SOVRYN:

A Fullstack Financial Operating System



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DYOR

Sovryn is an on-chain decentralized protocol deployed on a Bitcoin sidechain. The Sovryn protocol is controlled by its community and stakeholders. There is no single company, organization or individual that represents or controls the Sovryn protocol. While the Sovryn community is built on the principles of transparency, the Sovryn protocol's decentralized structure means that there is no single party that can be relied upon to provide you with accurate information. As a community member, user of the Sovryn protocol or stakeholder in the Sovryn protocol, you assume all responsibility for your actions and must rely solely on your own research.

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THE SOVRYN MISSION

We can win a major battle in the arms race and gain a new territory of freedom
- Satoshi Nakamoto

SOVRYN IS CREATING AN OPEN, FAIR, AND TRANSPARENT FINANCIAL SYSTEM FOR THE WORLD.

Bitcoin empowers individuals with monetary self-sovereignty by providing a decentralized and censorship-resistant form of digital cash for anyone to hold and control. Holders of Bitcoin know their money is a sovereign entity, in and of itself. But when Bitcoiners enter the current arena of financial applications for managing their digital wealth, the level of self-sovereignty is degraded. Sovryn enables people to expand upon the monetary freedom afforded by Bitcoin to achieve complete financial self-sovereignty.

Today, the financial services infrastructure built around Bitcoin consists mainly of centralized platforms like exchanges, lending platforms, and financial institutions. With centralized services, users must give up their sovereignty - their control, their keys, and their coins - to make financial use of their Bitcoin. Sovryn will provide a decentralized alternative that is true to the spirit, goals, and properties of Bitcoin. Additionally, Sovryn will allow users to protect their right to financial privacy and self-custody.

The Sovryn protocol will help us all win the next major battle by making the world of finance the newest territory for sovereign individuals.

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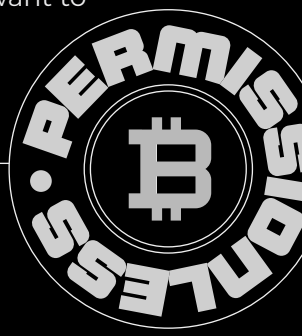
THE NEXT STEP IN BITCOIN'S EVOLUTION

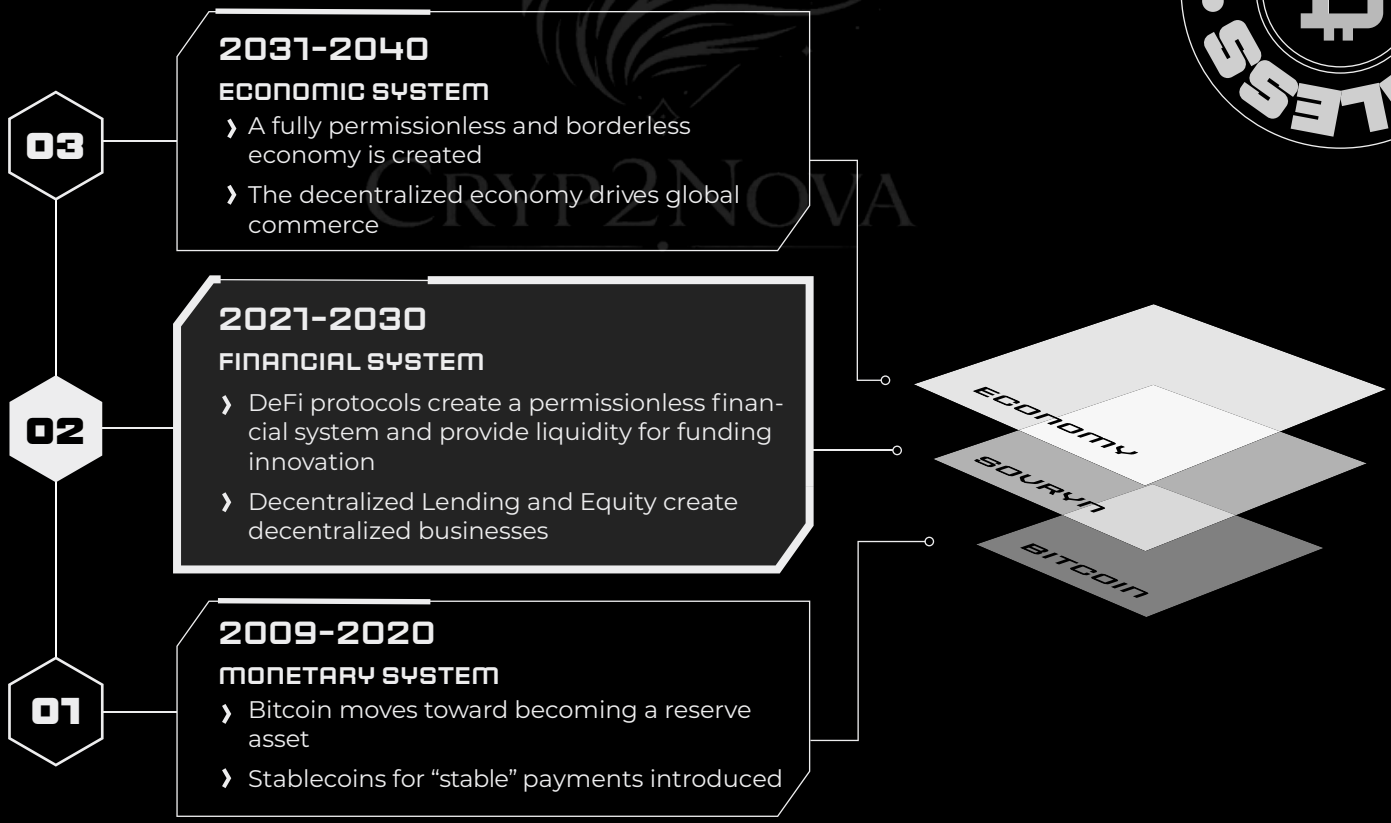
Bitcoin created a corruption-resistant, permisionless monetary system. This is a magnificent achievement, yet much more is possible: Bitcoin has the power to be the reserve currency for a new global economy - an open, incorruptible economy built on Bitcoin's permissionless principles.

