ALLIANCEBLOCK

TOKEN ECONOMICS

Abstract

The below document describes the role of the ALBT token in the Prometheus Protocol and in the ecosystem. It highlights the entities that will be using the token, the benefit of using the network, the architecture of the ecosystem, and the backbone in the form of blockchain nodes and data infrastructure.

Furthermore, the document describes contract design, together with dispute resolution. The document also covers the Fiscal and Monetary policy of the ecosystem that includes the Fees Structure, Reward Protocol and Staking Protocol.

The last chapter is focused on the Token Metrics and the allocation of the number of tokens to certain groups in the ecosystem together with reasoning and explanation.

All the numbers in the examples hereunder are tentative and require further tests and research. The purpose of this document is to present the ecosystem, the token utility, and the motivation for network participants in the value exchange. The exact numbers and strategies will be developed at a later stage through collaboration with individuals from multiple scientific fields such as game theory, mathematics, cryptography, political science, economy, and computer science.

Structure

Ecosystem structure

While designing the ecosystem of the AllianceBlock, we focused on providing the highest industry, regulatory, and compliance standards.

We want to provide every network participant an opportunity to build an ecosystem in a fair environment and to benefit from the value appreciation together with the network development. We can distinguish the AllianceBlock Ecosystem as follows:

AllianceBlock Ecosystem

The blockchain-based ecosystem and the backbone of the Prometheus Protocol. All the transactions between users, investors, issuers, institutions, and others are executed here in a secure and regulated environment. The Ecosystem is maintained by Institutional Nodes that are responsible for transaction broadcasting, voting, and service provision.

AllianceBlock Data Layer

Secure and compliant data repository for AllianceBlock network participants. AllianceBlock Data Layer is the core part of the ecosystem. Users, investors, issuers, data scientists and other actors can collect, trade, exchange and utilize data on the data layer using regulated and compliant with data privacy environment.

AllianceBlock Foundation

It is the main curator of the ecosystem and the Prometheus Protocol. In the early stage of the development of the network, the Foundation will be focused on setting up Institutional nodes in the preferable jurisdictions in order to create the backbone of the ecosystem. AllianceBlock Foundation is also responsible for the network curation using Fiscal and Monetary Policy described in the next chapters.

Network participants in the network:

Apart from AllianceBlock Foundation, we can distinguish the following groups of network participants and their desired behavior on the platform.

	Who they are	Desired behavior
Issuers and others	- Startups - SME - Funds	- Issue financial instruments on Prometheus Protocol. - Actively participate in ecosystem development by taking part in staking and delegating token to Institutional Nodes. - Provide demand for services available on the platform. - Setting up service and Institutional Nodes - Buy data from data repositories

Institutions and regulatory entities	• Regulators • CSD • Custodians • Asset Management Entities • Governments • Central Banks • Investment Funds	• Providing financial services and regulations compliant with the relevant for the issuer jurisdiction. • Serve as asset custody service issued on Prometheus Protocol. • Buy data from data repositories • Setting up service and Institutional Nodes
Service providers	• Advisors • Financial experts • Legal experts • Technology experts • Industry experts • Data scientists	• Provide qualified human capital needed by the platform users. • Actively participate in the ecosystem building by taking part in staking and delegating token to Institutional Nodes. • Provide service nodes in order to represent a stake in-network and provide services on the platform. • Buy financial and market data from data repositories
Investors	• Institutional investors • Angel investors • Family offices • Venture Capital investors • Retail Investors • Hedge Funds • Investment Funds • Wealth managers	• Deploying capital in a regulatory friendly environment to professionally rated investment opportunities • Buy data from data repositories • Setting up service and Institutional Nodes
Data Processors and Curators	• Data scientists • Data vendors • Data warehouses	• Comply with data governance and data privacy. • Responsible for data qualification on private, regulated, and public in order to comply with data privacy. • Provide Data Nodes in order to represent a stake in-network and provide data storage and processing services on the platform.
Data providers	• Private data owners • Institutions • Companies • Data repositories	• Provide and sell financial data to the data processors and curators in exchange for tokens. • Provide Data Nodes in order to represent a stake in-network and provide data storage and processing services on the platform.

Blockchain network architecture

Since our aim is to disrupt a highly regulated global capital market, we decided on the Delegated Proof of Stake consensus model available only for regulated and transparent entities that comply with ecosystem rules and maintain a high reputation score.

Our blockchain will be open for everyone, however, in order to become a node, the entity has to meet a certain set of rules and regulations to comply with the jurisdictions and ecosystem regulations.

We distinguish the following node's types:

Institutional Nodes

Nodes owned by institutions, they are able to provide updates to the network and agree on consensus with regards to compliance and regulations issues. To become an Institutional Node, the entity has to comply with a set of predefined rules and regulations.

Every entity can join the network to start staking tokens, but in order to broadcast transactions and decide about network updates, the Node owner has to be elected by users during the token's delegation process.

The initial number of institutional nodes will be equal to 10 and will increase over time.

In the beginning, all the nodes will be provided by AllianceBlock Foundation and early Foundation partners. Together with the development of the network, nodes ownership will be diluted and democratized by adding more independent network participants as nodes owners. For more on the process, go to the Governance Protocol chapter.

Data nodes

In order to be able to process data on the platform, the data node owner needs to comply with the data policy regulation of certain jurisdictions such as GDPR. After filling the application and providing relevant documentation, the Data Node owner is able to sell, buy, process, and store data on the AllianceBlock Ecosystem. Apart from that, the owner is also able to stake tokens to benefit from the network Reward Protocol. Data Nodes maintain the data layer on the blockchain ecosystem Data Nodes do not broadcast transactions or vote on network updates, however, they are able to delegate staked tokens to Institutional Nodes to increase their voting power.

Service nodes

Every business, company or advisor has to set up a Service Node in order to start providing services on the platform. In order to maintain transparency and comply with the regulations, Service Nodes candidates need to provide a set of documentation about their business and legal entity. After approval, they are able to provide services on the platform and stake tokens to participate in the ecosystem . Service Nodes do not broadcast transactions or vote on network updates, however, they are able to delegate staked tokens to Institutional Nodes to increase their voting power.

The above requirements provide transparency to the ecosystem and encourage all the network participants to provide the highest value to the ecosystem. Every node owner is benefiting from Reward Protocol getting tokens from staking and other activities. It is in their interest to increase the network value and the value of tokens they are getting.

The documentation required to set up every node will be released in the later stages of the development of the platform.

