L7 DEX

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DECENTRALIZED PERPETUALCONTRACT TRADING PLATFORM

White paper

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Foreword

After witnessing a series of crashes from leading crypto service providers like Luna, Three Arrows Capital, FTX, and Genesis, investor unease regarding assets has reached an all-time high. Alertness to potential issues such as exchanges going bankrupt (or "running away"), market manipulation, and asset misappropriation has also risen. While centralized exchanges (CEXs) remain the mainstay for Web3.0 users, there's an increasingly evident trend of assets moving toward decentralized exchanges (DEXs).

The birth of DEXs can be traced back to Counterparty in 2014, which offered an innovative function Counterparty DEX . All Counterparty tokens could be traded on a DEX based on the Bitcoin network. Subsequently, Ethereum's OasisDEX launched the first on-chain order matching and settlement, becoming an early source of liquidity for platforms like Uniswap, DYDX, and others. After OasisDEX, we saw the gradual emergence of mature spot DEXs like Uniswap, SushiSwap, and Curve, derivatives contract DEXs like DYDX and Kujira, and OrderBook DEXs like D5 Exchange, known for low slippage, aggregated liquidity, and multi-chain trading. It's fair to say that the DEX track is a crucial sector within the entire crypto ecosystem.

The DEX of the future will lean more towards the development of user trading sovereignty and ways to enhance liquidity depth. L7 DEX provides traditional CEX's applicability to DEX, maximally coordinating the relationship between liquidity, transaction efficiency, and investment returns. This positions it to synchronously grow alongside the broader DeFi industry in the future.

1. Industry Background

1.1 Evolution of DeFi from 1.0 to 3.0

With the comprehensive development of blockchain technology, Bitcoin, as a store of value, is no longer sufficient to meet people's pursuit of a decentralized world. As a result, Ethereum, based on smart contracts, emerged, and with the improvement of various infrastructures, we entered the era of programmable blockchain. In this era, DeFi (Decentralized Finance) occupies a significant position. DeFi began to show its prominence in 2019, which is also defined as the first year of DeFi, with a total lock-up volume of only $270 million. Not until 2020, when Compound launched its governance token COMP, did the concept of liquidity mining, the most important in the DeFi world, enter the public eye, triggering a DeFi craze. Subsequently, industry leaders began to transfer traditional financial gameplay to the blockchain, to reduce the inevitable transaction friction losses and various issues brought about by centralization in traditional finance. According to a DappRadar report, the total lock-up volume of DeFi skyrocketed from $32 billion in January 2021 to $833 billion in the first quarter of 2023.

The evolution of DeFi is an ongoing process, and we can currently delineate it into three phases. DeFi 1.0 primarily focused on upending traditional finance on the Ethereum public chain. During the DeFi 2.0 stage, the focus shifted towards establishing foundational infrastructure layers, with more and more ecological public chains becoming optimal choices. This transition turned liquidity into a foundational layer of DeFi, enabling more sustainable growth in the sector. DeFi 3.0 has begun to professionalize liquidity mining, lowering the barrier to entry for average investors and enhancing the yield from farming.

1.1.1 DeFi 1.0：Public chain Ethernet is the main battleground

The years 2019-2020 marked the early stages of Decentralized Finance (DeFi), commonly referred to as the 1.0 phase. The Ethereum (ETH) blockchain was the primary platform, leveraging its stability and traffic advantages for development. The focus of this stage was mainly on the transition from traditional financial models, including decentralized exchange applications (DEXs) like Uniswap, SushiSwap, lending applications such as Aave and Compound, stablecoin applications (MakerDao), and liquidity Mining Pool applications like Yearn. There were also derivative synthetic assets based on these foundations, such as Synthetix and UMA, as well as insurance projects like Cover and Nexus Mutual. These projects, which directly connected with traditional finance, were referred to as DeFi 1.0 within the industry.

This phase showed the powerful disruptive capabilities of DeFi, with decentralized exchanges such as Uniswap and SushiSwap symbolizing the emerging charm of the new financial ecosystem.

However, as exploration continued, the development of DeFi started facing limitations and needed fresh momentum.

First, it was constrained by the performance of the underlying blockchain.

