YDRAGON

DEFI MADE SIMPLE

WHITE PAPER

WHAT ARE INDEXES
AND HOW DO THEY WORK?

An index tracks a specific basket of underlying investments whose performance is based on the collective movements of the assets held within that basket. When an investor makes the decision of investing in an index, he or she deposits funds that are then used to purchase the underlying assets proportionally to what the index represents. The investor then holds a number of issued shares of that index whose amount depends on some proprietary formula issued by the index issuer, and whose price depends on the performance of the index's assets.

HOW DO INDEX FUNDS DIFFER
FROM ACTIVELY MANAGED FUNDS?

Index funds are passively managed and the basket of selected investments remains stable, whereas actively managed funds are selected and traded by an analyst or fund manager who usually charges a fee. As a result index funds are inherently more transparent – an investor can be certain as to what assets the index shares represent. In a managed fund the assets or the weighting of the assets held within the fund may and do change at any given moment.
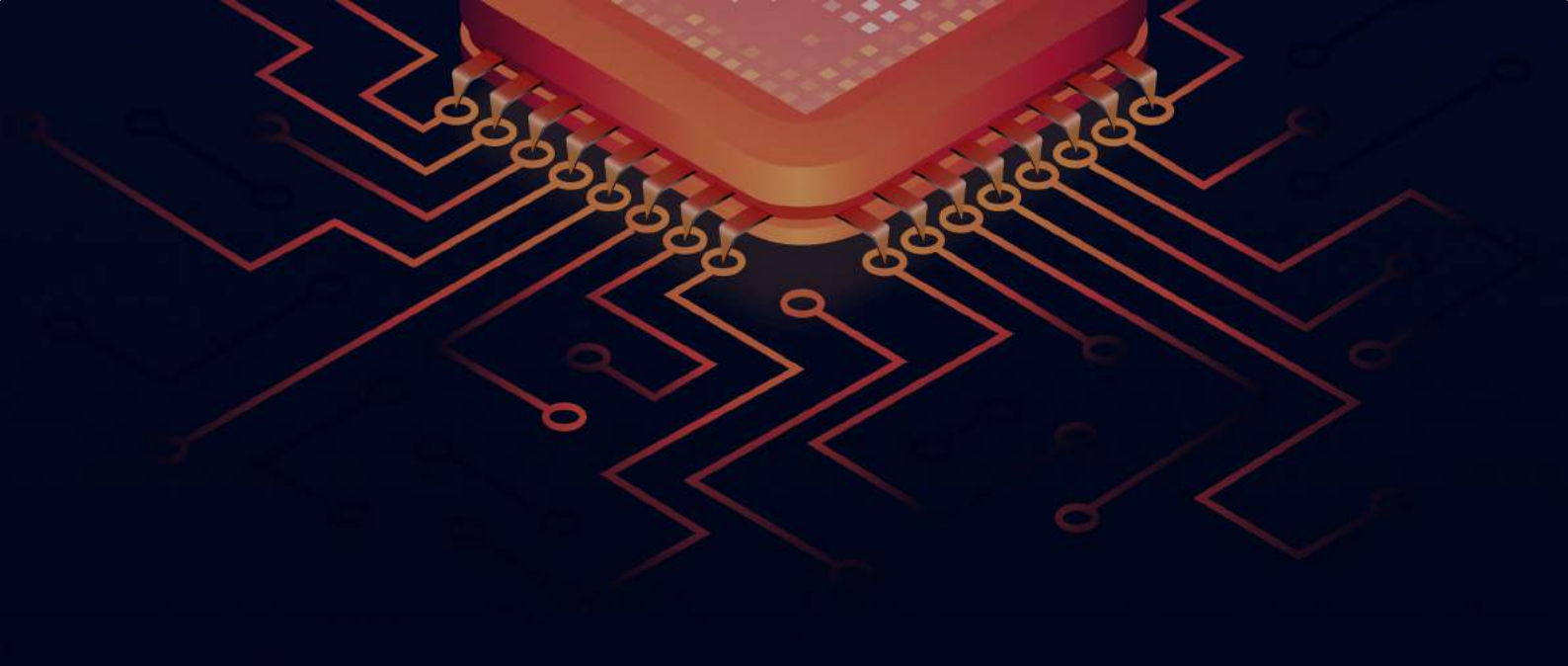
The Defi space is uniquely positioned to offer the passively managed variant of funds since smart contracts are the perfect tool to passively manage an index based on a set of rules and algorithms baked in during inception.

