



Tenet the Cross-Chain AMM Connector

TENET[©] **Tenet Token - Ten**
Tenet.farm

Tenet your token, pump up the liquidity



Overview

Tenet is a cross-chain Automated Market Maker (AMM) connector that provides a decentralized Liquidity Tap for various tokens. The Liquidity Tap is the powerhouse of the Liquidity Pool, employing a dynamic algorithm to give the Liquidity Provider fairer, more efficient, and richer incentives. Thus, it has the ability to attract more token holders to provide liquidity overtime.

Before the conceptualization of Tenet, the demand side which usually consists of token issuers, are required to design multiple smart contracts for different AMM platforms to ensure proportional distribution of token rewards for liquidity providers. Some token issuers even chose to allocate manually to avoid the complexity and potential risk of smart contract. With the increasing popularity of liquidity mining, the demand side faces higher levels of complexity, such as unfair token allocation for early participants, impermanent losses, bonus hunting, etc. Tenet's technology could help resolve such pain points as it can fully guarantee the effectiveness and efficiency of the AMMs.

Tenet aims to build a cross-chain and cross-platform toolkit protocol that allows the demand side to customize the parameters of the liquidity tap, allowing them to reach out to more liquidity participants effectively and with relative ease. For token holders, Tenet is an integrated platform for yield farming. In contrast to most AMM platform's high knowledge threshold and discreteness, Tenet provides a smarter and more convenient mining platform, and ensures fair allocation of mining rewards through the optimization of the algorithms of initial mining incentives and LP token pools.

Tenet White Paper V1
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Core Mechanism

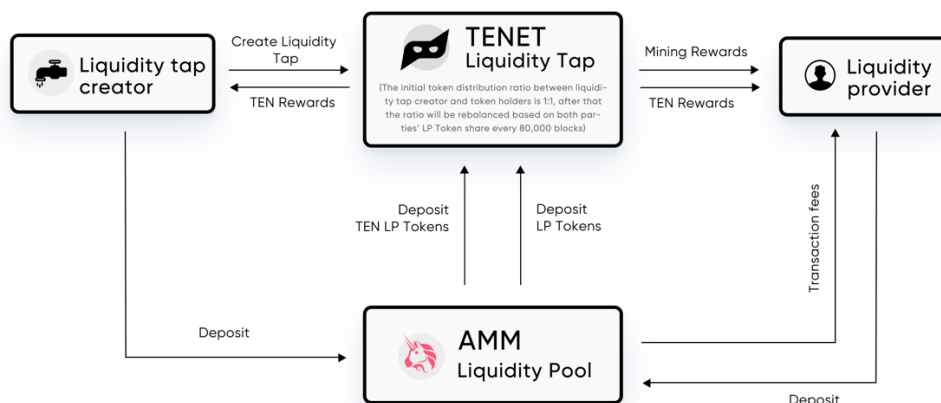
Liquidity Tap

The AMM (Automated Market Maker) is a simple and effective mechanism for creating liquidity based on the Constant Product Market Maker theory. AMM utilizes algorithms to eliminate human manipulations risks; the basic rule "if..., then..." refers to take an action (rebalancing) if the price of an asset rises or falls. The core module of the AMM mechanism is the creation of Liquidity Pools, Token holders put a proportional share of the assets of a predetermined trading pair and receive commissions and potential rewards. This process is called liquidity mining.

A single liquidity pool lacks long term and fair incentives, and many early liquidity providers receive diminishing mining rewards as their percentage of the pool is diluted by larger funds (wallets, mining pools, exchanges, etc.) because of the proportionate allocation.

The liquidity tap will serve as the infrastructure of the liquidity pool, optimizing mining reward allocation by balancing the liquidity providers' (mining participants) staking time, share, and frequency in the liquidity pool and LP token pool, and then unlocking their mining rewards linearly. The liquidity tap also simplifies the process of creating liquidity pools from creation to reward distribution and redistribution, saving the cost and effort of developing smart contracts or performing manual distribution across multiple AMM platforms by the liquidity demand side.

Since the liquidity provider receives its mining proceeds from the different liquidity pools through Tenet, which is equivalent to participating in Tenet's liquidity mining, the process yields at least three benefits: the AMM platform's commission, the liquidity demand side's Token incentive, and Tenet's mining proceeds.



