

Fusotao Economy Whitepaper

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<https://www.fusotao.org>

1. About Fusotao Protocol

The Fusotao Protocol is a verification protocol for an orderbook-based matching system, using paradigm of "execute off-chain, verify on-chain". Powered by the decentralized infrastructure of Fusotao, trust-free orderbook-based matching systems with zero-cost gas and low latency can be built. Through the method of off-chain matching, the process of order submission, order matching, certification generation and other processes runs on a centralized off-chain server, which enables traders to obtain the same fast and user-friendly trading experience as CEXs. Through the method of on-chain verification, only when the transactions under the chain pass the verification on the chain, will the user's assets on the chain be changed, thereby ensuring the security of the user's assets.

To achieve the above-mentioned secure, fast, decentralized, and scalable Fusotao protocol, a complete set of Token economic incentive mechanism is needed to enable all participants in the ecosystem to jointly maintain the operation of the Fusotao system. For one thing, the proportion of tokens and unlocking cycle need to be appropriately allocated to give full play to the initiative of developers, investors, and community participants, enable the Fusotao Protocol to achieve long-term prosperity; For another, incentives need to be given to block packers, transaction certification service providers, transaction participants and community governance to achieve sufficient liquidity, security, and stability of on-chain financial products.

Like the vast majority of blockchains, the Fusotao Protocol also has its own native utility token-aptly named 'TAO', which is the most important factor that motivates the properly function of the Fusotao Protocol. It is also the proof of community governance, development, transaction verification, and repurchase.

The following section will describe the economic model of TAO in detail.

2. TAO Token Allocation and Vesting

TAO is the protocol token of Fusotao Protocol, with a total of 100 million TAO.

The allocation scheme of TAO is as follows:

- **63% to the Community Rewards**

63 million TAO is allocated for community rewards. Within the 5 years after the mainnet is launched, 12.6% of the total token supply will be distributed every year.

1. Trading Rewards, accounting for 48%. After the launch of the Fusotao mainnet, It will be unlocked for 5 years, with an annual unlocking rate of 9.6%.
2. Verification Rewards, accounting for 7.5%. Octopus network provides verification nodes and ensures the Cross-Chain security of the Fusotao protocol. Community users stake OCT token in Octopus network for the Fusotao node to obtain validator rewards. After the launch of the Fusotao mainnet, verification reward will be unlocked for 5 years, with an annual unlocking rate of 1.5%.
3. Staking rewards, accounting for 7.5%. After the launch of the Fusotao mainnet, staking reward will be unlocked for 5 years, with an annual unlocking rate of 1.5%.

- **8% to the Fusotao Team**

8 million TAO will be allocated to the Fusotao team, with one-year lockup from the mainnet launch. Starting the second year, 2% for the total token supply will be distributed to the Fusotao team every year till the end of the fifth year.

- **12.5% to the Investors**

12.5% of the total token supply, totaling 12.5 million TAO, will be allocated to the investors. Three months after the mainnet is launched, 30% of investors' TAO tokens will be unlocked at one time, and the remaining 70% will be unlocked linearly in the following 12 months.

- **2.5% to the IDO**

2.5% of the total token supply are used for IDO on Skyward Finance or other platforms. It will be unlocked immediately when the mainnet is launched.

- **4% to the Initial Liquidity**

4 million TAO tokens, accounting for 4% of the total token supply, used for Initial Liquidity. It will all be used to provide initial liquidity (TAO/USDT) on CEXs and DEXs after the mainnet is launched.

- **1% to the Testnet Rewards**

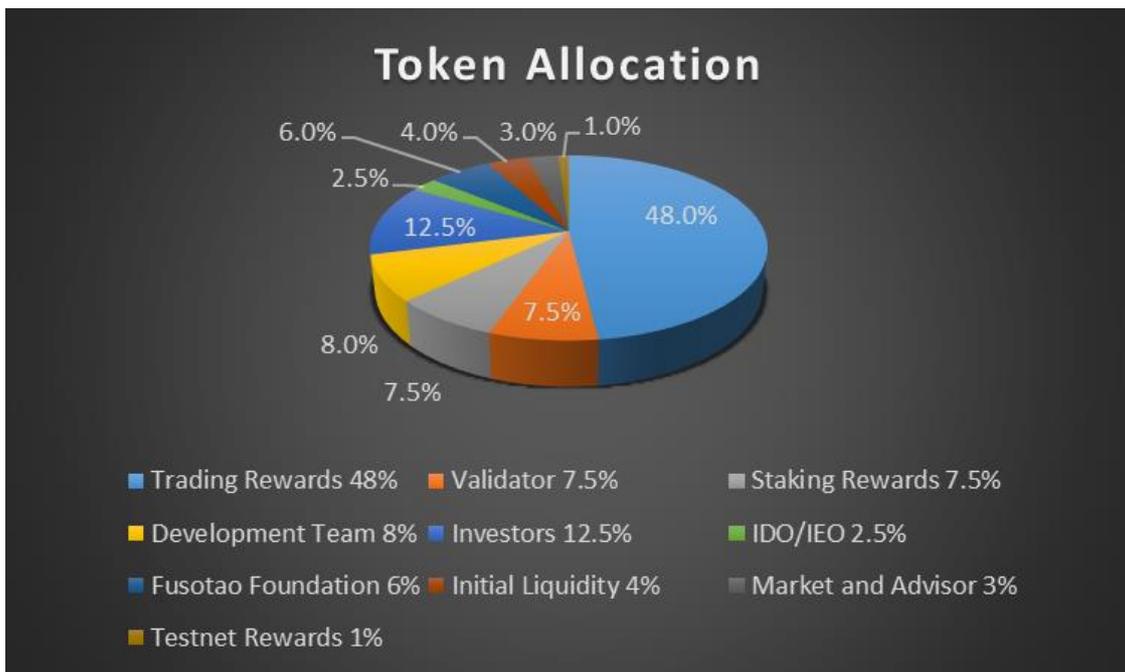
1 million TAO tokens, accounting for 1% of the total token supply, used for testnet incentives. Early community users participating in the testnet will be rewarded, and the reward will be unlocked immediately after the mainnet is launched.

