

**Fuel**

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PowerTrade Fuel Token

OFFICIAL TOKEN PAPER



## SUMMARY

**PTF is a DAO token which governs the treasury that covers PowerTrade traders in the unlikely event of a black swan, where margin collateral is not sufficient to cover open margin positions.**

This DAO is an alternative to exchange insurance funds that are generally funded via liquidation and trade fees and often outperform the market during downturns, with the BitMex insurance fund currently holding ~35.8k BTC (\$335m) in the fund.



## EXCHANGE OVERVIEW

PowerTrade is a crypto options trading platform that offers portfolio margining to advanced traders of the platform.

## PRODUCT

PowerTrade is mobile first, offering crypto options and derivatives. With a focus on ease of use, PowerTrade makes it simple for both beginner and active traders to trade on the go, keeping up with the 24/7 nature of crypto markets.

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## TEAM

The PowerTrade team is made up of crypto and finance industry veterans with cross-functional expertise in user experience and user interface design, building trading systems, decentralized architecture and growth marketing.

The team is led by Mario, the founder of top-10 exchange Liquid.com (previously Quoine), which regularly processes \$100m - \$1b per day in trading volume.



**Mario Gomez Lozada**

Founder of Liquid.com,  
CTO at Credit Suisse  
Japan, CTO at Merrill  
Lynch Pacific Rim



**Richard Hodges**

Trading Tech at Liquid, built  
trading and financial systems  
at Morgan Stanley and Citi  
and more, 20 years pro  
options trading



**Jon Myers**

Chief Design Officer at  
Liquid, Head of Design at  
Timo Bank



**Tom Howard**

Founder at Mosendo,  
Partner at Taureon  
Capital, Head of Growth  
at FactoryX





## MARKET AND COMPETITION

Options are the last major financial primitive that has not yet come to maturity in the crypto markets. Beginning in 2018 the crypto market saw huge growth in crypto futures leading to a “flipping” of futures trade volume over spot volume.

With traditional equity markets as an indicator, it can be expected that futures and options have 10x and 4x more trade volume than spot trade volume in mature markets. While crypto futures have already eclipsed spot volumes and are still growing, crypto options trade volume is currently a small fraction of spot volume, indicating that there will be large growth as the industry matures.

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Looking at the past 2 years of crypto options trade volume, we see a very promising 23.08% compound monthly growth rate, which is a very strong indicator of a high growth market. The market share is currently dominated by Deribit (~85%) which offers options trading to professional and institutional traders.

The market currently lacks a clear winner for a retail focused options product, and the complexity of professional options trading tools makes it difficult for retail traders to get up to speed with options trading. This leaves a large market opening for a UX and retail focused options product to gain traction.



## PRODUCTS AND RISK

PowerTrade offers options which are initially sold on margin, as well as leveraged futures. The margin positions are covered by some amount of collateral, which varies depending on the asset being traded.

PowerTrade goes to great lengths to reduce the risk of offering these margined positions:

- Dynamic collateral requirements
- Incremental liquidations
- Hedging strategies

However in some instances extreme market movements can cause traders to be stuck in unlimited downside positions with insufficient collateral to cover those positions and no liquidity to exit the position. If the PowerTrade liquidation system is not able to exit or hedge the position, the margin facility will have a shortfall and, without a backstop, will not be able to pay the counterparty of the contract behind that trade.

While PowerTrade will do everything possible to avoid such a situation, a backstop of last resort is needed to make traders whole: the PowerTrade Fuel DAO.





POWERTRADE FUEL DAO

## Funding The Treasury

Many exchanges have an insurance fund that operates under a simple premise: a separate fund that is continuously deposited into to cover any shortfalls on the exchange.

The treasury for the PTF DAO is funded similarly: fees from liquidations and trading on PowerTrade are deposited into the DAO treasury. Traders on PowerTrade who do not manage their position properly will face a liquidation, which comes with extra fee penalties for putting the system at risk.

At launch, PowerTrade will deposit all liquidation fees and 25% of trading fees to the DAO treasury.

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POWERTRADE FUEL DAO

## Covering The Exchange

In service of these fees, the DAO agrees to cover user balances in the case of a blackswan event that causes a shortfall on the exchange.

In such an event, the exchange will make a claim to the DAO, and if approved by DAO vote, will receive “claims tokens” which are redeemable for capital in the DAO treasury.

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The exchange will then redeem the “claims tokens” and make it’s users whole.

But what if the insurance fund runs out of capital?

It turns out this happened in the past, and nearly happened to many exchanges on “Black Thursday”.



POWERTRADE FUEL DAO

# Claims Tokens

Claims tokens are tokens that represent a transferable claim on assets in the treasury. Each claims token is redeemable for \$1, and should trade at or near \$1 on open markets.

If the DAO does not have the capital available, the token becomes an IOU and the bearer can hold onto that token until a time when the DAO has the capital available in the treasury.

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This means the “claims token” will trade at a rate based on the confidence of the fund to be able to redeem that token over time. If confidence is high the token should be priced like a USD multi-expiry future.

If the exchange makes a claim that pays out more claims tokens than there is capital available in the treasury, it will first claim the available capital to distribute evenly among outstanding user balances, and then it will distribute the remaining claims tokens evenly to users.

When traders are paid their winnings in a “claims token” they can choose to hold on to them until a time when they become solvent, or they can sell them now at a discounted rate to the market willing to hold onto them.