AMM Cross-chain Connector

Tenet aims to build a new "AMM Integration Framework" protocol to enable faster cross-platform, cross-chain exchange of assets and to simplify interactions with different blockchains.

Currently, no AMM platform forms a moat in terms of features and attributes, so liquidity demanders and providers have little loyalty to anyone of them; many typical AMM platforms also are based on different public chains, resulting in cumbersome user experiences and high transfer costs. Thus how to realize platform interoperability through cross chain technology becomes an industry pain point. If this is solved, internal processes can be simplified, and gas costs can be lowered. Tenet's AMM cross-chain connector fills this gap.

The sharp rise in compounding interests has encouraged Yield Farming, the depositing of assets to participate in one or more DeFi protocols to get as much return as possible. The growing popularity of liquidity mining has made Yield Farming even more popular, for that in addition to the normal returns of the AMM platform, users can also earn DeFi Protocol's newly-issued native tokens.

Compound's success has pushed various other DeFi protocols to increase the distribution of native tokens as an additional incentive. For example, Uniswap, Balancer, Bancor, SushiSwap, and other exchange protocols that offer multi-asset pools allow every individual to become a liquidity provider on the platform. Liquidity providers in these protocols typically have two types of revenue streams: commission from transaction fees and newly issued governance tokens for liquidity mining.

Optimization of the Liquidity Pool Reward and LP Token Pool Reward Algorithms

However, the sustainability of the liquidity mining model will depend on how much usage the protocol can gather within the incentive period. The requirement is that, after incentives are reduced or removed, enough users will use the protocol to make it a self-sustaining ecosystem in which governance tokens can vote on relevant issues. Currently, early indicators are quite positive, but this model requires the liquidity demanders to be fully responsible for the entire process of listing, liquidity accumulation and value accumulation. It even requires completing complex smart contracts and independent audits, a huge burden.

Tenet hopes that the new mining model of liquidity tap + liquidity pool will better align the incentives between token holders and liquidity demanders, ultimately

striking a balance as the agreement evolves, early liquidity contributors won't lose benefits because of share dilution.

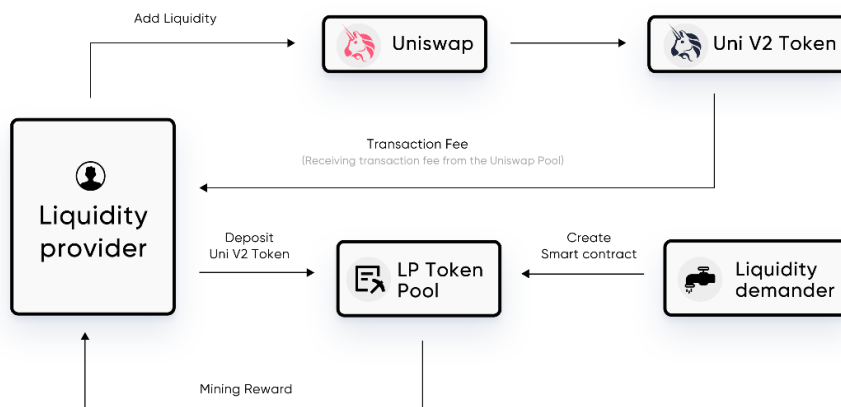
From the perspective of the liquidity provider, the LP gets a share of the transaction fees in various AMM pools. The mining model is users must persistently lockup their funds to earn passive transaction fee benefits. In the long run, later entrants will find it difficult to compete with first movers and will face the challenge attracting enough liquidity providers. Tenet has therefore optimized the algorithm for incentive rewards to motivate liquidity providers.

At the same time, in order to circumvent, in a certain extent, the inflation caused by liquidity mining, Tenet's embedded algorithm also includes an optimization for LP token rewards; it incentivize more Token holders to deposit assets to the Tenet Liquidity tap, weakening the negative impact of bonus hunters on Token inflation rates.