WHAT PROBLEMS DO INDEXES
ADDRESS AND SOLVE?

Diversification is a key tenet and mantra of the investor code. While an amateur investor may find pleasure in researching and purchasing individual assets he or she finds interesting, it becomes a difficult enterprise as one becomes financially involved in more and more assets. In the crypto space assets vary wildly in terms of capitalization, available liquidity, exchange placement, blockchain technology, fee structures, yield farming algorithms and smart contract trustworthiness. Such an environment can quickly lead to a massive overhead in terms of required due diligence, laborious and costly transactions, and unnecessary losses incurred from having to deal with an inherent lower reaction time as a consequence of the complexity of a diverse portfolio. If and when an investor realizes he or she is embarking into a risky endeavor by diversifying their portfolio, and then choose not to, they are then encumbered by the opportunity cost of not diversifying their portfolio, fail to expose themselves to the wider market, thereby incurring an incalculable risk by only investing in the few assets that they can handle manually.

In short the crypto investor is met with a potentially lose-lose dilemma: diversify and get overwhelmed, or don't diversify and run the risk of choosing your assets poorly. Traditional finance is more mature in this respect, as roughly half of the capital locked in traditional investment vehicles is locked in portfolios, indexes, funds and ETFs - that is, investment methods with a modus operandi of maximizing diversification and minimizing risk.

This is what indexes provide to investors. Indexes create a less stressful experience for investors. By choosing a fund that represents a selection of assets, investors do not have to monitor the individual movements of the assets within the fund, they can instead monitor the performance of the entire fund and make choices according to whether or not they want to remain exposed to the index's fundamental offering. They also spend a lot less on fees in the process.

Another key offering of crypto index funds is helping to reduce the technological barriers of entry associated with what the market as a whole has to offer. Investors can access the Ethereum mainchain with relative ease, but accessing the opportunities available in the cross chain market, such as in layer 2, is more challenging and requires more research, especially considering its nascent state. Indexes completely obviate the need to understand and obtain access to these cross-chain assets - an investor just needs to understand the underlying blockchain on which the index tokens are available.

One last note on indexes tailored to the decentralized cryptocurrency space, making them unique even compared to traditional finance indexes: active collateral. Consider the core mechanism by which an index token is offered: an investor deposits collateral which is then used to buy the index's underlying assets. In traditional finance the index/portfolio/fund/bank management team usually manages the fund in a non-transparent way and leverages the funds for their own benefit (for example by using the collateral for bank loans).

In decentralized finance, the transparency of smart contracts allows for more user-friendly and clever ways of offering additional value that would otherwise be unavailable. This is where YDR shines: by leveraging the power of DeFi yield generation protocols to offer the most optimal value to the user (more on that further down).

YDRAGON

YDRAGON OVERVIEW
W H A T   I S   Y D R A G O N ?

YDragon is a cross-chain index ecosystem with yield bearing collateral, providing a true interoperable cross-asset experience. YDragon provides exposure to different DeFi niches across a multi-chain environment effortlessly with a smart revenue generating protocol managing underlying assets. The best choice for passive fund management.

| CROSS–CHAIN INDEX | → | COLLATERALIZED YIELD | → | SMART REVENUE GENERATION |

The increasing growth of the Decentralised Finance (DeFi) market is creating a plethora of opportunities for investors which leads to brand new innovations. Some of these innovations may focus on improving the DeFi evolution on Ethereum, whilst others may focus on building DeFi infrastructure on other chains.

This creates a problem of choice for traders due to over-saturation of projects. Gaining exposure to the opportunities presented across the market is therefore time consuming, technically difficult and involves risk.

Investors want to access the best opportunities they can, with ease, and YDragon will allow them access to momentum enhanced opportunities, by allowing them to have a diversified portfolio spread across multiple chains.

YDR is the utility & governance token of the YDragon ecosystem. YDR captures the growth of every index within the ecosystem, receives numerous revenue sources, allows the community to participate in governance and therefore provides incentive to hold.

YDRAGON FEATURES
I N   A   N U T S H E L L

CROSS–CHAIN

With Ydragon we offer accessibility across multiple blockchains, thus allowing a diversified portfolio to be created that would otherwise be time consuming, difficult and costly to build manually.