In order to mitigate the centralization of power by wealth, the voting right to the number of tokens' staked function will be a logistic function with a ceiling that would limit the voting power of each Institutional Node.
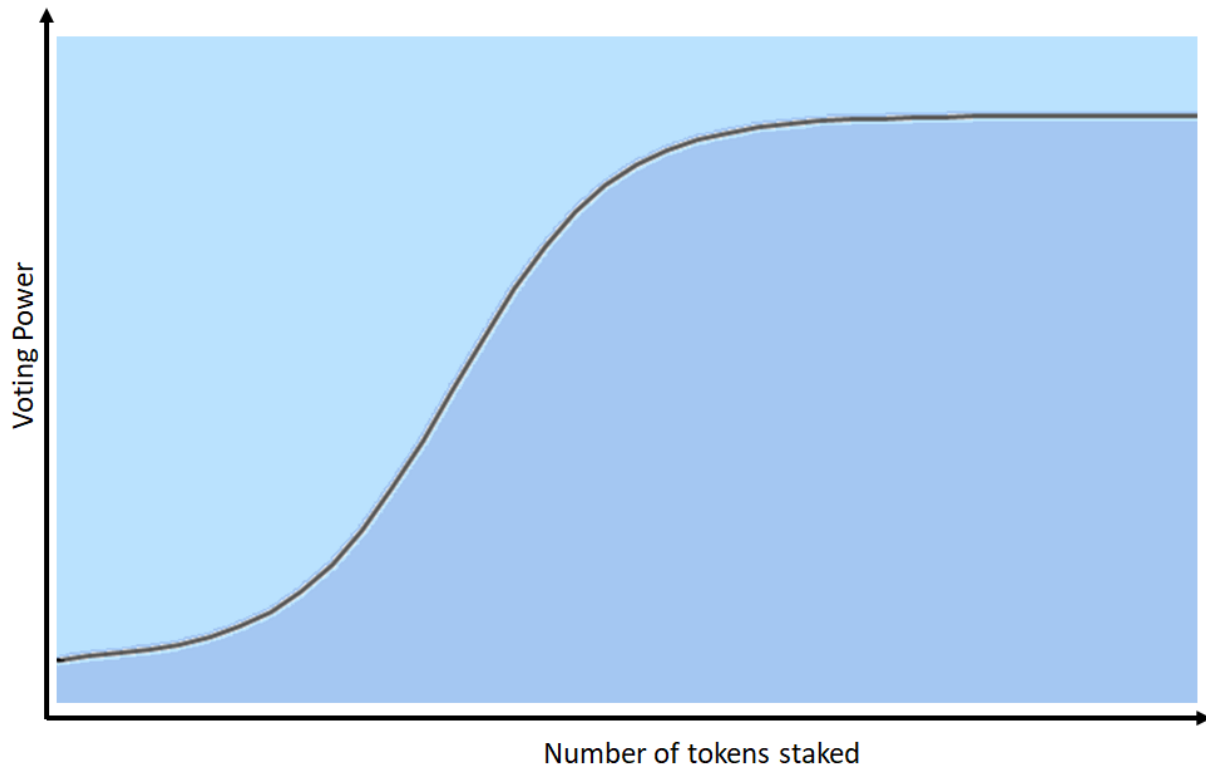
Below the breakdown of groups of nodes and their desired behavior on the platform.

Network architecture	Who they are	Desired behavior
Institutional Nodes and Company Nodes	● Banks ● Private banks ● Regulators ● Fintech ● Payment Processors ● Asset Management Entities ● Insurance Companies ● Exchanges ● Governments ● Central Banks ● Investment Funds ● Rating agencies ● SME	● Comply with the qualification rules to become a node ● Validate and broadcast network transactions ● Participate in voting on network technological and regulatory updates ● Are rewarded with tokens from the Reward Protocol

Data Node	- Data scientists - Data vendors - Data warehouses - Institutions - Companies - Data repositories - Data validation	- Provide decentralized data storage - Stake tokens in order to participate in the ecosystem. - Provide services such as data curation, clearance, datasets broadcasting, data vendors and trading - Comply with the jurisdiction data regulatory rules - Are rewarded with tokens from the Reward Protocol
Service Node Provider	- Advisors - Financial express - Legal experts - Technology experts - Industry experts - Data scientists - Rating agencies - Companies - SME - Startups - Fintech	- Comply with the Service Node requirements to become a service provider on the network. - Provide regulatory compliance services - Participate in tokens staking - Delegate tokens to institutional nodes - Use tokens locked in nodes for participation in the ecosystem

Governance Protocol

While designing the Governance protocol, we focus on providing the solution most suitable to the targeted market. Because our main customers and users will be regulated entities from the global capital market we needed to create a decision-making protocol that aligns with these market priorities.

Therefore, we decided to provide decision-making rights to Institutional Nodes only since they are the backbone of the platform (Decision Making Board). The regulatory and compliance updates will be conducted by credible and competent entities, thanks to that we will create achieve a fast decision-making system that would be able to execute updates on the global scale of the Prometheus Protocol.

We do not want to exclude other network participants from the voting protocol. Both Service Nodes Owners and Data Nodes Owners are able to delegate voting rights using tokens their stake. Thanks to that, network participants that have an interest in the development of a friendly financial assets issuance and services environment, will also have a relevant influence on the direction of the ecosystem evolution.

Any entity that has a stake in the network such as Service Node, Data Node, or Institutional Node can submit the proposal so the spirit of innovation will drive the ecosystem.
In order to submit a proposal, the entity has to provide a data structured petition, together with the small deposit of tokens.

The petition will be vetted by other network participants so the users would be able to deposit more votes to the proposal. The proposals with the highest number of votes in the time will be sent higher in the governance structure and will be voted by Institutional Nodes whether to be introduced or not.

If the proposal is accepted, it is sent to the AllianceBlock Foundation development team to be executed either by the Foundation or with the involvement of other independent network participants.

Institutional nodes voting power will be correlated with the number of tokens delegated to their node on a logarithmic function in order to mitigate the centralization of power and plutocratic in the ecosystem. The exact numbers and functions require further scientific research and will be released soon.

Number of tokens in the node
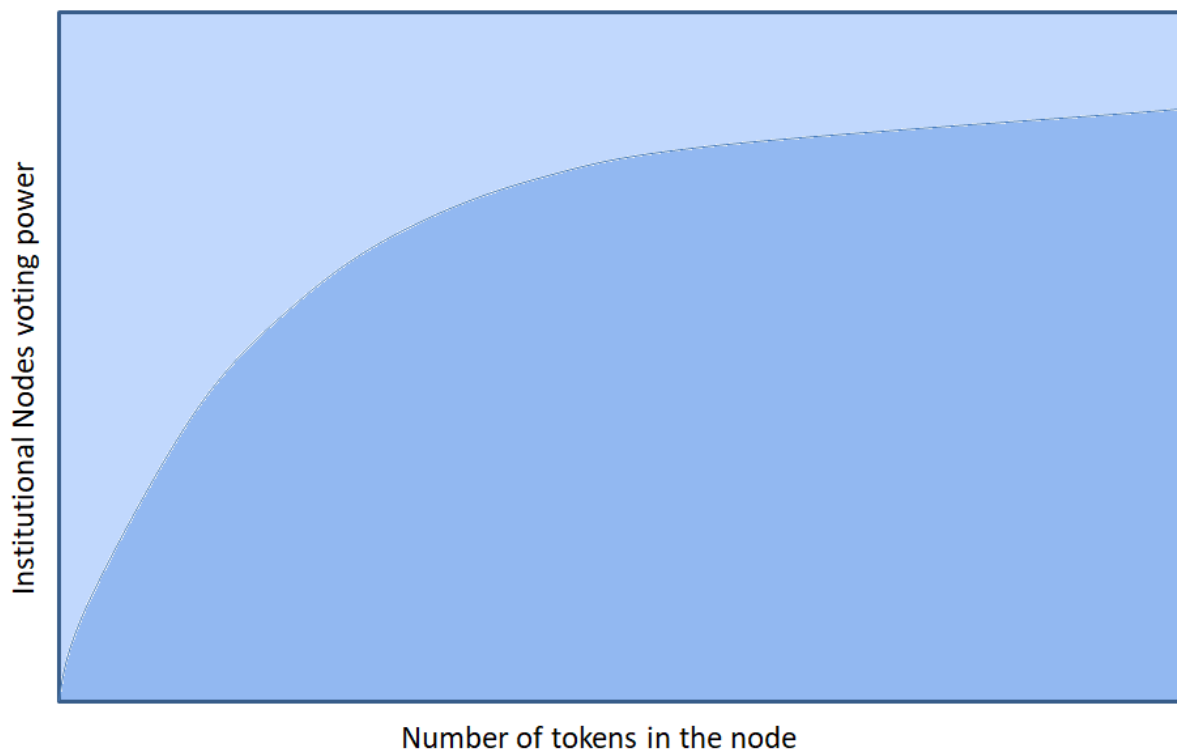
Network governance dilution over time

In order to maintain exclusivity and competition over the sits in the Governance Protocol Decision Making Board, the number of seats will be limited and will increase together with the development of the network and will be correlated with the growth of the network utility.