Second, the user relationships in the DeFi 1.0 ecosystem were too dispersed. There was no connection between participants, leading to a lack of motivation to partake in platform governance. This seriously hindered ecosystem development, making it difficult to sustain platform liquidity.

Third, the advantages of DeFi 1.0 over traditional finance attracted a large influx of capital into the sector. However, DeFi requires a multi-party game. To solve the problem of project cold-start, project parties provide token rewards. A significant amount of capital is directed based on the APY of different projects, and over-collateralization is required for borrowing and lending, resulting in inefficient use of capital.

Finally, in terms of liquidity mining, the constant release of liquidity supply compensation led to selling pressure, as well as the problem of users ruthlessly "mine, withdraw, sell".

1.1.2 DeFi2.0: Laying of DeFi infrastructure layer

DeFi 2.0 is a DeFi application built on the first generation of protocols. It involves a fresh round of innovation, moving from 0 to 1 again, hence it can be considered as the second generation protocol, called DeFi 2.0. Its core is transforming liquidity into the basic infrastructure layer of DeFi, which allows DeFi to be more sustainably developed and represents an evolutionary trend in the ecosystem.

DeFi 2.0 has addressed many problems and limitations of DeFi 1.0, constantly exploring further in terms of scalability, security, decentralization, liquidity, and information accessibility. Its goal is to provide better financial services for the public.

A key advancement of DeFi 2.0 is that it offers greater flexibility for staked assets. The control of liquidity has been upgraded from being user-controlled to being protocol-controlled, locking up the liquidity from DeFi 1.0 using methods like bonds, and earning secondary income.

A standard feature of many DeFi protocols is that when users stake token pairs in the liquidity pool, they receive a Liquidity Provider (LP) token as a reward. In the DeFi 1.0 ecosystem, the system allows users to further increase their returns by staking LP tokens in yield farms.

In the DeFi 2.0 ecosystem, users can use yield farming LP tokens as collateral for loans, or mint other tokens, to enhance utility and incentivization. While the process varies by platform, in DeFi 2.0, LP tokens can unlock their value to find new opportunities, while still generating an APY.

1.1.3 DeFi 3.0: Professionalized Liquidity Mining

DeFi 2.0, with its Protocol-Controlled Liquidity (PCL), primarily addresses the capital efficiency problem of DeFi 1.0, while DeFi 3.0 professionalizes liquidity mining business. In this version, protocols devise corresponding farming strategies to generate revenue and return the profits to token holders. This concept is often referred to as "Farming as a Service", aiming to lower the entry threshold for ordinary investors and enhance farming returns.

DeFi 3.0 protocols offer farming as a service, crafting professional and diverse cross-chain farming strategies. Compared to regular investors' individual operations, DeFiInvestors don't have to spend time researching and selecting safe pools with high APY, nor do they need to transfer assets across different liquidity pools. This also eliminates the risk of on-chain operations. By merely holding the protocol's token, investors can share the profits earned by the protocol through farming. DeFi 3.0 lowers the entry threshold into DeFi and boosts returns, especially for ordinary users.

DeFi 3.0 protocols implement a certain proportion of transaction fees (buy/sell). A portion of these fees flow into the protocol's treasury, where the funds are farmed according to the protocol's strategies. The profits are then used to buy back tokens, reducing supply to maintain token price, or a part of the repurchased tokens is rewarded to token holders in the form of airdrops. Additionally, token holders can also earn a certain percentage of transaction fees from each transaction as a reward.

1.2 Transformation, Advancement, and Prospects of DEX

The foundation of DeFi lies in public chain layer, with aggregators on top and a core layer in between, namely DEX (Decentralized Exchanges), lending, derivatives, and stablecoins. These constitute the core of DeFi.

DEX is one of the most important infrastructures in DeFi and the sub-track with the highest income , accounting for half of the DeFi track's income.

The earliest DEX can be traced back to the Counterparty protocol established in 2014 (a token crowdfunding platform project based on the Bitcoin blockchain). However, due to the market conditions and the small ecosystem at that time, Counterparty DEX did not receive significant market attention and gradually faded from public view. By 2017, amidst the rampant ICOs, IDEX, a decentralized exchange at that time, served as the primary venue for Ethereum token holders to convert digital assets, especially after the ICO bubble burst. In November 2018, Uniswap was launched. Although Bancor was the pioneer in using the AMM model, the launch of Uniswap truly marked the start of the glorious era of DEX.