AUTO–REBALANCING

Market fluctuation will help define a threshold for assets in an index. When an asset in the index deviates further than the threshold value, the index will be automatically rebalanced.

Y D R A G O N

GOVERNANCE

A council of experts within the DeFi space will make suggestions on what coins should be added to the indexes and token holders will be able to vote for those coins. Staked YDR holders will be partially involved in voting in new projects into existing indexes.

YIELD GENERATION

We have devised an idea of partially using the collateral to generate yield, which can then be used to strengthen the YDragon ecosystem. Through this, YDragon will be able to reap all of the existing Yield market's benefits.

YIELD
THE DEFI ROCKET FUEL

Yield has been a massive focal point in the DeFi space. In 2020 the yield market has organically ventured into two areas. On one side we have projects that have focused on Stable Coins (USDT, USDC...) and the Top DeFi assets (ETH, WBTC, LINK...); on the other side we have mid-small cap projects providing high APY to compete with the bigger players. Naturally the growth of TVL results in lower yield over time.

STRUCTURALLY THERE ARE 2 TYPES OF PROJECTS PROVIDING YIELD OPPORTUNITIES:

🔥 Yield Automation projects that create strategies in-house or are sourced from the community. These strategies are technically difficult for users that use DeFi manually, but provide smart systems that play with the nature of composability in DeFi and provide higher yield – this is called yield farming.

An example would be Yearn that pioneered the yield farming space. Another great example is Alchemix, which allows for the creation of synthetic tokens that represent the future yield of a deposit by enabling users to gain instant tokenized value against temporary stablecoin deposits.

🔥 Lending protocols also present high yield prospects. The opportunity to borrow funds against crypto assets is available through centralized lending protocols such as Celsius or BlockFi, but this mechanism requires the use of a middleman, while decentralized lending protocols such as Aave, Compound and others use smart contracts to eliminate such need.

Both of these types of projects deliver variable APYs that fluctuate with demand and market conditions. With the recent meteoric growth of Binance Smart Chain and the rise of other blockchains such as Avalanche, Matic and xDai, we have encountered strong APYs in these newer competing chains, all of them vying to increase adoption and demand for their products and ecosystems.

YDRAGON

YDRAGON

Y I E L D — B E A R I N G   C O L L A T E R A L

YDragon is creating a system which will capture all the benefits of the current Yield market. The way we achieve this is through the concept of yield bearing collateral.

Most DeFi indexes only use their collateral for meta-governance options, where the assets themselves sit in vaults in an idle state. They act as a safe-vault for any possible asset redeeming event. In comparison to the banking system where a continuous asset-flow only requires 5-10% of collateral to be available at any given time.

Indexes are mostly used for speculation and minting, rather than major redeeming cases, since there is usually enough liquidity in the primary markets due to various incentive mechanisms. Additionally, through a smart system incentivising minting and disincentivizing redeeming, as well as by using uniswap v3 compatible automated concentrated liquidity pools - we can safely mitigate any potential liquidity crisis.

Following this logic, we came up with the concept of partially using the collateral to generate yield, which can then be used to amplify and add value to the YDragon ecosystem.

YIELD VAULT STRUCTURE:

X   Y   Z

Users will be providing collateral to a specific index that they are interested in, which will be used to swap into the underlying assets that the index is supposed to represent. After the initial index balancing, the provided collateral will be split into two separate vaults: a liquid vault (call it the X vault) immediately available for any potential user withdrawals, as well as a yield-bearing vault (call it the Y vault) whose assets will be bound to trusted yield generating smart contracts popular in the DeFi space.

As the Y vault assets generate rewards through these protocols, these will be deposited around once a week into a separate reward vault (call it the Z vault), which will then be used to distribute rewards to YDR ecosystem participants such as index token stakers, index LP stakers, YDR token stakers, and YDR LP stakers.