First nodes will be set up by AllianceBlock Foundation in order to stimulate fast network growth, decision making, and implementation process, however, the number of seats will increase, and the AllianceBlock nodes can be voted out from the Decision Making Board which eventually dilute their voting power as shown in the chart below:
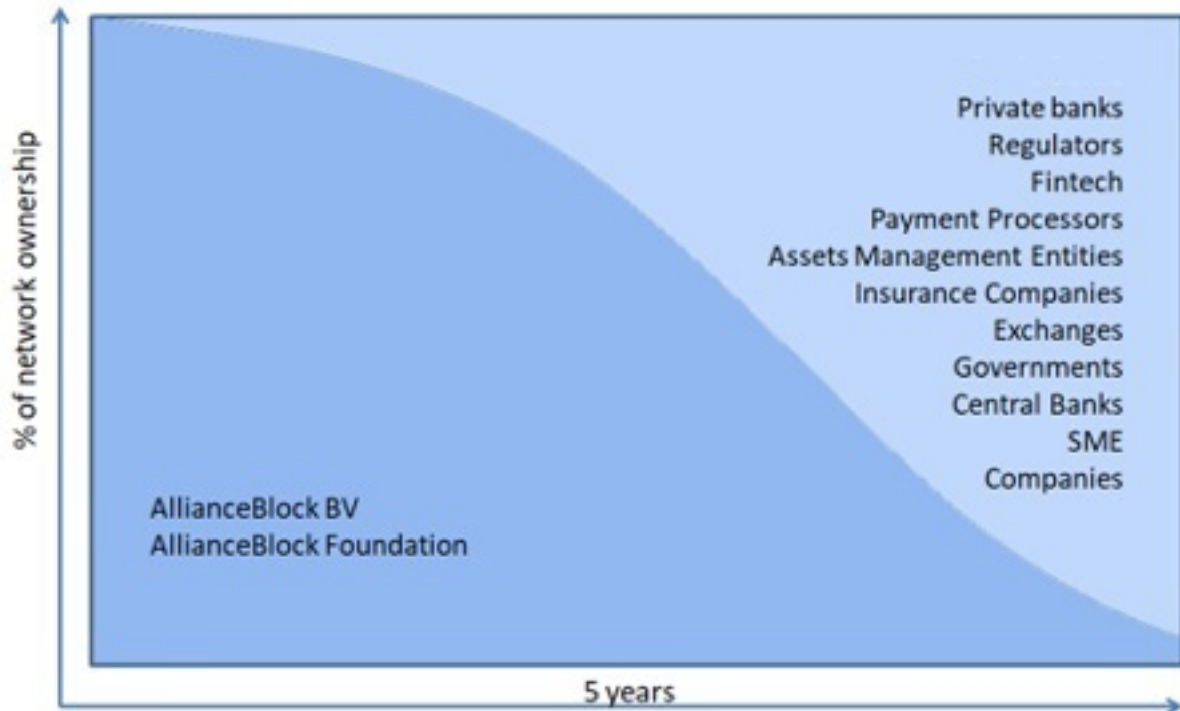
The more diluted the network, the more voting rights independent entities have and the more truly decentralized ecosystem becomes.

We aim to start semi-centralized in order to maintain fast network updates and decision-making processes in the early stage of the development of the ecosystem to stay competitive on the market.

Token Functionalities:

ALBT tokens are the backbone of the Prometheus Network ecosystem.

While designing the token and the ecosystem, we have focused on providing an inflow of value to the ecosystem that would increase the store of value of the token by providing multiple incentives in form of tokens rewards, ratings, or access to exclusive platform features.

Prometheus Network ecosystem also ensure high internal liquidity of the token with the ecosystem; therefore, users do not have to withdraw token from the ecosystem in order to monetize their gains or exchange it to other assets of services.

In order to achieve the above, the ALBT token has the following features:

- **The medium of exchange** - ALBT token will be the main medium of exchange for services and assets on the platform. Users, institutions, and data providers will pay in ALBT for, issuance of a new financial instrument, services, access to datasets, and more. In the future, users in the ecosystem will be eligible to use ETH or other coins, however, every transaction will require some involvement of ALBT token. In order to address problems with volatility, we design a stabilization mechanism that involves the usage of DAI described in the Contract Design chapter.
- **Mean of reward** - nodes owners, and other relevant network participants will be rewarded for maintaining the network in the form of the token from the Reward Protocol.
- **Currency reserve of ecosystem Treasury Pool** - AllianceBlock Foundation will behave as a central bank in order to maintain the healthy supply and demand of ALBT token in the circulation supply. Foundation will provide and execute Fiscal and Monetary Policy long term strategy in order to stimulate the healthy growth of the network deeply described in the Fiscal and Monetary Policy Chapter.

- **Network fees** - every transaction will require to pay a small portion of fees in the form of ALBT token. It is required in order to avoid transaction spam of the network. Transaction fees will be adjusted together with network Nodes and Treasury Pool needs in order to maintain a sustainable ecosystem and user base growth.
- **Mean of payment for access to data and data query** - network participants will provide access to their datasets in exchange for tokens. Gathered data will be structured and resold by data vendors or repositories. Thanks to the availability of micropayments, ALBT tokens are perfectly suited for transactions that involve multiple queries.
- **Collateral in transactions** - ALBT token will be used as collateral in transactions between network participants. Tokens will be locked in order to guarantee the financial liquidity of a service receiver entity. Users will have to lock ALBT token in order to benefit from financial assets issuance protocol, data repositories or service providers. Another side of the transaction will also be obliged to lock a certain number of tokens or be a node owner in order to execute underlying services. The collateral mechanism is deeply described in the Contract Design chapter.
- **Voting and delegating of voting power –** network participants will be able to delegate tokens to Institutional Nodes responsible for network and ACI updates increasing their voting power. The process is deeply described in the Governance Protocol chapter.
- **Staking** - by setting up an Institutional, Data, or Service Node, network participants will benefit from staking protocol. In the early stage of development of the network, staking expenditures will be covered using Reward Protocol, after, together with the development of the network, staking will be covered from network fees managed by Treasury Pool deeply described in Fiscal and Monetary Policy chapter.
- **Network Participant Rating** - every user, will be assigned with the token index that is an outcome of the number of tokens held, time of tokens held, and active participation of events involving tokens such as delegation. The index will be considered in the overall rating of relevant network participants.

Contract structure:

While designing the ALBT contract structure, we focused on the following factors:
- Provide stable and easy to use mean of exchange between network users
- Provide a mechanism that minimizes to zero the risk of volatility of the assets
- Ensure users that every transaction maintain the highest compliance and regulatory basis
- Provide network participants with incentives to use ALBT token over other tokens available on the market

In order to maintain the Prometheus Protocol's highest standards and advocate the token utility application, we distinguish three different types of contracts that can appear on the network.

ALBT to ALBT token transaction:

The most common exchange of crypto assets. ALBT token is the main medium of exchange between network participants. Tokens are exchanged freely between users if there is no need to lock them in a smart contract for longer than an hour in order to exchange ALBT tokens for an asset or service. This transaction will include:
- Sending a token from wallet to wallet
- Paying network fees for operations on the platform
- Paying fees for data queries from data nodes

- Paying for access to goods and services available on the platform or platform marketplace that are available immediately such as, datasets, documentation, access to software, etc.

Token to ALBT or ALBT to token or Token to Token transaction:

Like we have mentioned before, transactions can be executed not only in ALBT.

In the early stage of the development of the network, we want to introduce the option to use DAI for stability as well as ETH and other popular coins and stablecoins.

If the receiver is willing to get other tokens than ALBT, they are able to choose the preferred currency. In that case, ALBT before reaching their wallet will be converted to DAI by AllianceBlock Treasury Conversion Protocol and transfer to the receiver wallet.

