



Optimizing APY For Reflection-Based Tokens in a Crypto Investment

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1. Background:

Return on Investment (ROI) is an important aspect in assessing the earning potential of investment for both businesses and people. Annual Percentage Return (APY) is a term familiar to investors in Crypto which is analogous to ROI in a traditional financial instrument. This paper discusses the problem and solution for generating the optimized APY for reflection-based Crypto tokens.

In the world of Crypto, where 10's and even 100's of new tokens take birth daily, it is important to provide the best APY to stay competitive in the industry. ROI is an important factor that decides the success of a token in the long term leaving alone the pump-dump schemes where only the whales get the benefit for the short-term. ROI is also crucial for Hedge funds and venture capitalists to evaluate the Crypto industry as a reliable financial instrument to grow their funds.

Crypto tokens can be broadly classified into Utility and Non-Utility based on what value they provide to investors. Utility tokens provide a purpose for the usage of tokens in our daily lives. Utility token owners run their businesses based on the fees collected from the consumers of the token. Non-utility tokens don't provide any value in real life but are seen as a means for generating quick profits. Non-utility tokens survive on the tax collected on Buy and Sell transactions. A certain percentage of the tax is distributed to all the token holders in the form of reflections. Reflections are the rewards that get periodically deposited into user wallets. The type of reward deposited to wallets varies from token to token. Some tokens reward their own token as a reward, some reward in BUSD or BNB.

2. Problem:

APY of a crypto token is measured based on the number of reflections deposited to user wallets. It is estimated that on average 35% of the reflections are generated on yearly basis (APY) by holding a non-utility token. Approximately 50% of the reflections are delivered to wallets that are inactive, dead, and scammer wallets. An inactive wallet is a wallet that users don't monitor once it is created. Inactive wallets are created by traders, who usually don't care about the 35% APY from reflections. ROI from reflections is as good as no APY for these traders. Dead wallets are the wallets for which the key is forgotten. These dead wallets would never be accessible to anybody. Bot wallets are created by scammers. The scammers create these wallets on the fly and purchase tokens using automated softwares. There is no real human being that manages these wallets. The scammers are least bothered about reflections. How do we stop the rewards from going to dust wallets that include inactive wallets, dead wallets, bot wallets and optimize the APY?

3. Existing Solutions:

It is tricky to filter dust wallets from real user wallets. One solution is to make the real users collect their rewards manually from a DeFi App. Users also incur a certain amount of transaction tax during collecting the rewards. The problem with this approach is that users may forget to collect their rewards every time or become negligent about collecting them.

4. Proposed Solution:

It's proposed to send rewards only to real user active wallets to optimize the APY from reflections. In order to do this, users need to mark their wallets as active for each fixed duration to be able to receive reflections on their wallets. A DeFi app will be built to allow the users to tag their wallets as

active. Activation of a wallet once will make the wallet eligible to receive reflections until the expiry of the current active duration.

The first activation of wallets is planned after a certain no. of days from the token launch date. Since the owners of inactive, dead wallets and bot wallets will not be able to do this “wallet marking”, rewards go only to genuine user wallets, thus optimizing the APY.