- **3% to Ecosystem Developers and Marketing**

3 million TAO tokens, accounting for 3% of the total token supply, used for market & developer incentives. After the Fusotao mainnet is launched, it will be unlocked for 5 years, with an annual unlocking rate of 0.6%.

- **6% to Fusotao Foundation**

6 million TAO tokens, accounting for 6% of the total token supply, used for Fusotao Foundation, including long-term project management, partner support, academic funding, public work, community development, etc. After the mainnet is launched, it will be unlocked linearly in the 5 years.



TAO Allocation

The Fusotao Protocol is a completely decentralized and non-licensed community protocol. Therefore, most of TAO tokens will be generated by community mining and distributed to community members who maintain the operation of the Fusotao Protocol and carry out transactions. Community rewards accounted for 63% of the total supply, of which transaction rewards account for 48%, verification rewards account for 7.5%, and staking rewards account for 7.5%.



Community Rewards

Developers are important roles in the Fusotao ecosystem and are responsible for building various infrastructure and maintenance protocols. The official development team will obtain a total of 8% TAO tokens within 5 years, some of which will be used for airdrop and testnet incentives.

4% of TAO tokens will be listed on the CEXs and DEXs such as fxdx, Ref Finance within 3 months after the mainnet launched to provide initial liquidity (TAO-USDT).

For the growth and prosperity of the Fusotao community, it is necessary to have a professional team composed of content producers, application developers, designers, coordinators, media reporters and legal advisers. Therefore, we reserve 6% of TAO tokens to set up a project development foundation to motivate these valuable contributors.

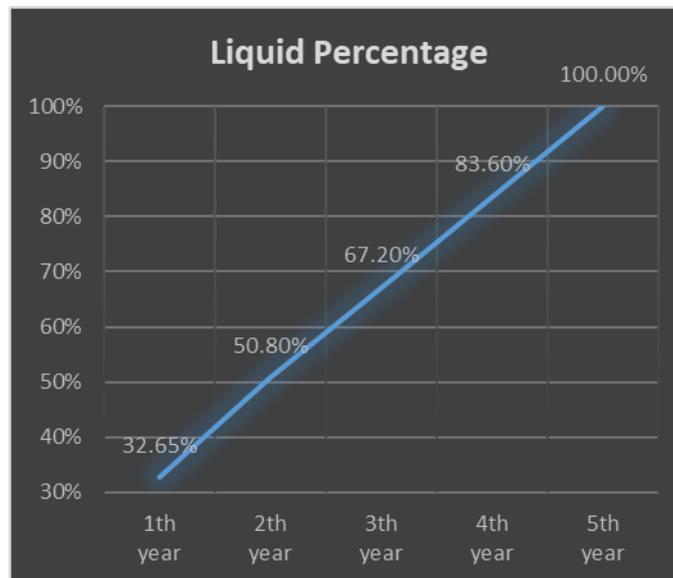
3. TAO Token Unlock and Vesting

We have long been committed to the technical upgrading and maintenance of the Fusotao Protocol and provide long-term incentives to community members and development teams. TAO tokens will be unlocked in 5 years. After the mainnet launched, the number of TAO tokens unlocked each year is as follows:



Tokens unlocked each year

67% of TAO tokens will be unlocked within 3 years after the mainnet launched, and long-term incentives will be given to the community in the next 2 years. The cumulative release curve of TAO tokens is as follows:



The cumulative release curve of TAO

4. Community Rewards

It can be seen from the above TAO token economy that 63% of TAO tokens will be allocated to community members participating in the Protocol, that is, community traders, block validator and TAO staking participants. They are the main contributors to ensure the stable operation of the Fusotao Protocol and realize the zero-cost, high-speed

and safe transaction. The three participants will get TAO rewards through PoT, PoV and PoS. It is worth mentioning that individuals and official global ambassadors who contribute to the Fusotao Protocol will receive market & developer rewards.