In 2018, DEX trading volume saw explosive growth, reaching $2.7 billion. In 2019, DEX trading volume slightly contracted but still surpassed $2.5 billion. In the first half of 2020, Aave, Curve, Balancer, and Uniswap v2 were successively launched. In June the same year, Compound started liquidity mining. The combination of lending and DEX led DeFi users to start receiving rewards for lending on Compound. Additional incentives in the form of COMP tokens caused the supply of different tokens and borrow APY surge, thus initiating the DeFi summer saga.

Then came the clever move of SushiSwap, igniting a liquidity race. In the first half of 2020, the entire digital asset market experienced a severe "liquidity drought" incident, with a significant market downturn. After experiencing an explosion in market capacity, market stress tests, and a second reshuffling of the situation, DEX under the AMM model, represented by Uniswap, Sushiswap, and Curve, accelerated their operations while continuously improving. Both market trading volume and the number of users saw exponential growth. By December of that year, the trading volume of the top nine DEX increased by 17989%, reaching a level of $29 billion.

However, a new challenge emerged in the DEX scene in 2020: the ever-increasing Ethereum gas fees and congestion. This led to the explosion of new public chain and Layer 2 ecosystems in 2021. The market size of DEX grew rapidly, and the market competition became increasingly fierce. Many DEXs faced competition from DEXs on non-Ethereum public chains, such as MDEX on Heco chain, PancakeSwap on BSC chain, Serum on Solana chain, and Kyber DMM on Fantom chain, etc.

To date, the development of DEX is no longer limited to providing a single function such as spot trading or contract trading. With the AMM model becoming increasingly mature, it has broken the limitations of order books and matchmaking, helping DEX to overturn CEX's monopoly on the cryptocurrency trading market and making permissionless, open and free on-chain trading a reality. DEX began to give a portion of the trading fees to liquidity providers, encouraging them to inject their idle assets into the trading pool to provide liquidity, thus democratizing the ways to enter the market for market making and providing liquidity. It allowed investors to seamlessly trade between cryptocurrencies in a completely decentralized and non-custodial manner through pre-collected on-chain liquidity pools. By simply depositing funds into these on-chain liquidity pools, liquidity providers can earn passive income based on their percentage contribution to the liquidity pool.

In the future, based on the ideal of DeFi inclusive finance, the development and evolution of DEX will likely undergo the following changes:

- DEX will no longer be judged by the TVL metric, but rather by EVL (Effective ValueLocked), which refers to the value that is actually being utilized. It does not replace the concept of TVL but adds an additional dimension to the measurement. When evaluating a DEX, in addition to being concerned about the value that is locked, it is more important to focus on the value that is being utilized.
- The number of DEXs will increase, and liquidity will become more and more dispersed. Users will prefer to trade through DEX aggregators.

- With the improvement of public chain performance, the flexibility of order book trading may prompt some DEX models to switch back from AMM to order book mode in the future. DEX will coexist in both modes

1.3 The New Era of Contract DEX

The construction of the decentralized financial system is from the bottom up. Stablecoins, lending, and DEX as the underlying financial infrastructure satisfy users' basic needs for asset preservation, capital flow, and asset trading. As the DeFi Lego gradually piles up, the next step naturally targets higher-level user needs - derivative trading.

Derivative trading originated from spot trading. Compared to spot trading, derivative trading has a richer application scenario, can help users flexibly respond to different market trends, amplify profits, hedge risks, hedge futures, optimize resource allocation, etc., and meet users' more diverse and complex financial needs. In the bear market cycle, the growth rate of DeFi users has gradually slowed down. Derivative trading has brought incremental users to DeFi and introduced more active funds to the market, laying the foundation for DeFi's next explosion.

Looking at the potential growth space of the market, both the traditional financial world and the cryptocurrency market based on CEX, the volume of derivative trading is much higher than spot trading.

Although centralized exchanges still dominate, perpetual contract DEX also saw significant growth during the market rebound. According to data from Token Terminal, only the trading volume of perpetual contract DEX increased by 77.3% year-on-year in the first quarter of 2023 compared with the fourth quarter of 2022, increasing from $926 billion to $1.643 trillion.

