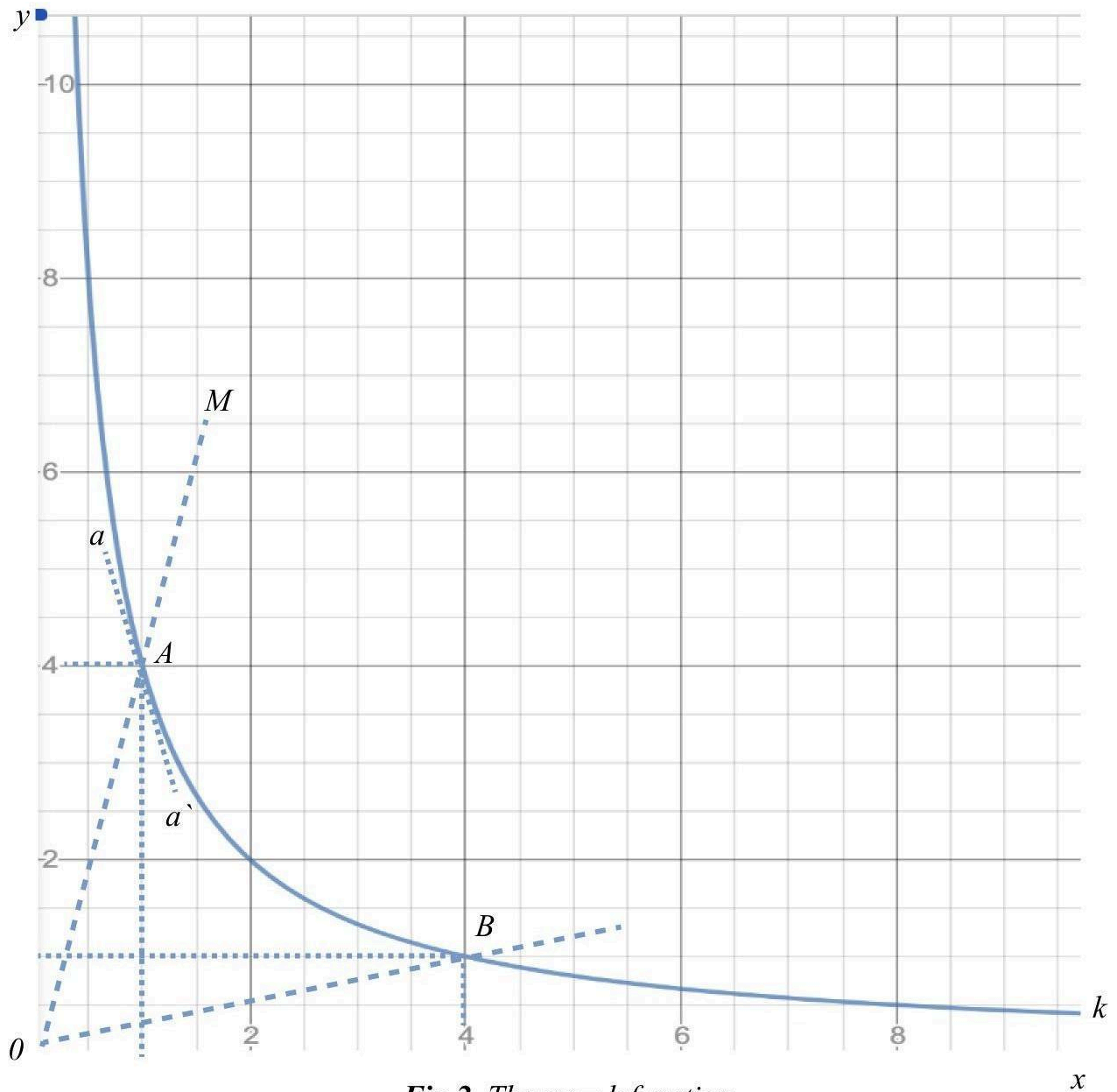


Fig 2. The $xy = k$ function

From Figure 2, we can state the shape and slope of the hyperbola represents, at any point, the price of the assets in the liquidity pool. Due to buying and selling, the shape of the hyperbola changes, and so does the price of the assets in the liquidity pool.