POWERTRADE FUEL DAO

# DAO Insolvency

Should the DAO become insolvent, it has two ways to become solvent again:

Wait for fees to replenish the treasury.

Auction off DAO tokens to cover the debts, thereby diluting the existing holders.

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As fees start refilling the treasury, claims tokens holders will be able to redeem their tokens on a first come first serve basis.

However, if user confidence is low due to the lack of treasury balance, the DAO may have trouble attracting new trading fees to refill the treasury, in which case it would vote to replenish the treasury more quickly by minting and auctioning new tokens, thereby restoring trader confidence.



POWERTRADE FUEL DAO

# Governance

On a technical level, the PTF DAO is a fork of the Compound DAO, which gives token holders a lot of flexibility when it comes to voting on different pieces of the smart contract infrastructure it manages.

The DAO has a responsibility to make sure that there is enough capital in the treasury to cover open risk on the exchange at any given time, and it has several levers to ensure that the capital is available.





## POWERTRADE FUEL DAO

# Governance

DAO token holders will be able to vote on various things including:

- Setting a target treasury size based on a formula which calculates open risk
- Treasury management to hedge risk (for example holding BTC as a hedge)
- Treasury management to increase treasury value (for example lending assets)
- Minting and selling new DAO tokens to bring more capital into the treasury
- Treasury asset management. Whitelisting tokens allowed to be held by the treasury.
- Managing terms of funding and cover agreements with PowerTrade exchange
- Offering cover to other exchanges

DAO token holders are aligned with the interests of the PowerTrade exchange as the primary source of funds for the DAO treasury is exchange fees. Traders must feel confident that the DAO is properly managing risk and insurance capital in order to feel safe trading on the exchange, which means the DAO's cover offering must remain attractive.





POWERTRADE FUEL DAO

## Benefits For Token Holders

In addition to the governance rights of the DAO, token holders can also benefit with PowerTrade by staking their token to receive reduced trading fees and staking rewards.

## Liquidity Mining Incentives

An allocation will be set aside for incentivizing exchange usage. At first, the exchange can be aggressive with trade mining and fee rebates in order to attract initial attention and liquidity to the exchange. Over time, the exchange will move to a more sustainable model of rewarding “makers” with the tokens.

Potential ways to incentivize usage:

- Trade fee rebates (Maker and Taker)
- Weekly bonus pools
- New user token bonuses
- Referral bonuses

Research is under way on models and techniques that will prevent wash trading and other unwanted behavior from incentivized transactions.





# Allocations & Vesting

Total Supply - 400,000,000 PTF

● **Token Launch - 1%**

Sept 2020

4,000,000

● **Presale - 9%**

3m - 24m

36,000,000

● **Future Rounds - 30%**

21m linear unlock  
after 3m wait

120,000,000

● **Liquidity & Attention Mining - 15%**

48m diminishing emission

60,000,000

● **Staking Rewards - 15%**

48m diminishing emission

60,000,000

● **Team - 20%**

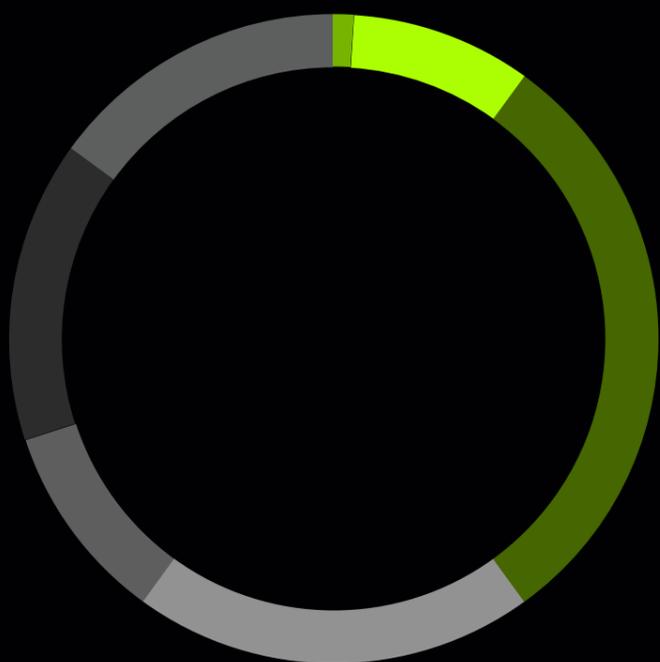
42m linear unlock  
after 6m wait

80,000,000

● **Partnerships - 10%**

21m linear unlock after  
3m wait

40,000,000





# Presale Details

Private pre-sale was sold in 3 rounds, on a first come first serve basis.

Unlocking is linear per minute and can be claimed from the unlocking contract on the Ethereum blockchain.

Round	Price	Lockup	Individual Cap	Status
Private 1	\$0.09	24 mo linear unlock	None	Sold Out
Private 2	\$0.15	12 mo linear unlock	None	Sold Out
Private 3	\$0.20	3 mo linear unlock	\$25,000	Sold Out
Public Whitelist	\$0.20	3 mo linear unlock	\$1,000	Date TBA

Public pre-sale will be whitelisted with a \$1,000 individual cap.  
Whitelisting will occur in the PowerTrade Discord.

Dates: Public sale and TGE dates to be announced.



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PowerTrade Fuel Token

[www.Power.Trade](http://www.Power.Trade)