XYZ STRUCTURE
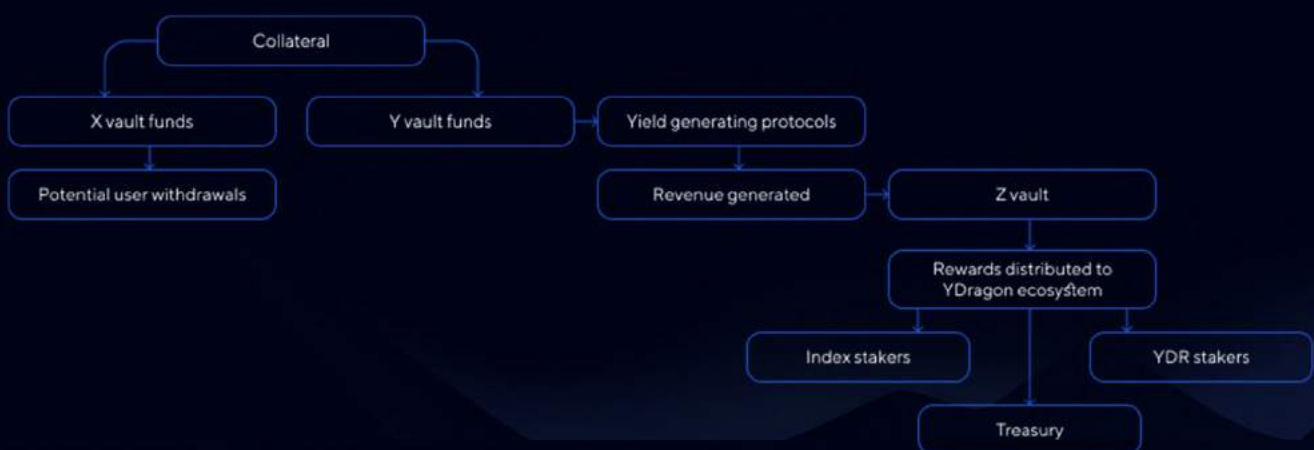
YDRAGON

Note that in the first iteration of YDragon, the X/Y vault ratio will be kept at 1:4 (20%/80%), as from our models we expect that 20% of assets should be enough to support a healthy ratio of minting and redeeming activity.

Should the X vault funds drop below a certain threshold (5% of total collateral), an emergency vault rebalancing event will be triggered to bring the X/Y ratio back to a healthy level.

X&Y REBALANCE STRUCTURE
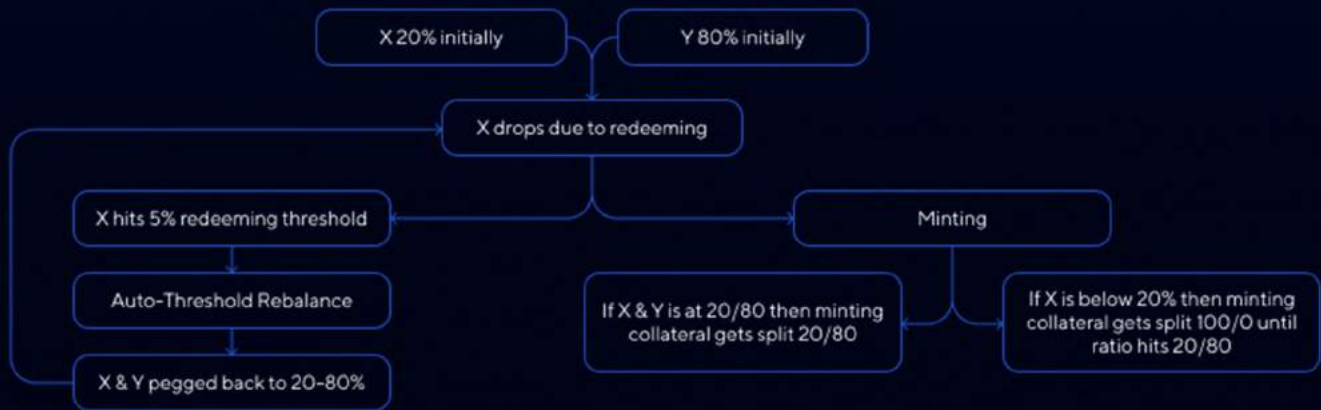
CAPTURING SHORT & LONG
TERM YIELD OPPORTUNITIES

The YDragon ecosystem has been created in a way to accumulate value across the whole DeFi landscape and we've strategically positioned ourselves to be at the epicenter of DeFi growth.

We will be issuing indexes across the growing niches in Ethereum, as well as indexes on other blockchains. This structure allows us to capitalize both on smaller APY opportunities with established projects as well as high-APY models of newer tokens and newly established blockchains.