In general, we express this by taking the total derivative of the exchange function $x \times y = k$

$$y \, dx + x \, dy = dk$$

For any level curve $dk = 0$ and hence

$$dy/dx = -y/x$$

dy/dx , in Figure 2 represents the slope of the curve at point A and is equal to the slope of ray OA , the slope is negative due the fact that if x increases, y must decrease to keep the value of k constant.

Let's understand this through an example,

If there are two tokens x and y , the initial quantity of both assets is 100. The value of the constant k , using the exchange function $xy = k$ is 10000,

Now let's assume a trader wants to buy 20 units of token y using token x , since the trader is buying 20 units of token y , the new quantity of token y is 80, and since the product of the quantity needs to be constant, the new quantity of x will be

$$\begin{aligned}x \times 80 &= 10000 \\x &= 125\end{aligned}$$

Then the price of can be calculated by calculating the slope of the new hyperbola

$$dy/dx = -y/x$$

$$dy/dx = -80/125$$

$$dy/dx = -0.64$$

The exchange of token x in terms of token y is 0.64

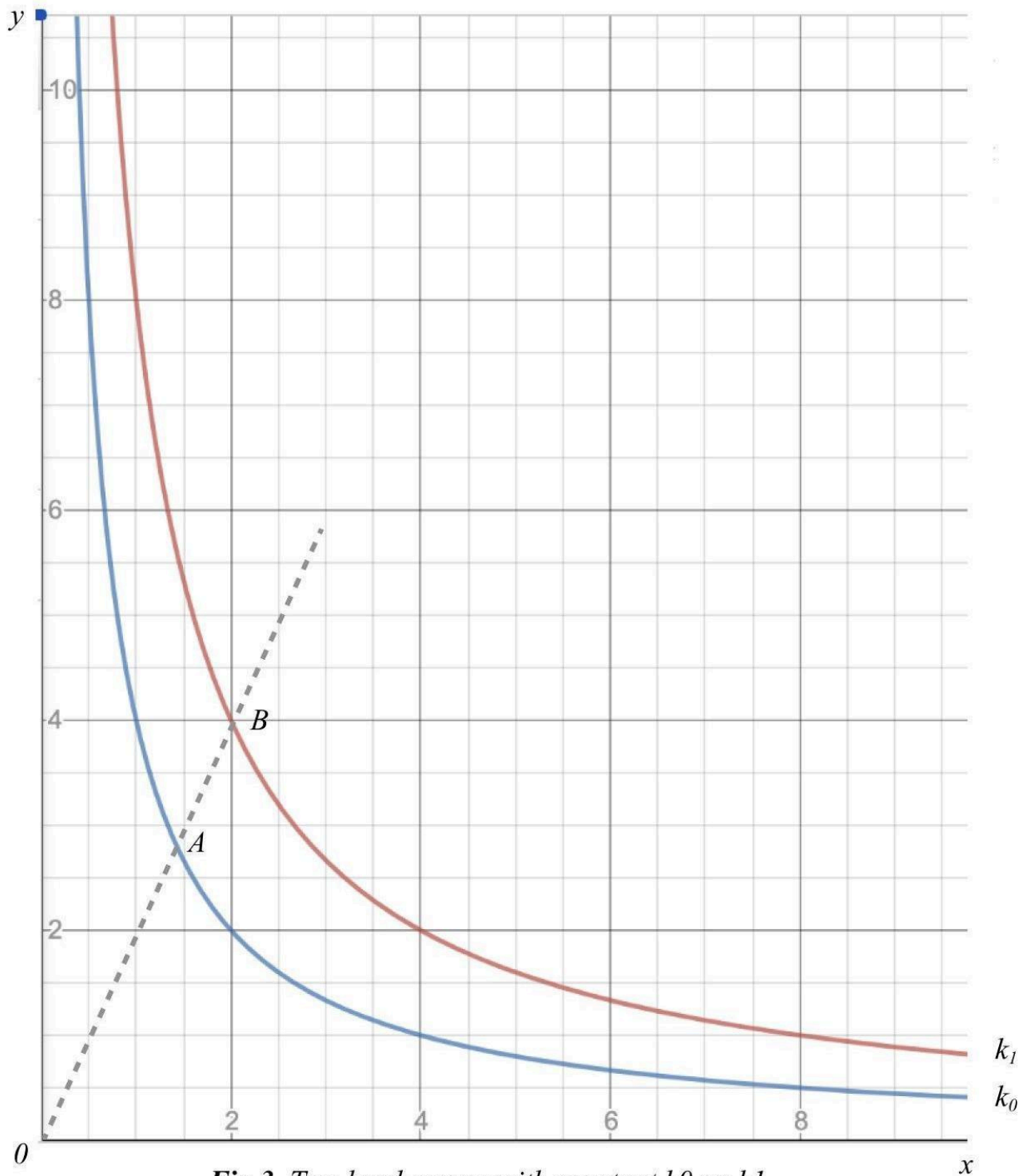


Fig 3. Two level curves with constant k_0 and k_1

Understanding the change in the graph when new liquidity is added to the pool, Figure 3 has two level curves, with constant k_0 and k_1

We can establish that the trader adding the liquidity to the pool receives lp tokens corresponding to Δk which is can be represented as

$$\Delta k = k_1 - k_0$$

and pool fee share of the provider can be represented as $\Delta k/k_1$

Liquidity Provider

Liquidity Provider (LP) farming is a popular method for incentivizing users to provide liquidity to decentralized exchanges and other decentralized finance (DeFi) platforms. LP farming on Velar aims to provide users with an efficient and rewarding way to participate in the platform's ecosystem. By locking their assets in liquidity pools, users can earn the pool's native token as a reward. This incentivizes users to provide liquidity to Velar's decentralized exchange and other DeFi applications, ultimately contributing to the growth and development of the platform.

Farming

The Velar platform enables projects listed on Velar DEX and launchpad projects to run seasonal farms on the Velar platform. This helps them gain traction and build a community of early adopters. By farming on Velar, liquidity providers can lock their LP tokens for a certain period and earn additional rewards in the native tokens of the liquidity pool.

Velar Staking