However, there is a missing piece that we must build before Bitcoin and the entire crypto-economy can reach its full potential. We must extend the permissionless logic of Bitcoin to finance. We must build a free and uncensorable financial layer around Bitcoin.

Sovryn is building this missing piece by creating the permissionless financial layer for Bitcoin, thereby extending Bitcoin's properties into the financial sphere.

Since the Bitcoin economy is predominantly reliant on centralized financial services, HODLers wanting to use their Bitcoin find themselves giving up their sovereignty, their keys, their data, and their control to exchanges and lending platforms. In other words, today, Bitcoin is permissionless until you want to use it. Sovryn solves this problem.





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THE SOVRYN PROTOCOL

Provides the infrastructure for a Bitcoin-native DeFi (Decentralized Finance) layer that is strongly integrated with Ethereum and other crypto-assets and chains. The protocol is already providing Bitcoin-class financial tools, with many more in development:

1

TRADE, LEND, AND LEVERAGE BITCOIN

Sovryn now provides the tools to trade, lend, and leverage Bitcoin and other assets in a permissionless manner and within a system secured by the Bitcoin Blockchain. A trading interface uniquely designed for Bitcoin-native DeFi is available with zero transaction limits and multiple trading assets.

2

EVM-COMPATIBLE SMART CONTRACTS

Soon, the protocol will add the ability for anyone to build EVM-compatible smart contracts that are secured by Bitcoin PoW. This will ensure that the vibrant Ethereum development community has a bridge to Bitcoin's layer-2 financial infrastructure.

3

EVERYDAY PAYMENTS

Users will be able to easily transmit the value of their Bitcoin for everyday payments through Bitcoin-backed stablecoins, without having to sell their Bitcoin or submit to KYC. Instead of parting ways with their Bitcoin holdings, users can put it to use as collateral to back the stablecoin they use for everyday transactions.