The goal is to effectively identify new growth points, leverage mass-market demand into them and create large demand for our indexes. Once this system is operational it will be fuelled with continuous demand. Additionally, data foretells that 2021 will be the year of many new blockchains launching which is the ideal market for our system. While some indexes will derive smaller yield or will see diminishing demand, others will bring more flow and large yield into the ecosystem.

Y D R A G O N

LIQUIDITY FARMING

Larger amounts of yield are enabled through LP tokens which are even more interesting on blockchains such as BSC where we see yield auto-compounding work well due to the lower transaction cost. A good example of a project which benefits from this is AUTO, which is a yield farming aggregator running on BSC and Huobi ECO Chain.

In order for YDragon to capture the yield from liquidity mining we will set up stable coin farms on different blockchains where users can deposit their stable coins which will be used in LP creation for liquidity mining and offer good APY levels.

Through this smart yield bearing collateral system, YDragon will generate numerous revenue streams from different indexes, leverage the growth of the cross-chain DeFi space and become the go-to asset for the mainstream market.

COMPETITION
W I T H   O T H E R   I N D E X E S

YDragon has numerous strength points not seen in the index space that will allow for parabolic growth. We will create a growth loop by continuously creating indexes on high potential blockchains and minting YDR on those chains as well. In doing so, YDR will be a part of many indexes on different blockchains. This is the ultimate way to capture ecosystem growth.

YDragon will also take full advantage of Uniswap v3, thus solving the liquidity problem through automating concentrated liquidity.

We plan to expand by adding partners to provide support to YDR and the underlying index tokens to extend into the market and increase overall market capture.

To compete with other Indexes, YDragon will provide a full suite of functionality and incentives that other indexes do not offer.

By providing investors with a cross-chain, yield generating index with governance, and auto-rebalancing, YDragon will be a truly innovative index not currently seen in the DeFi space.


Y D R A G O N

TENTATIVE INDEX STRUCTURE

YDragon will initially launch with an index on Binance Smart chain (BSC): The $BSCX Index (BSC Reputable Projects Index). A BSC-native index was chosen due to its relatively low fees for interacting with on-chain smart contracts, and due to its ever-increasing popularity among all levels of investor classes.
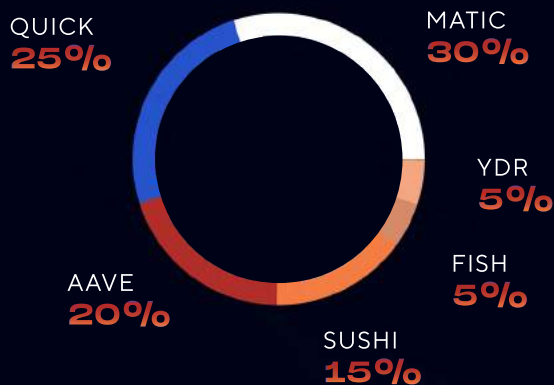
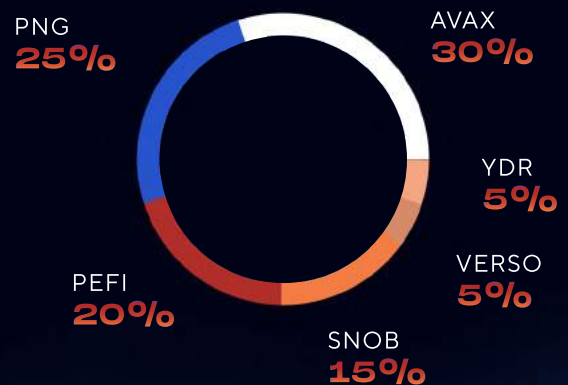## BSCX

BSC REPUTABLE INDEX

Index subject to change

BNB
25%

CAKE
25%

YDR
2%

BAKE
18%

AUTO
15%

BIFI
15%
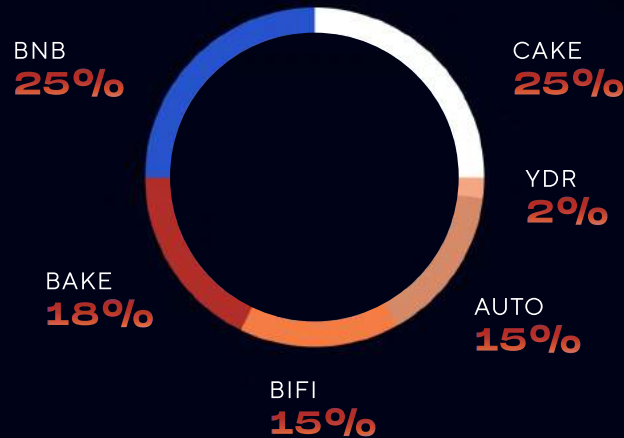
Note that the YDR token is also part of the $BSCX index, which is part of our long-term strategy of exposing the YDR token to each and every index that will be launched in our ecosystem. As interest and project success grows over time, so will the indexes.