Velar's staking program is an integral part of its platform. Velar Staking allows users to stake their \$VELAR tokens and receive multiple benefits in return. Users would be sorted into tiers and receive a variety of access privileges and benefits depending on the amount of \$VELAR tokens staked, for example:

- Staking \$VELAR is the only way to participate in any IDO on Velar Launchpad. Depending on the number of tokens staked, users can receive IDO (Initial DEX Offering) tickets to participate in an IDO.
- Staking \$VELAR provides users with discounts on trading fees, early access to upcoming features, and exclusive access to incentivized testnets for future versions.

The goal of Velar's staking mechanism is to build a strong and committed community of supporters in the long term who are rewarded for their commitment to the platform. By incentivizing users to stake their tokens and interact with the ecosystem in various ways, Velar aims to create a sustainable ecosystem that benefits everyone involved.

It is important to reiterate that smart contract protocols and pools such as Velar simply comprise a set of autonomous blockchain-based smart contracts deployed on the relevant blockchain network, operated directly by users calling functions on it (which allows them to interact with other users and/or engage in trading or other activities in a multi-party peer-to-peer manner). There is no further control by or interaction with the original entity which had deployed the smart contract, which entity solely functions as a provider of technical tools for users, and is not offering any sort of securities product or regulated service nor does it hold any user assets on custody. As such, any token or other rewards which users potentially may earn from the protocol arise solely out of the user's involvement in the protocol by taking on the risk of interacting with other users and/or providing liquidity, and charging a fee for this work (e.g., trading fees, liquidity provider fees).

IDO Launchpad

The Velar IDO (Initial DEX Offering) launchpad platform leverages the scalability and security of Stacks while utilizing Bitcoin's finality. With Stacks' native smart contract language, Clarity, developers can build decentralized applications that are secure, transparent, and trustless. By combining the capabilities of Stacks and Bitcoin, the Velar IDO launchpad platform offers users an unprecedented level of security and efficiency. The Velar IDO Launch platform is here to revolutionize the way projects raise funds and launch their tokens in a decentralized and fair manner.

Velar v2 - Artha

"Velar Artha" aims to position Velar at the forefront of the evolution of DeFi on the Bitcoin blockchain. Velar Artha will have pioneering new features that will set it apart from any other DeFi platform in the market.