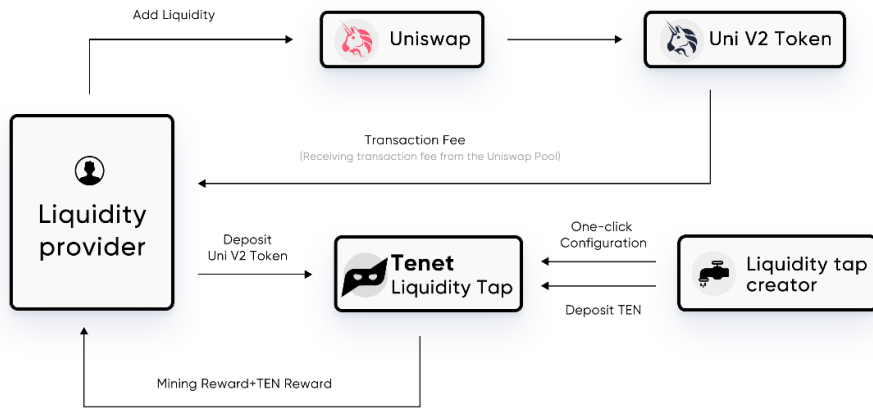
Fully Customizable Configuration

Tenet's liquidity tap configuration is fully customizable, from the AMM platform options in the initial phase, native token issuance protocol options, to the mining cycle, initial incentive requirements, mining revenue exercise option, etc., all can be customized according to the respective needs of the DeFi protocols. In order to achieve this goal, Tenet provides a variety of algorithm standards, and configuration is easy to use and highly flexible.

Mining model before:

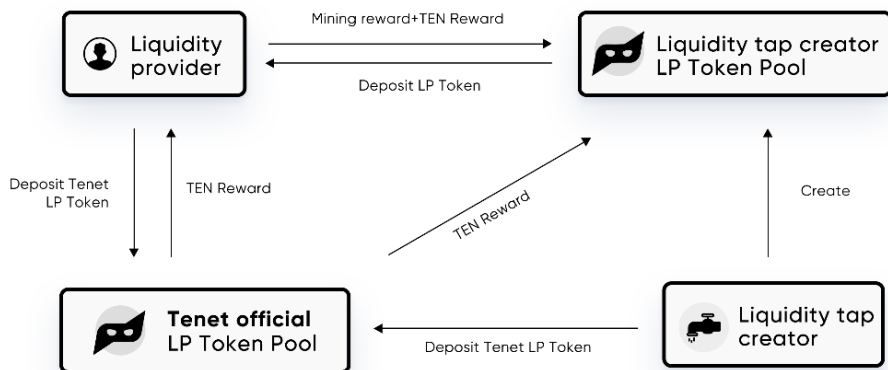


Mining model with Tenet:



Hybrid Revenue Model

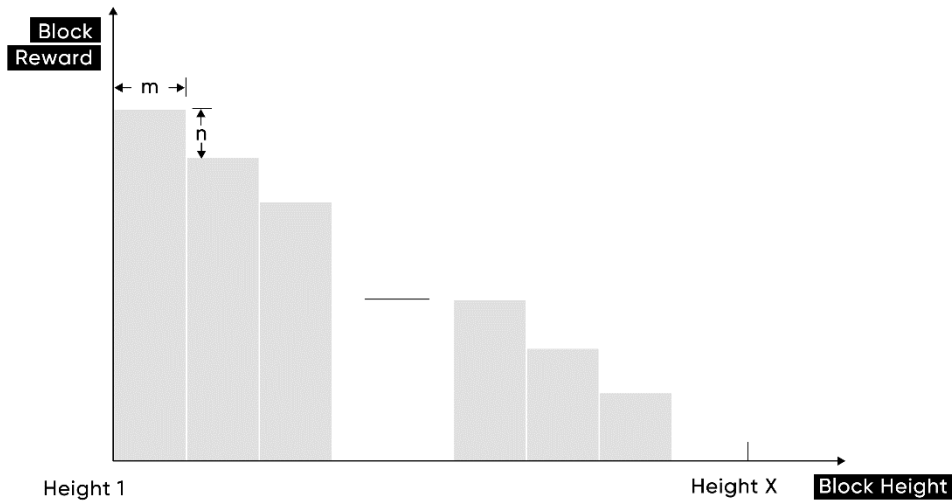
Liquidity Providers that obtain their mining revenue on Tenet can earn Ten reward in addition to commission and DeFi protocol native tokens. When a Liquidity Provider deposits its Uniswap V2 Tokens in Tenet and places it in the corresponding liquidity tap, he or she earns revenue after a pre-determined block height. At the same time, the liquidity tap creator puts a certain amount of Ten in Tenet incentive pool, and distributes additional rewards to the liquidity provider through the liquidity tap it creates.