If users are willing to use stable coins such as DAI, the DAI is sent to the AllianceBlock Treasury Conversion Protocol where DAI is converted to ALBT tokens that are sent to the receiver.

We want to encourage senders and receivers to use only ALBT tokens, so the transactions with other currencies will charge higher fees to maintain healthy Fiscal and Monetary Policy.

The reasoning for the above mechanism is to provide users with an option to send and receive other cryptocurrencies, without devaluation of the ALBT token.

Example:

1. A company has ETH in their wallet and wants to buy data from the Data Node
2. Data Node is afraid of volatility, so they accept only DAI
3. The company uses ETH to pay for access to data from the Data Node
4. ETH is converted to ALBT token on the AllianceBlock Treasury Conversion Protocol
5. ALBT is sent to the receiver and before reaching them, converted to DAI using Treasury Conversion Protocol
6. DAI is sent the Data Node owner wallet

Thanks to the above approach we introduce two mechanisms that positively influence the token price:

- Every conversion comes with a fee that is sent to the Treasury Pool. This mechanism not only reduces the token circulating supply but also maintain Treasury Pool on a healthy level and allows redistribution of goods thanks to a well-designed Fiscal and Monetary policy.
- Every transaction generates a temporary demand for the token that not only increases the volume but also back the token with the real value in the form of paid DAI or ETH.

Example:

- If there are 10 transactions worth 100 USD each.
- The time between the sender sending the token to the receiver receiving them is 10 minutes.
- If we have 10 transactions with 100 USD in 10 minutes, it means that we have 1000 USD worth of demand for ALBT token in that time frame.

If we consider the scale of the number of transactions and the time dispersion of the transactions the demand effect is significant.

Transactions that require collateral:

Since Prometheus Protocol is aiming to disrupt the global capital market, we need to focus on making transactions safe, fast, secure, and comply with the regulation of the jurisdictions for every involved

party. We are aware that these transactions might not only involve different legal entities and jurisdictions but also utilize significant monetary values.

Thus, we designed a protocol that not only reduces the volatility of involved assets to zero but also allows dispute resolution and transactions execution in a secure and decentralized manner.

In collateral-based transactions, we distinguish two transactions:

Investment transaction:

Deploying funds by network participants is related to sending and storing a significant amount of value. As we all remember, many projects were struggling with Ethereum volatility during the ICO season. In order to address this problem, we design the mechanism that allows deploying capital in ALBT or non-volatile assets such as DAI without devaluation of the ALBT token itself.

Deploying ALBT token to the investment:

Assume that there is a company A that is raising 1,000,000 USD using Prometheus Protocol. The process from the start of the funds raised to closing the financial round is going to take 3 months. In case of not meeting the soft cap or the KPIs of the development of the products, the funds will be sent back to the investors. Also, Company A is expected to get a predefined USD value of tokens. In order to maintain the stable USD value of the contract we design the following process:

1. Investor deploys 1000 USD worth of ALBT token into the Investment Contract to invest in Company A.
2. 1000 USD worth of DAI are borrowed from Treasury Conversion Protocol and added to the Investment Contract. When the investment round is closed, company A may choose either to withdraw ALBT or DAI tokens.
3. If withdraw DAI token, ALBT tokens are sent back to the Treasury Conversion Protocol and converted to DAI to fill the gap in the liquidity.
4. If withdrawing ALBT, DAI tokens are sent back to Treasury Conversion Protocol.
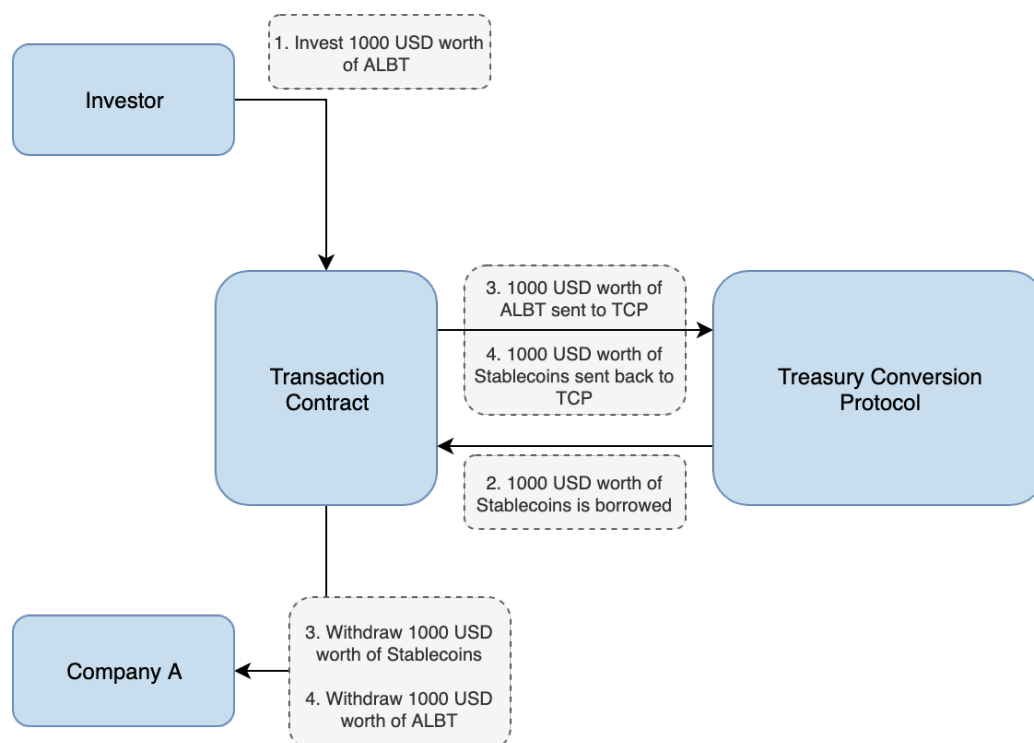
If there is a price difference in the number of tokens that are sent back to the Treasury Conversion Protocol, DAI or ALBT tokens can be provided by Foundation Treasury Pool. The process is deeply described in the Treasury Conversion Protocol section.

Deploying DAI or other assets to the investment contract

If the investor is willing to deploy DAI, ALBT balance is added to the Investment Contract from Treasury Conversion Pool in order to generate demand for the token correlated with the number of transactions on the network.

- Investor deploys 1000 USD worth of DAI token in order to invest in Company A.
- 1000 USD DAI tokens are locked in the investment smart contract.
- 1000 USD worth of ALBT are borrowed from Treasury Conversion Protocol and added to the investment transaction contract.
- When the investment round is closed, company A may choose either to withdraw ALBT or DAI tokens.
- If withdraw DAI token, ALBT tokens are sent back to the Treasury Conversion Protocol converted to DAI to fill the gap.
- If withdrawing ALBT, DAI tokens are sent to Treasury Conversion Protocol filling the gap in the liquidity left after DAI.

Service or asset exchange transaction:

The service or asset exchange transactions that require a time to provide the deliverables comply with the same transaction rules as an investment contract. Following the example, we have a service provider such as a bank or lawyer that provides documentation for IPO for the customer. In the transaction, the Customer is willing to pay 1000 USD to Service Provider.