In addition to the growth space in data, in narrative, contract DEX is not just a single type of protocol. It can link more functions and services. Each perpetual contract DEX differs in protocol design, token economics, and operational performance. For example, the popular DYDX, GMX, gTrade, and Synthetix, each have their own features and shortcomings. In this niche track of contract DEX, there are still many narratives and gameplay to be explored.

2. L7 DEX Overview

2.1 L7 DEX Brief Primer

L7 DEX is a Web3-based decentralized perpetual contract trading platform,that enhances trading experience and reduces transaction costs through the innovative use of a "peer-to-peer"and "PvP-AMM" protocol and proprietary trading aids, fostering a more efficient and fair trading environment. Moreover, the value of the protocol can be shared with users through smart contracts, reducing the margin requirements for traders while increasing the value for liquidity providers.

2.2 L7 DEX Product Advantages

L7 DEX platform mainly provides perpetual contract trading and spot trading products, and will later provide liquidity services and IEO services.

In terms of perpetual contract trading and spot trading products, the L7 DEX platform has the following product advantages:

1) Faster trading speed

Utilizing the lightning speed of the BSC chain to process transactions for users, achieving second-level confirmation and settlement.

2)Lower transaction costs

Significantly reduce transaction costs, only need to pay a very low network fee, no need to pay any platform fees or liquidity provider fees.

3)More trading pairs

More types and quantities of asset exchanges can be added to meet different trading needs on the same platform.

4)Better privacy protection

All transactions are executed on-chain, no need to trust any third party, peer-to-peer transactions, better protection of privacy.

5)Greater influence

Utilizing the well-developed ecosystem of the BSC chain to achieve interoperability of more assets and protocols, expanding the coverage and influence of the trading platform.

6)Higher transparency

Using the decentralized governance mechanism for voting, decision-making, and fund management brings better transparency and democracy.

2.3 L7 DEX Risk Control

Risk Monitoring

L7 DEX promptly identifies and manages new emerging risks by tracking the execution of risk management, such as indicator reports, early warning mechanisms, backtest verification, and so on. At the same time, it monitors risk control strategies, model effects, and stability, achieving a comprehensive display and report of users' risk status and trading conditions.

Risk Identification

L7 DEX identifies potential credit risks, operational risks, market risks, compliance risks, and so on, by collecting and analyzing multi-dimensional data sources such as users' basic information, trading behavior, credit history, and social networks.

Risk Assessment

L7 DEX uses statistical analysis and machine learning methods to assess the probability, severity, and impact range of each risk occurrence. It also utilizes big data analysis and rapid iteration to achieve real-time monitoring and feedback on market changes and user behavior.

Risk Response

L7 DEX develops and implements corresponding measures and procedures based on the results of risk assessment to deal with or mitigate each risk, such as rule setting, quota control, price adjustment, margin requirements, liquidation mechanism, and so on. It also achieves customer segmentation, differentiated reaching, dynamic adjustment of quotas and interest rates, realizing a reasonable allocation and incentive of user risks.

2.4 L7 DEX Transaction Fee Features

The PvP-AMM protocol of L7 DEX avoids the Borrowing Fee, Rollover Fee, Funding Fee, and increases the fee income by increasing the maximum transaction size allowed for a single fund, or reduces the fee expenditure of a single fund transaction under the premise of unchanged transaction size. Users can also get the lowest level of fee rate by pre-depositing fees.

Fee Category	Fee
Perpetual Contract Trading Fee	0.08%
LP Trading Fee	Charged by GMX.IO
Insurance Claim Fee	3.00%
Perpetual Contract Liquidation Fee	Size*0.08%+5LP

1) The fees are charged in LP, among which:

- Insurance claim fee is charged based on the claim amount
- Liquidation fees cannot be offset with feeLP

2) Fee distribution:

- 37.5% is used for LP Staking rewards
- 37.5% is used to buy back LSD and belongs to the treasury
- 25% belongs to L7 Club and is used for invitation rewards and discounts (10%-25%)
- The 5LP in the liquidation fee does not participate in the above distribution, this fund is collected by the liquidation executor.