One of the key features of Velar Artha is governance. We believe that decentralization is the future of finance, and governance is an essential part of this. With the governance feature, Velar token holders will be able to participate in important decisions that affect the future of the platform. Velar Governance will create a more open, accessible, and secure financial system for all.

In addition to governance, the second version of Velar will also include a decentralized exchange (DEX) with concentrated liquidity inspired by Uniswap v3. This will provide a more efficient trading experience for our users, with reduced slippage and better trading fees.

Another exciting feature of Velar Artha is a perpetual derivatives exchange. This will enable our users to trade perpetual contracts on Bitcoin and a variety of tokens with up to 20x leverage in a fully decentralized way without giving up custody of their assets.

Finally, the second version of Velar will also feature a cross-chain bridge. This will enable users to move assets between different Layer 1 and Layer 2 blockchain networks, opening up a whole new world of possibilities for decentralized finance on Bitcoin.

Overall, Velar Artha is set to take decentralized finance on Bitcoin to new heights.

Velar's Future

Velar aims to become a leading platform in the world of decentralized finance on Bitcoin for decades to come. To achieve this goal, we have two further versions planned after Velar Artha: Velar Kama and Velar Moksha, which will offer a revolutionary and pioneering suite of products and features. As the world of decentralized finance is constantly evolving, the exact scope and features of Velar Kama and Velar Moksha will be released in due course.

Velar Kama (Velar v3): The scope of Velar Kama will be disclosed at the mainnet launch of Velar Artha.

Velar Moksha (Velar v4): The scope of Velar Moksha will be disclosed at the mainnet launch of Velar Kama.

Velar Token

Velar platform is powered by its native token, \$VELAR. The token serves as the backbone of the platform, providing liquidity and incentivizing users to contribute to the growth and development of the ecosystem. Apart from its core function, \$VELAR has several other use cases that make it a valuable utility for users.

For example, \$VELAR can be used as a means of payment for goods and services within the Velar ecosystem. It is not, and not intended to be, a medium of exchange accepted by the public (or a section of the public) as payment for goods or services or for the discharge of a debt; nor is it designed or intended to be used by any person as payment for any goods or services whatsoever that are not exclusively provided by the issuer. \$VELAR does not in any way represent any shareholding, ownership, participation, right, title, or interest in the Foundation, the Distributor, their respective affiliates, or any other company, enterprise or undertaking, nor will \$VELAR entitle token holders to any promise of fees, dividends, revenue, profits or investment returns, and are not intended to constitute securities in Panama, Singapore or any relevant jurisdiction. \$VELAR may only be utilised on Velar, and ownership of the same carries no rights, express or implied, other than the right to use \$VELAR as a means to enable usage of and interaction within Velar. The secondary market pricing of \$VELAR is not dependent on the effort of the Velar team, and there is no token functionality or scheme designed to control or manipulate such secondary pricing.

For the avoidance of doubt, neither the Foundation nor the Distributor deals in, or is in the business of buying or selling any virtual asset or digital payment token (including \$VELAR). Any sale or distribution of tokens would be performed during a restricted initial period solely for the purpose of obtaining project development funds, raising market/brand awareness, as well as community building and social engagement; this is not conducted with any element of repetitiveness or regularity which would constitute a business.

Additionally, \$VELAR can be used to access premium features of the platform, such as priority customer support or early access to new products.

In this paper, we will explore in detail the various use cases of the \$VELAR token and how it is poised to drive the growth of the next decentralized financial ecosystem on top of Bitcoin. By analyzing the market trends and the increasing demand for decentralized finance solutions, we will explore how \$VELAR token is well-positioned to benefit from this growing trend and drive the growth of the next decentralized financial ecosystem on top of Bitcoin.

Velar will have a max total supply of one billion \$VELAR tokens. The high-level distribution is as follows -

\$VELAR Distribution

Community rewards	35%
Treasury	20%
Founders and Team	20%
Advisors	5%
Early Purchasers	15%
Airdrop	5%

Tokenomics

Treasury

Velar aims to build DeFi infrastructure on Bitcoin for the next 25 years, with the \$VELAR token serving as the fuel throughout all stages of Velar. The Treasury tokens will be locked transparently and vested gradually to fuel further versions of Velar. These tokens may also be used to hire or raise funds for the talent required to build more complex and sophisticated DeFi products.