Trading rewards: Proof-of-Trading (PoT)

Fusotao protocol is a set of matching and verification protocols. "execute off-chain, verify on-chain" paradigm is the core of the Fusotao Protocol. Through on-chain authorization and off-chain order-book matching, users can complete transactions and obtain transaction proof without assets custody. The whole process is based on automate trust rather than human trust. The user's assets will not be changed until the matched transaction is proved successful on-chain.

The trading itself is the core of the whole system. Fusotao protocol introduces the Proof-of-Trading to motivate transactions to obtain TAO rewards. When users trade on DEXs powered by the Fusotao Protocol, they will get TAO tokens according to the trading volume in one era (about 24hrs). 48 million TAO tokens, accounting for 48% of total supply, are used for PoT rewards. After the launch of the Fusotao mainnet, it will be unlocked at an unlocking rate of 9.6% every year. 26,301 TAO tokens will be distributed to traders every era as PoT rewards.

The detailed reward rules are as follows. Assuming that the total trading volume of all DEXs powered by Fusotao Protocol is equivalent to \$10000 in one particular era, and the trading volume of a user is \$50 in that era. This user can get

$$(\$50 / \$10000) * 26,301 \text{ TAO} = 131.5 \text{ TAO}$$

as PoT reward in that era.

Validator Rewards: Proof-of-Validator (PoV)

It is a common practice for blockchain projects that network nodes with packaging rights receive token incentives, which ensures the correct operation of the network. Verification nodes of the Fusotao Protocol is provided by the Octopus Network (OCT). Community users can obtain TAO rewards by becoming the verification node or staking OCT to verification nodes in the octopus network.

TAO Staking Rewards: Proof-of-Staking (PoS)

In order to incentive the long-term holders of TAO tokens, the Fusotao Protocol will also support TAO token staking after the mainnet is launched. Staking participants and reward distribution are completed automatically through the protocol to avoid centralization risk. Staking reward, accounting for 7.5% of the total token supply, will

be unlocked for 5 years, with an annual unlocking rate of 1.5%.

Staking participants need to lock TAO to the staking protocol. The protocol will automatically calculate stacking rewards according to the locked proportion, and the user can claim staked tokens and rewards after the staking period. Users can not withdraw their staking token during each stack period. 1.5 million TAO tokens as PoS rewards are distributed to stacking users every year.

Suppose during one event, the system sends N TAO to PoS participants daily. The amount of N is proportionate to the trading volume, number of users and liquidity of Fusotao. Detailed rules will be published later. For example, if a user's effective lock-up amount is 10,000 TAO on that day, and the total lock-up amount is 1,000,000 TAO, the user is expected to receive

$$(10,000 \text{ TAO} / 1,000,000 \text{ TAO}) * N \text{ TAO} = 0.01N \text{ TAO}$$

5. Trading Rewards

Overview

Trading rewards accounts for 48% of the total TAO tokens and are the most important part of community rewards. Therefore, trading rewards rules are described in detail here.

Reward rules

Each block of Fusotao protocol takes 6s, and trading rewards are distributed to users participating in the on-chain transaction with 14,400 blocks (1 era or 24 hrs) as the minimum unit. TAO tokens that one user can obtain each era will be determined by the trading volume in current era. The calculation formula is as follows:

$$r = R \times \frac{t}{\sum_{i=1}^n t_i} \quad n = 1, 2, 3, \dots, k$$

Notes:

r : The number of token rewards obtained by personal trading.

R : The total number of token rewards distributed to all traders in the era.

t : The accumulated trading volume by the trader during the era.

$\sum_{i=1}^n t_i$: The total trading volume of all the traders in the era.

k : The total number of traders in the era.

Reward collection time

After each era (24 hrs.) ends, traders can claim trading rewards.

6. TAO Usage Scenarios

As the native utility token of the Fusotao Protocol, TAO not only represents the rights of the holder, but also has actual value. TAO can be used in the following scenarios.

Governance Token

Fusotao is a decentralized infrastructure with deep participation and leadership of community. TAO is the only certificate of community participation in governance.

- TAO holders with a certain number of TAO can initiate upgrade proposals, such as adjusting gas, changing the reward distribution of liquidity provision pool, and putting forward TAO long-term incentives.
- All TAO holders can vote on proposals, and the proposal with a majority of votes will be adopted and implemented by the development team.
- If the project team plans to build a new DEX on the Fusotao Protocol, it needs to meet the minimum number of votes before it goes online.

Gas Fee

TAO tokens can be used to pay gas fees on the Fusotao Protocol application Chain.

Staking for Transaction Fees

The Fusotao protocol is a decentralized blockchain network. Community users can directly share transaction fees through staking TAO Tokens for the DEXs backed by Fusotao Protocol.

Trading Rewards

Users who hold TAO token in the on-chain wallet and trade on the DEXs backed by the Fusotao Protocol can earn rewards through PoT.

7. To Sum UP

TAO is the native utility token of the Fusotao Protocol. It is a link that incentivizes developers and the community members to participate in building Fusotao ecosystem. More than 63% of TAO tokens will be distributed to the community. TAO rewards can

be obtained by participating in trading, community governance, verification nodes, and TAO staking. The community can earn rewards by trading or directly share transaction fees through staking tokens on the DEXs backed by Fusotao Protocol.