3) Pre-deposit transaction fee

L7 DEX supports pre-deposits to get discounts on trading fees, as shown in the details:

Pre-deposit Transaction Fee	Get feeLP	Support trading volume	Discout Proportion	Real Trading Transactionfee
100	143	178571	30%	0.056%
200	333	416667	40%	0.048%
500	1000	1250000	50%	0.040%
1000	2500	3125000	60%	0.032%
2000	6667	8333333	70%	0.024%
5000	25000	31250000	80%	0.016%
10000	100000	125000000	90%	0.008%

Explanation:

FeeLP can replace LP at a 1:1 ratio to pay fees and is deducted first during transactions. By pre-depositing to get more FeeLP balance, you can achieve a fee discount, but it does not change the original transaction system's fee rate (0.08%). FeeLP is a type of non-transferable and non-tradeable BRC20 Token. In addition, FeeLP can only be purchased with LP.

3.L7 DEX Technical Implementation

3.1 Overview of the PvP-AMM model

In traditional financial terminology, AMM refers to an algorithm that simulates human market maker behavior. However, in the DeFi field, it has evolved into a powerful engine: it uses an automated algorithm to balance the supply and demand relationship of tokens in the trading pool, avoiding the possibility that in the order book model, one-sided market conditions could lead to a token being bought out (no buyers/sellers in the market) and cannot be traded. In addition, the DEX under the AMM model provides part of the transaction fee to liquidity providers, incentivizing them to inject idle assets into the trading pool to provide liquidity, thereby to some extent solving the problem of insufficient transaction depth in the order book model.

PvP-AMM is a type of contract trading method innovated based on DeFi-AMM. The price of the trading target adopts a compound index, and regardless of any variety traded, orders are initiated and settled in LP.

The PvP-AMM model first attracted industry attention because GMX proposed the X4 plan in 2022, the most important of which was to open a new trading model, PvP-AMM. Later, as GMX turned to the development of synthetic assets, the X4 plan was temporarily shelved.

The core essence of PvP-AMM is that traders put their chips /margin in a pool. Those who "relatively" earn more get more chips, and those who earn less suffer losses. The so-called PvP focuses on the word "relative". If GMX was originally a gamble between GLP and traders, then PvP is a bet between traders.

3.2 Features of the PvP-AMM model

First, it belongs to pure Alpha trading, which is less influenced by the overall market conditions and does not need additional LPs. Traders can trade on their own. At the same time, it solves the so-called one-sided market situation.

Secondly, the PvP-AMM protocol provides a combined arbitrage opportunity for APIs and SmartMoney, attracting new minority-side orders to achieve an automatic balance of the long-short ratio.

3.3 How does the PvP-AMM model work?

The PvP-AMM protocol uses an index price (from ChainLink and multiple CEX prices) to calculate the profit and loss percentage of trade orders and executes a rigid quantity payment for this percentage.

In the PvP-AMM protocol, the critical factor affecting the final profit and loss is the long-short ratio. A clear example:

A, at the BTC price of 10,000, uses 100 LPs to go long at 10x, while B uses 200 LPs to go short at the same price at 10x. The principal for both parties at this point is 300 USDC (considering LP:USDC = 1:1). A holds a long position of 1,000 LPs, and B holds a short position of 2,000 LPs. Here are four possible results:

- The price rises, resulting in A making a profit and B making a partial loss
- The price rises, resulting in A making a profit and B being liquidated
- The price falls, causing A to make a partial loss and B to make a profit
- The price falls, causing A to be liquidated and B to make a profit.

3.4 LP Composite Vault

Users use USDC/BTC/ETH to forge LP for trading or neutral pledging, the original assets provided will enter the protocol treasury, and then 100% automatically converted into GMX.IO-GLP to earn ETH through smart contracts, continuously obtaining the ETH income provided by GMX.IO.

The Composite Vault allows L7 DEX-LP's neutral pledgers to earn both the ETH returns provided by GLP and the transaction fee income provided by L7 DEX. Not only that, the Composite Vault can also allow any held positions to earn an extra portion of the ETH income provided by GLP.

3.5 Order insurance (stop loss insurance)

Order insurance can greatly increase the loss threshold in any case, at the expense of sacrificing some expected profits. As a trading auxiliary tool, it is more suitable for long-term investors and risk traders pursuing high leverage.

Traders can set different insurance strategies for the same trading variety, trades with different insurance ratios will generate multiple positions and calculate profits and losses independently, while new trades with the same insurance ratio will merge with existing positions (traditional way), and calculate current profits and losses and insurance status together after merging.