The transaction looks as follows:
1. The customer deploys 1000 USD worth of ALBT (or DAI) token in order to lock them in the contract to secure the transaction with Service Provider.
2. 1000 USD worth of DAI (or ALBT tokens) are borrowed from Treasury Conversion Protocol and locked in the service transaction smart contract together with 1000 USD ALBT (or DAI) tokens deployed by the Customer before. When the contract is closed, the Service Provider may choose either to withdraw ALBT or DAI tokens.
3. If Service Provider is willing to withdraw DAI token, ALBT tokens are sent back to the Treasury Conversion Protocol filling the gap.
4. If the service provider is willing to withdraw ALBT, DAI tokens are sent back to the Treasury Conversion Protocol filling the gap.
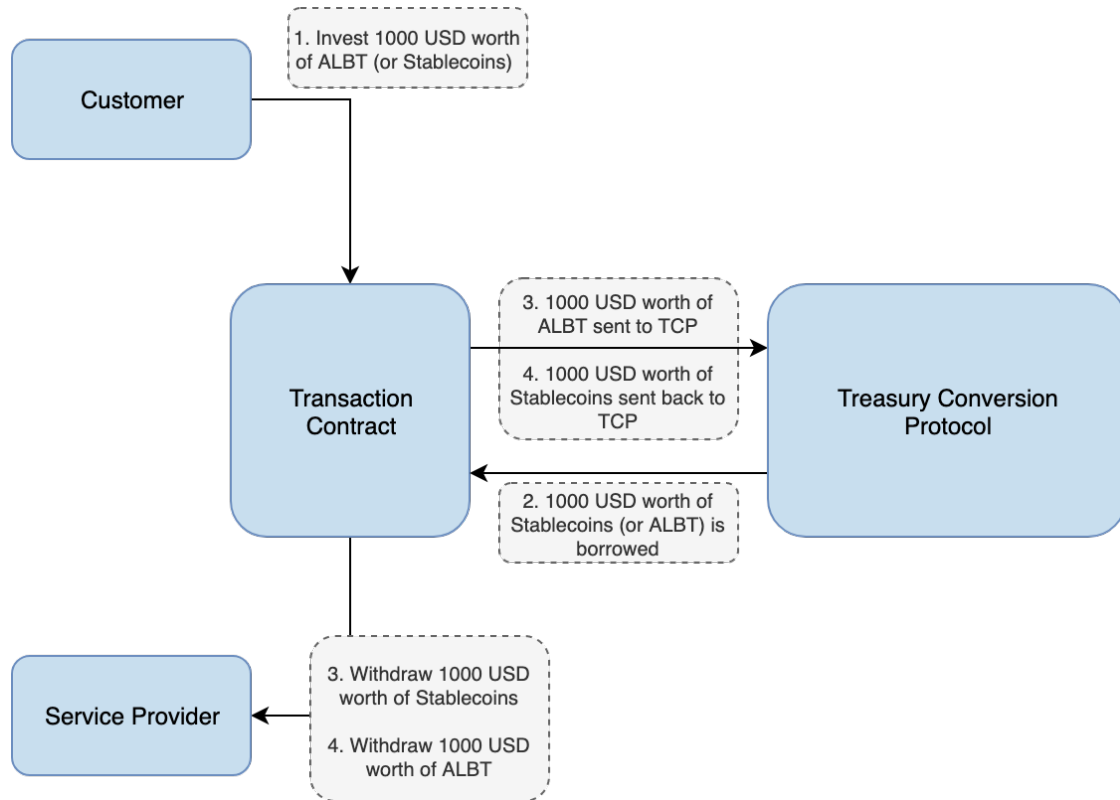
Thanks to the above mechanism, service providers are guaranteed to receive the USD value of coins they have agreed on. If the ALBT token price at the end of the transaction varies from the price at the beginning of the transaction (for example after 1 month) the difference will be subsidized by Treasury Conversion Protocol, so the tokens receiving entity will always get equivalent of initial USD value of ALBT tokens. The process is deeply described in the Treasury Conversion Protocol chapter.

Users will be always incentives to withdraw ALBT tokens by increasing their reputation in the ecosystem. The higher the reputation the higher rewards and voting rights they are getting.

Moreover, every transaction that will be resolved in other tokens than ALBT will be charged with fees to maintain health Fiscal and Monetary Policy. Fees will be adjustable and based on the demand for withdrawal in the form of other than ALBT.

AllianceBlock Treasury Conversion Protocol

It is a Treasury Pool and Exchange controlled and subsidized by AllianceBlock. The reason for that is to provide Prometheus Protocol access to ALBT and DAI tokens in an atomic way without a need to buy them on external exchange. We also want to provide more currencies such as ETH that would work similar to the mechanism explained below, however, in the early stage, we want to focus on DAI and ALBT.

The Treasury Conversion Protocol will provide liquidity for ALBT and DAI required to execute contracts and meet the demand for tokens needed for transactions and supply of tokens from transactions.

AllianceBlock is responsible for maintaining the healthy liquidity balance of DAI and ALBT tokens in the Treasury Conversion Protocol, however, we address this problem by automatization of some rebalancing procedures.

We are going to use external liquidity pools such as Kyber Network or Uniswap in order to maintain a healthy balance between ALBT and DAI. Apart from that, AllianceBlock itself will also stimulate the balance in Treasury Conversion Pool using either fund from AllianceBlock treasury or ALBT tokens from Treasury Pool.

Below explanation, how the Treasury Conversion Protocol will rebalance itself using external liquidity providers when the token price will change over time between the initiating transaction and closing it. In order to understand the process, we need to examine two scenarios:

1st scenario considering the ALBT token price:
1. The investor has deposited 1000 USD worth of DAI
2. Contract borrowed 1000 USD worth of ALBT from Treasury Conversion Protocol
3. ALBT price appreciated to 1200 USD
4. Company A is willing to withdraw ALBT tokens, company A will get 1000 USD value of ALBT tokens
5. 1000 USD worth of DAI and 200 USD worth of ALBT will be sent back to Treasury Conversion Protocol.
   a. In the Treasury Conversion Protocol, there is a shortage of 1000 USD worth of ALBT, after adding 200 USD worth of ALBT from the Transaction, there is still 800 USD worth of ALBT shortage.
6. We use DAI to buy 800 USD worth of ALBT tokens to rebalance the supply of DAI and ALBT in the contract.
7. 200 DAI of the surplus is sent to the ecosystem Treasury Pool or rebalance equally on an external exchange (100USD worth of DAI and 100 USD worth of ALBT) and added to the Treasury Conversion Protocol.
   a. Alternatively, if there is an oversupply of both tokens in the Treasury Conversion Protocol, they are sent to Treasury Pool to increase the ecosystem reserves.
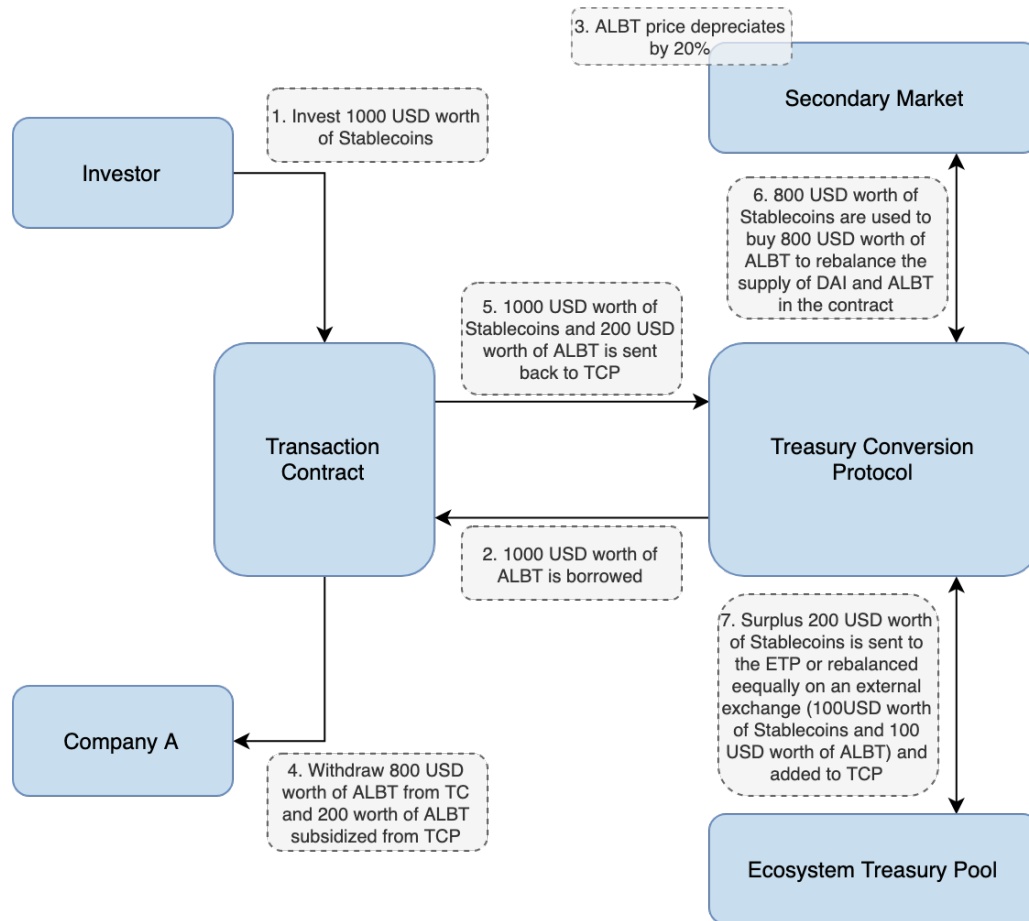
2nd scenario, if the ALBT token price depreciated in time the procedure looks as follows:

1. An investor has deposited 1000 USD worth of DAI
2. Contract borrowed 1000 USD worth of ALBT from Treasury Conversion Protocol
3. ALBT price depreciated to 800 USD
4. Company A is willing to withdraw ALBT tokens, company A will get 800 USD value of ALBT tokens from the transaction contract, 200 USD worth of ALBT tokens will be subsidized by the Treasury Conversion Protocol
5. 1000 USD worth of DAI will be sent back to Treasury Conversion Protocol.
   a. In the Treasury Conversion Protocol, there is a shortage of 1000 USD worth of ALBT from initial collateral and 200 USD worth of ALBT from subsidizing action
6. 1000 USD worth of DAI is converted on external exchange to rebalance shortage of ALBT tokens in the Treasury Conversion Protocol
7. The shortage of 200 USD worth of ALBT is subsidized from the ecosystem Treasury Pool and added to the Treasury Conversion Protocol
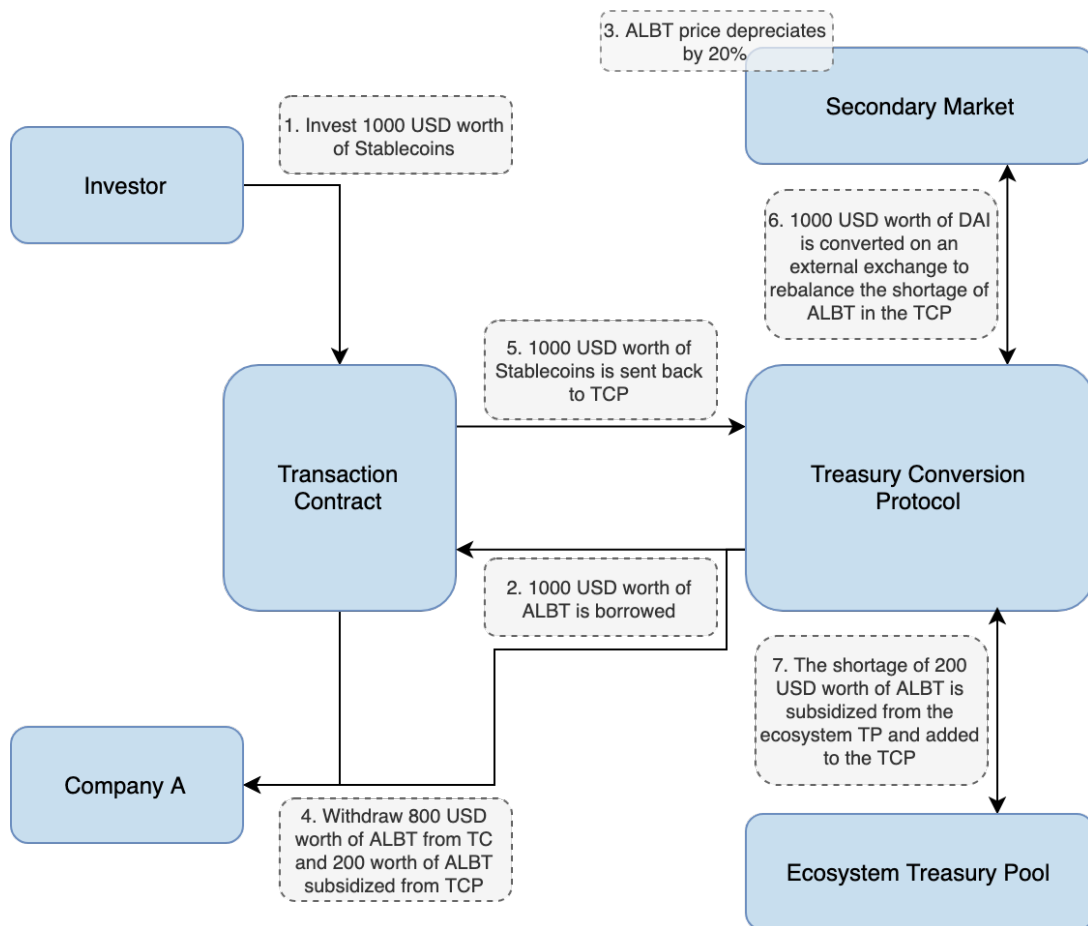
The above mechanism allows motionless stable transactions for all the network participants. Moreover, together with the token price appreciation, the input to the Treasury Pool form transaction is increasing, because of the positive difference in the token price.

Thanks to the above system we expect to see the following ecosystem behavior - together with the growing of the number of transactions, we will observe an increase of the inflow of tokens to the Treasury Pool, increase in rewards, decrease of tokens in circulating supply and eventually increase in the token price. The process is deeply described in Value Creation Using Contract Design section.

Fiscal and Monetary Policy and Treasury Pool Management

Crypto assets are the combination of assets know on the traditional market such as currencies, commodities, and stock. The biggest advantage of cryptocurrencies is being able to combine and program those features in order to provide optimal token value stimulation and ecosystem growth with a minimal third-party involvement or ideally independent self-sustainable ecosystem.

Since we are designing a currency, we need to have a well-designed Fiscal and Monetary Policy in order to plan where to stimulate the network with subsidies, where to put fees in order to limit some behaviors and in a which way design inflation or deflation to maintain the suitable growth of the network.

Tokens price stimulation

One of the main tasks of AllianceBlock is to behave as the Central Bank of the Ecosystem and maintain healthy growth of the user base and the token stable price appreciation. Having in our availability multiple different instruments we want to focus on the following aspects of the network stimulation:

- Decreasing the token volatility using buybacks when the price is decreasing or selling the tokens when the price is overperforming in an unnatural way.
- Maintaining token supply released on the market by AllianceBlock on a smaller level than the current demand from the ecosystem side in order to create scarcity on the market and constant price appreciation.
- Monitoring active address, number of tokens staked, rewards from staking, users holding index, and token velocity in order to provide the best strategy from above.
- Stimulate the network in fees and redistribute these fees in rewards to the places in the network where it is the most needed.

In order to achieve the above, we have the following mechanisms.

Treasury Pool

Treasury Pool reflects the reserve of the ecosystem. Tokens in the Treasury Pool can be used to positively stimulate network growth. In order to maintain the ecosystem reserve in a healthy manner, all the network fees will be collected there and redistributed with the Reward Protocol.

Treasury Pool consists of tokens that in the early stage of development will be used only if needed to replenish the shortage of tokens in the Treasury Conversion Protocol. In the later stage, Treasury Pool will be filled up with network fees collected from transactions or unwilling behaviors such as using alternative payments than using ALBT tokens.