As part of our mission to provide a wide range of indexes spread out over different blockchains, we will soon be launching two indexes for two rising stars in the blockchain ecosystem sector: Polygon and Avalanche.

POLYX

POLYGON REPUTABLE INDEX

QUICK
25%

MATIC
30%

YDR
5%

AAVE
20%

FISH
5%

SUSHI
15%

AVX

AVAX EMERGING INDEX

PNG
25%

AVAX
30%

YDR
5%

PEFI
20%

VERSO
5%

SNOB
15%

Y D R A G O N

YDRAGON TOKEN (YDR)

UTILITY

REVENUE

YDR will accumulate numerous revenue streams from fees on many indexes as well as from the yield bearing collateral and increased exposure to YDR in the indexes of the YDragon ecosystem.

FARMING

Users will be able to provide liquidity for indexes and farm YDR or stake index coins and earn YDR.

GOVERNANCE

Staked YDR holders will be allowed to vote on new ideas to improve the YDragon ecosystem. They will be partially involved in voting in new projects into indexes.

INDEX MINTING

Users can earn YDR by minting index tokens as well as staking the index tokens to earn YDR in the form of index composition.

TOKENOMICS & DISTRIBUTION

FOR YDR

TOKEN ECONOMICS

Total Supply:	500M
Seed Round:	40M
Public Round:	40M
Team & Advisors:	75M
Treasury:	75M
Strategic Investors:	75M
Liquidity Incentives:	75M
Marketing Initiatives:	55M
Community Incentives:	50M
Initial Testing Phase:	15M

RAISE

Seed Round Price:	$0.025
Amount:	$1M
Seed vesting:	0% / 100% 6M
	TGE LINEAR VESTING
Public Round Price:	$0.04
Amount:	$1.6M
Public vesting:	20% / 80% 2M
	TGE LINEAR VESTING

LISTING

Listing Price:	$0.04
Initial Market Cap:	$0.32M

YDRAGON

FEES AND REWARDS
S T R U C T U R E

Minting index token during initial minting event (IME)	**0%** fees
Minting index token after initial minting event (IME)	**0.5%** fee distributed to **Z VAULT**
Redeeming Index Tokens	**2%** fees with **DYNAMIC FEE** change depending on XY vault; fee distributed to **Z VAULT**

🔥 While X vault is 75-100%: flat 2% redeeming fee

🔥 X vault between 25-75%: linearly grows to 6% fee as X vault decreases towards 25% of TVL (TVL in X vault), assuming 25% is the rebalancing point

🔥 Hence we would have:

> If(current%X >= 0.75): fee = 0.02
>
> Else: fee = 0.06 – 4(current%X – rebalance%X)/50

SOME EXAMPLES:

X vault is at 75%. User wants to redeem, his fee would be:

$$0.06 - 4*(0.75 - 0.25)/50 = 0.02$$

X vault is at 50%, we rebalance when it reaches 25%. User wants to redeem, his fee would be:

$$0.06 - 4*(0.5 - 0.25)/50 = 0.04$$

X vault is at 25%, we are about to rebalance. User wants to redeem, his fee would be:

$$0.06 - 4*(0.25 - 0.25)/50 = 0.06$$

% of Trading Fees per Index Token	**0.25%** trading fees transferred to **Z VAULT**

Y D R A G O N

DEV ROADMAP
TIMELINE
YDRAGON

Q3 2021

- Project Development & Smart Contract Audits
- YDR & B5 Index Launch on Binance Smart Chain
- YDR & Index Staking

- New Index Launches
- Cross-Chain Compatibility
- Governance Expansion
- Transition from a managed index model to a fully automated one

Q4 2021

Q1 2022

- Introduction of experimental indexes
- Increased index minting flexibility
- Reward auto-compounding features
- Increased yield optimization functionalities

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