The insurance function for the PvP-AMM protocol allows traders to add insurance to any perpetual trading order, with the addable insurance ratio ranging from 10% to 50% of the trading margin (5 types of integers). Once the trading order is settled or liquidated, the losing trader can receive a claim equal to the trading margin at most.

4. L7 DEX Liquidity Provision Mechanism

4.1 The Business Essence of the Liquidity Service Market

If we abstract the business logic of most liquidity mining projects, the value provided by DeFi protocols is that they match the suppliers and demanders of liquidity through smart contracts and redistribute their returns. For example, the lending market Compound matches borrowers and lenders; decentralized trading protocols like Uniswap, Curve, MCDEX match traders (Taker) and liquidity providers (Maker); leveraged mining protocols match depositors (Pool One) and lenders (Leverage Pool).

After "mining" these tokens, users can choose to sell them immediately to increase their short-term returns, or hold the tokens, tie their long-term interests to the project, and participate in protocol governance with developers and investors, becoming a part of the project community.

For DeFi protocols themselves, "mining" can attract more users to participate in the use of the protocol, and it can also distribute the governance authority that determines the platform's future development to actual participants, not just investors or developers.

For liquidity providers, the essence of DeFi protocol "mining" is: to use the time value of assets to gain short-term or long-term returns, and bear potential risks, including smart contracts, systemic, and related risks. For demanders, after the DeFi protocol "mining" mechanism helps improve liquidity, it can carry out larger-scale financial business.

4.2 L7 DEX Liquidity Procurement, Distribution, and Management

In the L7 DEX ecosystem, the procurement of liquidity refers to obtaining liquidity from the market through token incentives + transaction fee rewards; the distribution of liquidity refers to distributing the procured liquidity (generally at a cost) to other institutions/projects/users who need to purchase liquidity; liquidity management provides management tools for those projects that purchase liquidity, making it easier for them to plan their expenditure on liquidity costs.

4.3 What does the liquidity provider get?

L7 DEX has built a new liquidity buying and selling model through stronger mechanism design, product design, and operational capabilities, focusing on liquidity as a service, hoping to directly purchase and distribute liquidity, effectively use the purchased liquidity through its trading module, operate the liquidity obtained by the platform to generate income, and achieve long-term balance of income and expenditure and healthy cycle through strong synergy between trading and liquidity market.

In the L7 DEX ecosystem, institutions/projects/users providing liquidity can not only get the fees and insurance dividends of L7 DEX but also benefit from the growth of blue-chip project tokens in the entire ecosystem that form trading pairs with the L7 DEX platform token LSD.

L7 DEX provides liquidity providers with a higher proportion of income through the compound treasury, increasing system stability, reducing platform token volatility, and improving protocol user experience.

5. L7 DEX'NFTs

The "L7 Members CLUB" series of NFTs are issued by the L7 DEX platform based on the ERC721 standard. The NFT is titled as "L7 NFT". The issuance quantities are as follows: Member Edition: 10 million; Premium Edition: 1 million; Genesis Edition: 100,000; Extreme Edition: 10,000. The NFT is one form of representation for decentralized governance and ownership rights.

NFTs serve as an important route for early participation in L7 DEX and can enjoy multiple rights in the L7 DEX ecosystem. Not only can they participate in the distribution of governance tokens, but they can also participate in protocol income distribution and permanently lock in future growth earnings. In addition, they can increase the weight coefficient of LP assets in Staking Earn, guarantee priority to get all airdrop rights released by L7 DEX in the future, and have high priority to participate in and experience innovative products of L7 DEX in the future.

6. L7 DEX Economic Model

6.1 Platform Governance Token LSD

LSD is the native governance token of the L7 DEX platform. It provides more usage scenarios and value interaction for users. The total supply is 210 million. In the early stage of the development of the L7 DEX ecosystem, it is only produced through STAKE, and can be obtained in the secondary market in the later stage.

6.2 Accrued Fees and Liquidity Proof Tokens LP Based on PvP-AMM Protocol

LP is an intermediary token used in the PvP-AMM protocol, minted through USDC/BTC/ETH. It is used as collateral for perpetual contract trading or to share protocol income by providing liquidity to the trading market. The PvP-AMM protocol uses LP to reflect the overall profit and loss of trading orders and the income and expenditure of insurance business.