About TEN

Marginal diminishing returns distribution model

Tenet's token is TEN. TEN employs a deflation model, and the maximum circulation is 45,660,000. The initial block reward is 10, and decreases by 0.1 for every 80000 blocks. Mining is expected to conclude after 4 years.



Assuming that the current block height is H_α and mining starts from block height, the H_1 formula for the TEN reward of that block height is:

$$TEN_{reward} = A - INT(H_\alpha - H_1, 8000) * 0.1$$

Dynamic Ratio of Liquidity Distribution

Tenet adjusts the liquidity distribution ratio between liquidity providers and liquidity tap creators through cyclical rebalancing. Factors such as their share of LP token to investment portfolio are considered so as to ensure risk is controllable and help the long-term development of Tenet protocol.

After a certain period, Tenet protocol will monitor the amount of TEN trading pair LP tokens in liquidity tap and calculate the latest ratio. To smooth the curve, the dynamic ratio in the next cycle will be an average value. As a result, the dynamic ratio will stay

at a reasonable level. Moreover, Tenet protocol adjusts temporary factors to optimize the distribution of tokens.

TEN reward for each block can be divided into two parts: TEN reward for liquidity providers and TEN reward for liquidity tap creators. The initial ratio is 1:1.

The reward distribution ratio for the next 80,000 blocks is based on the ratio of providers' LP tokens in ETH-TEN pool to that of creators in the previous 80,000 blocks (about 2 weeks). Community can govern the cycle for adjusting distribution ratio.

TEN mined by liquidity providers belong to them. TEN mined by liquidity tap creators (the demand side of liquidity) are distributed to tap's liquidity providers.

To encourage liquidity tap creators to create more taps and give multiple mining incentives to liquidity providers, the amount of LP tokens added by liquidity creators are multiplied by (1+X). The initial X=0.2, X can be adjusted by community.

How to calculate:

$$TEN_{LP} = TEN_{H0} * (ETH_{LP} - \frac{TEN_{v2}}{(ETH_{LP} - TEN_{v2} + ETH_{LC} - TEN_{v2} * (1 + X))})$$

TEN_{LP} : the amount of TEN that can be mined by LP

TEN_{H0} : the amount of TEN reward for the current block

ETH_{LP} : the amount of ETH added by LP

TEN_{v2} : the amount of TEN LP token

ETH_{LC} : the amount of ETH added by liquidity creators

$$TEN_{LC} = TEN_{H0} * (ETH_{LC} - \frac{TEN_{v2}}{(ETH_{LC} - TEN_{v2} + ETH_{LP} - TEN_{v2} * (1 + X))})$$

TEN_{LC} : the amount of TEN that can be mined by liquidity creators

TEN_{H0} : the amount of TEN reward for the current block

ETH_{LC} : the amount of ETH added by liquidity creators

TEN_{v2} : the amount of TEN LP token

ETH_{LP} : the amount of ETH added by LP

Reward Mechanism for Liquidity Tap Creators

In order to incentivize liquidity tap creators to provide platform users with better liquidity mining projects, TENET sets a reward factor X for liquidity creators. X is decided by Y, threshold number, and the number of added LP token addresses. At the beginning, X=0.2, Y=20, X and Y can be adjusted through community governance.

Assuming that the number of TEN one liquidity tap receives is B, the number of added LP token addresses is C, then the amount of TEN the liquidity tap creator can receive is:

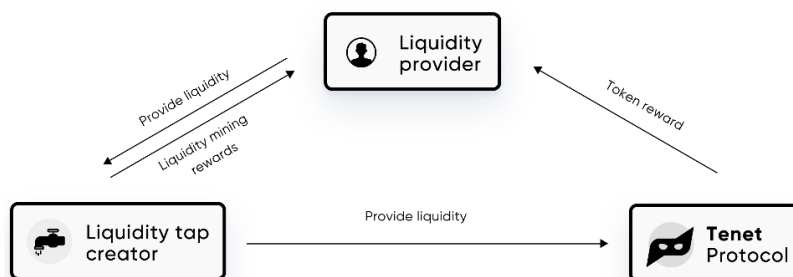
$$TEN_{LC} = \frac{B}{1 + X} * (1 + \frac{C}{Y} * X)$$

*If there is no receiver of TEN, TEN will be burned.