Treasury Pool will be transparent and visible for the ecosystem so every network participant will be aware of the healthiness of the ecosystem reserves.

In the later stage of development, tokens from Treasury Pool will be deployed to the network participants in the form of rewards for behaviors promoted on the platform or in the form of rewards from staking.

Tokens in the Treasury Pool cannot be sold on the secondary market for monetary benefits of the company, they cannot be spent on team member bonuses, transfer to advisors or other, non-ecosystem stimulation related activities.

The only way to sell ALBT tokens from Treasury Pool is through Treasury Conversion Protocol to replenish the missing gap after the transaction explained in the section AllianceBlock Treasury Conversion Protocol.

Staking

Staking is the part of the reward protocol that is the most commonly used over the industry in order to encourage users to hold tokens for a longer period of time.
Staking will be available for Institutional nodes, data nodes, and service nodes owners.
Tokens from staking will be distributed using the adjustable logistic curve in order to decrease the plutocracy and the centralization of wealth in the ecosystem.

Users that are not able to set up a node, will be able to delegate tokens to institutional nodes in order to participate in the reward distribution. Together with delegating the tokens, users will also delegate voting power to the node owner.

In order to withdraw tokens from staking protocol, it will take 7 days in order to avoid emotional decisions made by users. Users will be able to withdraw tokens immediately, however, they would have to pay a fast withdrawal fee equal to % of tokens that they are willing to withdraw. The percentage rate will be adjusted based on the current demand for immediate withdrawals. All the fees collected this way will be sent to the Treasury Pool and redistributed back to the ecosystem.

Benchmarking ourselves to the best-performing assets on the network, after being an established ecosystem, we want to achieve at least 60% of tokens to be staked in the staking protocol and provide users with around 7-9% of annualized ROI for maintaining the network in the long term.

Fees

In order to maintain the healthy ecosystem Fiscal and Monetary Policy, we need to apply fees to stimulate certain behaviors of network participants. We can distinguish the following fees in the network.

Transaction fees:
The most common fee applied to the network in order to prevent spamming the network with meaningless transactions.
Transactions fee while using the ALBT tokens will be minor in order to encourage users to use the platform native token. All the fees collected in this way will be transferred to the Treasury Pool and redistributed back to network participants using Reward Protocol

Fees for using DAI:
The fees collected from network transactions executed using DAI or other currencies. These fees will be significantly higher in regard to the fees paid in ALBT in order to encourage users to use platform native tokens. The DAI fee rate will be based on the need for DAI in Treasury Conversion Protocol and if needed also in Treasury Pool.

The rate will be adjusted automatically based on the current ecosystem needs and user's behavior, all the fees will be collected to replenish the deficit in Treasury Conversion Protocol and to the Treasury Pool to be redistributed back to network participants using Reward Protocol

Reward Protocol

Reward Protocol consists of any form of distribution of tokens to the users in order to stimulate expected user's behavior.

One of the most common reward protocol features is the reward for staking. In our platform, we will also reward users for other behaviors such as participating in voting, reporting unwilling behaviors, achieving high ratings, maintaining the high standard of services, solving disputes, promoting platform, developing a platform, or finding bugs.

In the early stage of development, tokens will be distributed from the Ecosystem Stimulation Pool, after by Treasury Pool in order to maintain healthy Fiscal and Monetary Policy.

Token Value Creation

While designing the ecosystem of the Prometheus Protocol, we focused on involving the ALBT tokens in every transaction mitigating the users' exposure to volatility to zero as it is described in the Contract Design section.

Thanks to the above design, the token price will increase together with the development of the network in a stable and non-volatile way, thanks to pegging transaction volume with DAI stablecoin.

In order to fully understand the price reaction stability mechanism let's analyze two scenarios:

<u>1st scenario considering the ALBT token price increase</u>

1. An investor has deposited 1000 USD worth of DAI to invest in Company A
2. Contract borrowed 1000 USD worth of ALBT from Treasury Conversion Protocol
3. ALBT price appreciated to 1200 USD
4. Company A is willing to withdraw ALBT tokens. Company A will get 1000 USD value of ALBT tokens
5. 1000 USD worth of DAI and 200 USD worth of ALBT will be sent back to Treasury Conversion Protocol.
6. In the Treasury Conversion Protocol, there is a shortage of 1000 USD worth of ALBT, after adding 200 from the Transaction, there is still 800 left.
7. We use DAI to buy 800 shortage of ALBT tokens to rebalance the supply of DAI and ALBT in the contract,
8. 200 DAI of the surplus is sent to the ecosystem Treasury Pool
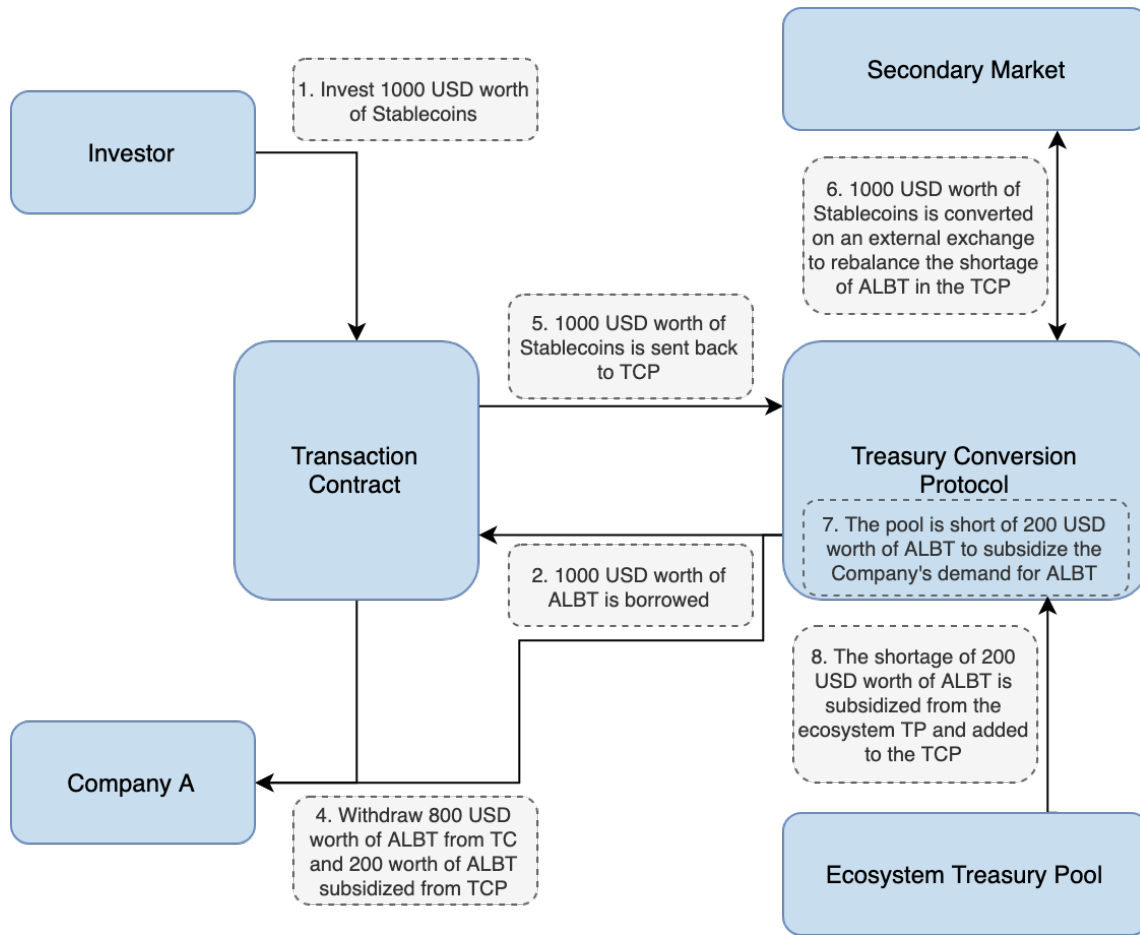
The above protocol provides temporary demand on ALBT token equivalent 800 USD worth of ALBT tokens. Considering the time factor and the scale transactions, this design will provide significant demand for the token.