LP's all circulation scenarios :

1)Users buy LP at the current price (i.e., mint LP), pay USDC/BTC/ETH assets into the protocol treasury;

2)Users sell LP at the current price (i.e., burn LP), withdraw USDC/BTC/ETH assets from the protocol treasury;

3)After purchasing (minting), enter Staking Earn, view details;

4)Use LP as the initial margin for contract trading, which will result in quantity changes:

- The margin enters the protocol treasury;
- When the PnL of closing a position is profitable, retrieve the initial margin LP and mint a new LP in the amount of the profit;
- When the PnL of closing a position is a loss, destroy the LP in the loss amount from the initial margin and retrieve the remaining part.

5)Pay LP as a premium to use the stop-loss insurance order, and generate quantity changes:

- When buying stop-loss insurance with a premium, destroy all premium LPs;
- When the stop-loss insurance triggers a claim, mint a new LP in the amount of the claim.

The PvP-AMM protocol improves capital utilization, liquidity income, and brings real position income to traders through the compound vault established on GLP.

The initial pricing of the LP Token is 1:1GLP. Unlike traditional DeFi-AMM tokens, its price is not affected by a single purchase (mint), but is calculated through the following formula according to the above scenarios:

LP Price (USDC) = Total amount of GLP in the protocol vault / (Current total LP circulation + total amount of LP of user's position floating profit and loss + total LP due to insurance orders) * Current GLP price

6.3 What Does Holding LSD Offer You?

By holding L7 DEX's platform token LSD, you can enjoy many rights and interests in the ecosystem.

- Holders of LSD can enjoy discounts/exemptions on contract transaction fees on L7 DEX;
- Holders of LSD can participate in blue-chip project LP mining in the L7 DEX ecosystem;
- Holders of LSD are guaranteed priority to receive all airdrop rights issued by L7 DEX in the future, and also have high priority to participate in and experience all innovative products of L7 DEX in the future;

- Holders of LSD can participate in major proposal voting rights in the ecosystem, and depending on the share, they will also have different governance rights;
- Holders of LSD can participate in early follow-up opportunities for more blue-chip projects.

7. L7 DEX IEO

L7 DEX is a decentralized perpetual contract trading platform, but its business ecosystem is not only about perpetual contracts. In the future, L7 DEX will start fundraising services based on the L7 DEX platform. After the BD of the business team and the research of the investment research team, a large number of high-quality projects will be linked to start the initial fundraising at the project launch stage on the L7 DEX platform.

In addition, L7 DEX will also develop into a simple and huge protocol for asset liquidity as a service driven by DAO governance. More blue-chip projects that need brand support, technical support, market support, community support, and financing needs will actively embrace the L7 DEX ecosystem. By combining new trading pairs with the platform coin LSD of L7 DEX, more liquidity mining services will be launched, ultimately providing higher returns for its users. Pools with higher annual returns will naturally attract more LP funds to get returns. More LP funds mean better depth, lower slippage in exchange, thus forming a virtuous cycle of the project.

Eventually, L7 DEX will become an important building block in the DeFi Lego world, bringing value-added and promoting the growth of several blue-chip protocols in the DeFi world.

8. L7 DEX Development Roadmap

2023 Q1:

Completion of feasibility analysis and project initiation.

2023 Q2:

Development of core features such as PvP-AMM base protocol and stop-loss insurance is completed. The Token & NFT economic model is finalized, and internal testing of data and functions is completed.

2023 Q3:

Code audit submission, launch of contract DEX beta version on BSC testnet, and initiation of community and media operations.

2023 Q4:

Gradual rollout of mainnet features, with plans for the first airdrop and incentives for initial contributors. Internal testing of API interfaces and programs for auto-balancing long-short ratios. Full mainnet functionality goes live, with the activation of the L7 DEX Launchpad incubator and internal testing of custom index trading features for the PvP-AMM protocol.

2024 Q1:

Launch of marketing campaigns, with plans for an upgrade to PvP-AMM V2 (featuring custom index trading and different risk preference storage strategies for LPs).

2024 Q2:

Cross-chain deployment of the product, andd cross-chain equity distribution for original L7 DEX NFTs

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