The Incentive Loop of TEN

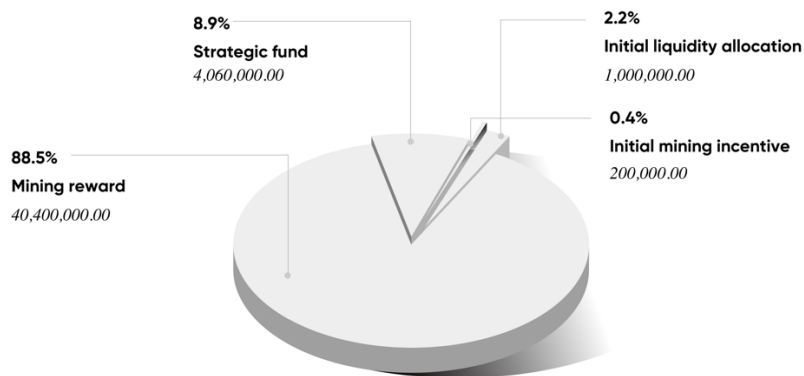
With liquidity taps for governance token trading pair LP token, Tenet gives the right to distribute TEN token reward to liquidity taps created by other projects. The goal is to encourage more liquidity tap creators to trade and add TEN on Uniswap to obtain TEN trading pair LP token. Then, LP token can be added to Tenet's official liquidity tap and start liquidity mining. As a result, a positive loop is formed to encourage mining among liquidity creators, providers and Tenet.

Holders of TEN governance tokens are important members and stake holders of the Tenet protocol ecosystem. As the trading scale of TEN grows up, the value of TEN governance tokens will also increase, which can stabilize the liquidity of Tenet protocol governance tokens.



Tokenomics of TEN

The maximum number of TEN tokens is set at 45,660,000. 1,000,000 will be issued in a one-off tranche on Uniswap to provide initial liquidity, 200,000 will be generated as initial mining incentives, 40,400,000 as normal mining rewards, and 40,600,000 TENs will be set aside as strategic reserve.



Token Metrics of TEN

The reward during the initial incentive period is 100TEN/block, and will last for 2000 blocks.(approx. 8 hours) Total amount of mining during the initial incentive period = incentive block reward*incentive block count = 100*2000=200,000.

When initial mining ends, reward per block reduces by 0.1 once after every 80,000 blocks (about 2 weeks). After 8,000,000 blocks, mining will stop. Every time when TEN tokens are mined, smart contracts will generate 10% TEN tokens to facilitate the long-term strategic development of Tenet protocol.

1. Total block count=Initial mining incentives block count + Non-initial mining incentives block count=2,000+8,000,000=8,002,000 (about 4 years)

2. Total amount of TEN tokens={the total amount of tokens that can be mined during the initial mining stage+the total amount of tokens that can be mined outside the initial mining stage}*110%+initial issuance=(200000+(100*10-100*99/2*0.1)*80000)*110%+1000000=45,660,000

Functions and Utility Scenarios of TEN

Tenet enables the community to govern the protocol of Tenet. Holders of Tenet tokens and their representatives debate, propose and vote on all changes to the protocol. By placing Tenet tokens directly in the hands of users and applications, an increasingly large ecosystem will form and will be empowered to collectively manage the protocol into the future.

To make a governance proposal, it's required to have 1% TEN, based on the current amount of TEN. After the proposal is made, community can decide whether to execute through voting. To that end, there are two requirements:

1. The number of votes supporting execution should be higher than the number of votes against execution.
2. The total amount of votes supporting execution should be higher than 4% of the amount of TEN that have been distributed.

TEN parliament sets a 3-day-voting period. If the result is to execute the proposal, then the execution will start after a 2-day-locked period.

Members with TEN governance right can participate in the limited governing of following parameters:

1. The utility and locked period of 10% strategic fund.
2. After how many blocks the ratio of reward distribution between liquidity providers and creators can be adjusted.
3. The extra mining rewards for liquidity tap creators.
4. The reward threshold for liquidity tap creators.
5. TEN reward per block
6. TEN initial mining block count and initial mining parameters
7. The reduction of TEN reward and the length of block cycle