Additionally, the Treasury tokens may be used to protect the integrity of the ecosystem in case of hacks.

Community Rewards

\$VELAR provides the economic incentives which will be distributed to encourage users to exert efforts towards contribution and participation in the ecosystem on Velar, thereby creating a mutually beneficial system where every participant is fairly compensated for its efforts. \$VELAR is an integral and indispensable part of Velar, because without \$VELAR, there would be no incentive for users to expend resources to participate in activities or provide services for the benefit of the entire ecosystem on Velar. Given that additional \$VELAR will be awarded to a user based only on its actual usage, activity and efforts made on Velar and/or proportionate to the frequency and volume of transactions, users of Velar and/or holders of \$VELAR which did not actively participate will not receive any \$VELAR incentives.

A significant percentage of \$VELAR tokens are allocated as community rewards for supporting early users, building a committed community of supporters, and ensuring a wide distribution of tokens. This mechanism prioritizes participation and contribution to the ecosystem. \$VELAR should not in any way be construed as a financial product or investment.

Token Utility

\$VELAR will remain the sole token for the entirety of the Velar ecosystem and all its future versions, ensuring consistency and continuity throughout the development and growth of the platform.

The Velar platform is committed to enhancing the utility of the \$VELAR token through the launch of innovative features that utilize \$VELAR in their functioning, as well as future versions that enhance the overall ecosystem. The following are some of the utilities of the \$VELAR token for Velar Dharma:

1. Liquidity provider rewards
2. Engagement within Velar ecosystem
3. Wider ecosystem partnerships (e.g., discounts on third-party dApps)
4. Access to farms (i.e. liquidity pools) with boosted yields
5. Access to boosted IDO allocations

The utility of \$VELAR is expected to increase significantly with the introduction of Velar Artha, which will bring in **Governance** and **Weighted Voting**, enhancing the overall functionality of the platform.

The details of these updates and their respective features will be shared with the community in due course, along with the scope of their impact on the platform. The introduction of these updates signals the platform's commitment to constant innovation and improvement, ensuring that it remains at the forefront of the industry.

Sustainability

During Velar Dharma, Velar generates its revenue primarily from trading fees on Velar DEX: Velar will charge 0.3% of trading fees from traders who are swapping their tokens on Velar DEX, and a portion of this would be paid to the treasury. These funds will be utilised for continued product development, and utilised to replenish the active participant reward pool.

Fees from IDO launchpad

Velar offers a unique IDO launchpad that streamlines the process of launching tokens for innovative Stacks-based projects. By providing a platform that simplifies the token launch process, Velar is able to support projects that may not have had the resources or expertise to launch on their own. In exchange for these services, Velar may charge a listing fee or success fee from these projects.

This will not only allows Velar to continue providing its valuable launchpad services but also helps to fund the ongoing development and expansion of the platform. Furthermore, through its partnerships with other organizations and its active participation in the Stacks community, Velar is able to provide additional support and resources to help ensure the success of the projects that launch on its platform.

Future versions of Velar will bring in more revenue sources to Velar. As the platform grows with these new versions, Velar will continue to explore new ways to generate to support the long-term sustainability of the ecosystem.

Overall, Velar's revenue model is designed to ensure that the protocol eventually becomes self-sustainable while providing valuable services to its users.

Conclusion

This paper discusses the architecture of a decentralized financial system built on the Bitcoin blockchain as the base layer. Unlike other blockchain platforms that sacrifice security and decentralization to achieve scalability, we believe a sustainable system must prioritize decentralization and security as the foundation and build innovation on top to achieve scalability.

In conclusion, Velar is a cutting-edge decentralized finance platform built on top of the Stacks Layer 2 solution with Bitcoin finality. It provides a secure, scalable, and decentralized infrastructure for users to engage in a range of DeFi activities while maintaining complete decentralization and security. Velar is committed to driving the adoption of decentralized finance and creating a more inclusive and accessible financial system for everyone.

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