Moreover, 200 DAI of surplus sent to the Treasury Pool provides significant value in terms of healthy Fiscal and Monetary Policy providing an inflow of capital into Treasury Pool without harming the users. Those tokens are distributed back to the ecosystem creating a closed loop of value redistribution, creation, and token price appreciation. The process looks as follows:

- The more transaction we have the higher is the token price
- The more transaction we have the more money is going to Treasury Pool
- The higher the token price the more money is going to Treasury Pool
- The more value in treasury pool the more we can redistribute to the Nodes and other network participants in rewards
- The higher ROI from staking the more tokens are staked
- The more tokens staked the lower the circulating supply
- The lower the circulating supply the higher the token price

The above mechanism is expected ecosystem behavior in growing or stagnating token price stage. We are aware that the token price doesn't have to behave as we say, so we also consider the price depreciation scenario described below.

2nd scenario considering the ALBT token price decrease

1. An investor has deposited 1000 USD worth of DAI to the Company A
2. Contract borrowed 1000 USD worth of ALBT from Treasury Conversion Protocol
3. ALBT price depreciated to 800 USD
4. Company A is willing to withdraw ALBT tokens. Company A will get 800 USD value of ALBT tokens from the Transaction Contract.
5. 200 USD worth of ALBT tokens will be subsidized by Treasury Conversion Protocol
6. 1000 USD worth of DAI will be sent back to Treasury Conversion Protocol and converted to ALBT to fill the ALBT shortage
7. The pool is short of 200 USD worth of ALBT used to subsidize the Company demand for ALBT
8. The shortage of 200 USD worth of ALBT is subsidized from the ecosystem Treasury Pool and added to the Treasury Conversion Protocol
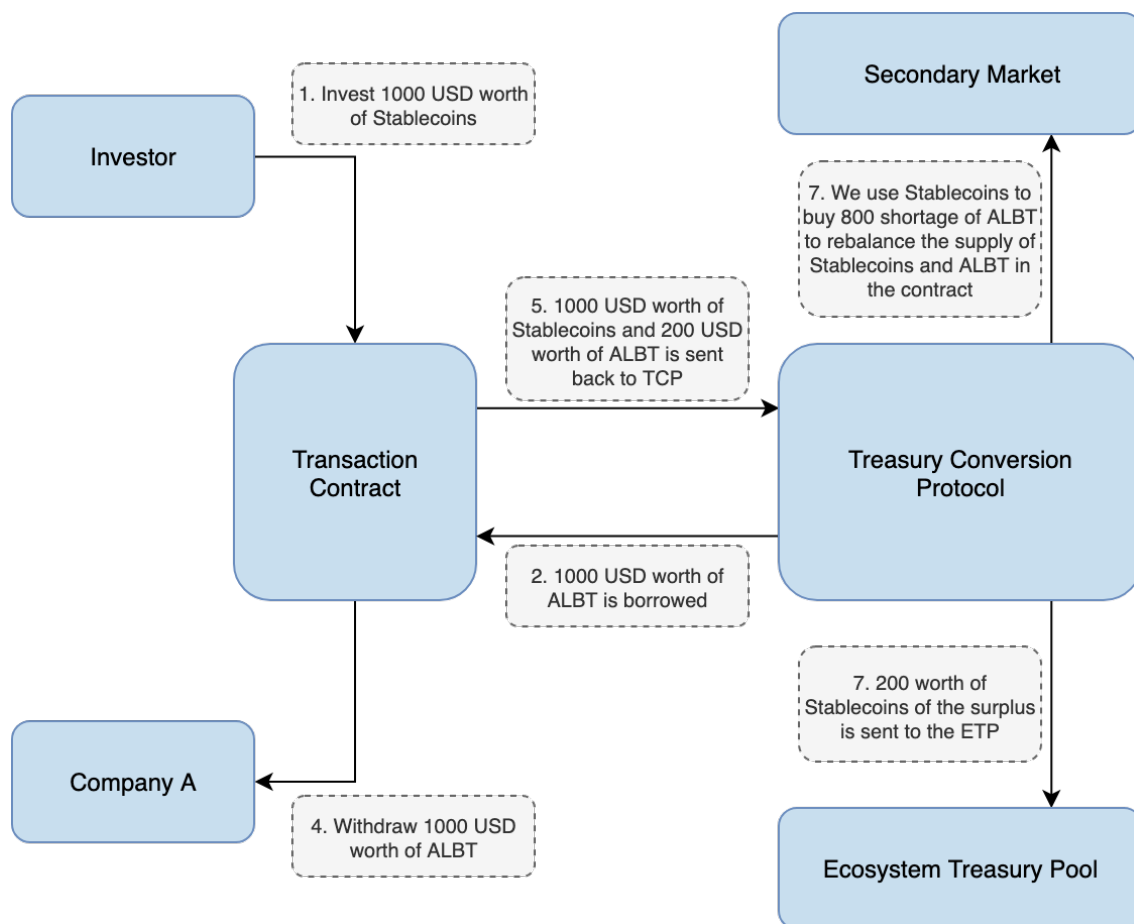
Now, 1000 USD worth of DAI is converted on external exchange to rebalance the shortage of ALBT tokens in the Treasury Conversion Protocol. This process provides 1000 USD worth of demand for ALBT tokens stimulating the price appreciation.

The shortage of 200 USD worth of ALBT is subsidized from the ecosystem Treasury Pool and added to the Treasury Conversion Protocol. Based on the current ecosystem demand and Treasury Pool flexibility, tokens will be either bought on the external exchange using DAI in order to stimulate token price growth or provided form Treasury Pool reserves.

The above mechanism provides an efficient tool to stimulate token price growth and reduce volatility and spikes. Also, thanks to the time factor involved in the contracts, it significantly slows down the snowball effect.

The above solution is sufficient as long as Treasury Pool is able to replenish the shortage of tokens in Treasury Conversion Protocol. Maintaining healthy Treasury Pool procedures are described in the Fiscal and Monetary Policy section.

Dispute resolution

Disputes arise around contracts or agreements when one (or multiple) parties in a transaction believe other parties did not perform according to the prearranged agreement.

In order to secure the contract between a service provider and a customer, a service provider must deposit an amount of ALBT that is a % of the value of the transaction between two parties. The ALBT tokens are held in escrow for a pre-set amount of time for the transaction to occur successfully. If the transaction occurs successfully, the deposit is returned to the service provider. If the transaction does not occur successfully the consumer may contest the transaction by placing an amount equal to the service deposit into the challenge escrow. The service provider has the options to:
- Admit fault, release the full contract value and the deposit to the customer,
- Contact the customer to reach a resolution between them
- Place another deposit equivalent to the first deposit signaling confidence that the transaction occurs as agreed

In that case, the customer has the option to:
- Forfeit their dispute, deeming the transaction successful allowing dispute escrows to be distributed to the owners and payment to the service provider, or
- Reaffirm their confidence that the transaction was not correctly carried out by placing an amount matching the value of the service provider escrow.

In that case, the dispute requires third party resolution. Disputes will be assigned to appropriate entities in the ecosystem based on their competencies and dispute size.

Tokens from escrow of losing entity will be used to cover the dispute resolution costs.

In our case, if a service provider wins the dispute, they would get the value of escrows placed by them and the agreed contract payment. The customer escrow would pay for dispute resolution service.

If a customer wins the dispute, they would get the value of escrows placed by them and the tokens placed in the transaction contract. The service provider escrow would pay for the dispute resolution.