4

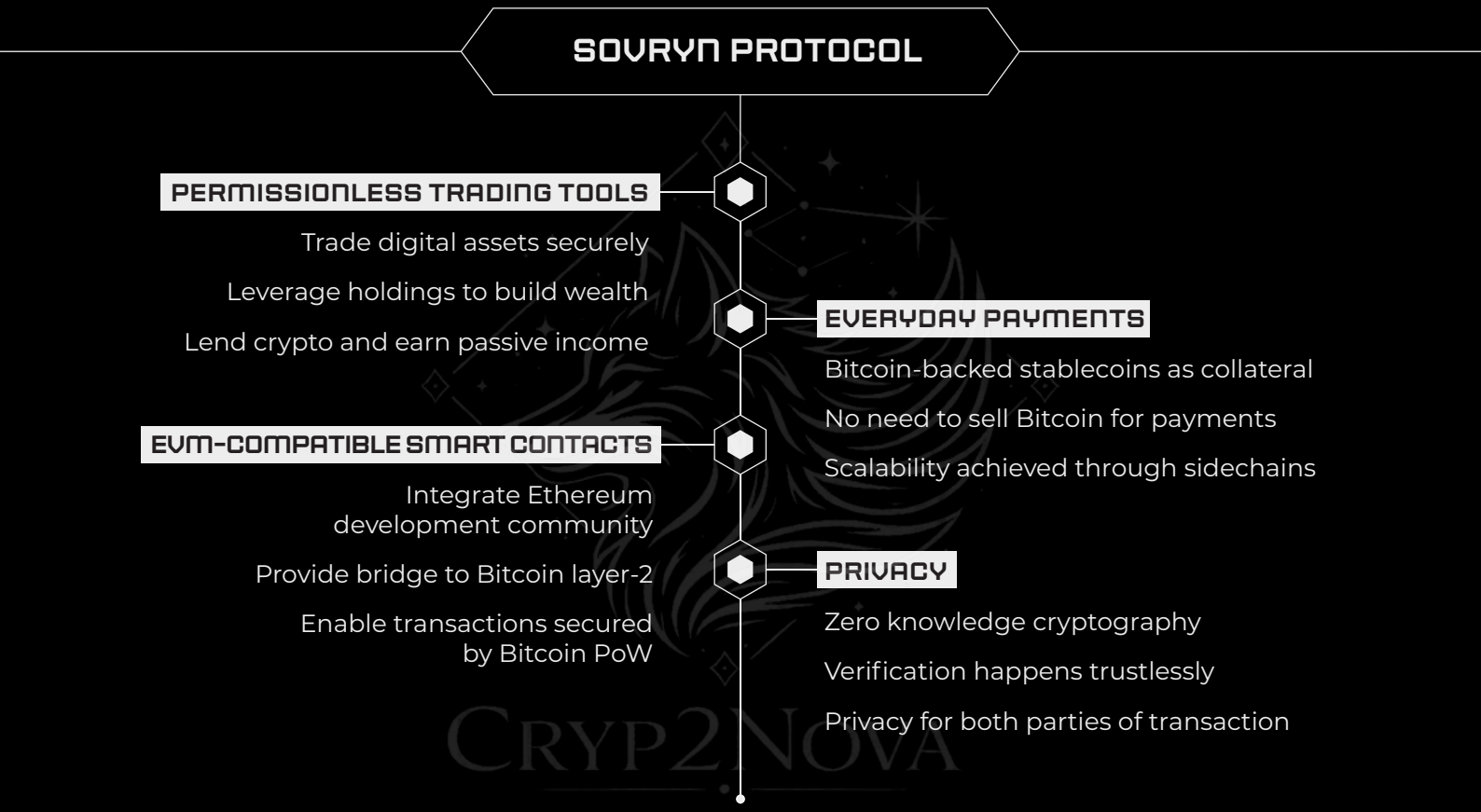
PRIVACY

Sovryn will enhance Bitcoin privacy with zk-proof shielded transactions. This technology employs a type of cryptography that allows information to be verified according to a Blockchain's consensus rules without revealing any data about the two parties in a transaction.

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USE CASES FOR BITCOIN DEFI ON SOVRYN



All of this and much more is possible at just a fraction of the transaction fees of Ethereum and is infinitely upgradable and scalable.

Most importantly, Sovryn achieves all this without requiring any changes to Bitcoin's code. Bitcoin is a vital financial asset owned collectively by all its participants, and indeed all of humanity.

Any change to Bitcoin's code introduces risks and therefore few changes are ever introduced. Sovryn provides Bitcoin with a path to continued growth, enhanced decentralization, and greater censorship-resistance, without requiring disruptive changes.

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BUILDING A FULLSTACK FINANCIAL OPERATING SYSTEM

There are only a few basic "primitives" or essential building blocks for finance:

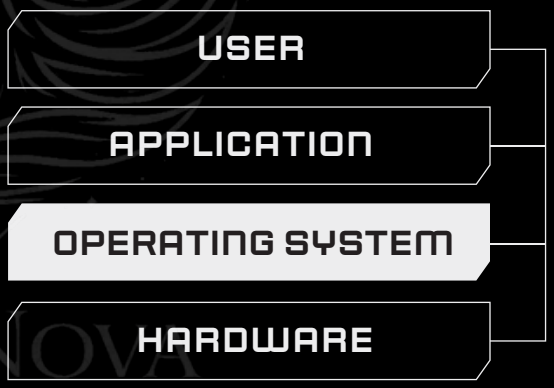
TRADE
Swap one asset for another

LEND
Provide funding to be paid back in the future

CONDITIONALLY COMMIT
Execute a trade or loan if some future condition is met

On the basis of these primitives, the entire financial world of trading, leverage, futures, options and derivatives is created. The world of software with its infinite scalability tends to create only a few major operating systems for each vertical:

Computer OS - Windows, Macintosh, Linux
Social OS - Facebook, Twitter, Reddit
Commerce OS - Amazon, Shopify, eBay
Travel OS - AirBnB, Expedia, Booking.com



Finance is an industry that is completely executed in software. Yet, with thousands of financial institutions, there are very few examples of financial operating systems (OS). Why? The reason is that financial regulations have limited the scalability of financial systems and protected the incumbent institutions from competition. SWIFT is an exception that proves the rule. It is a global OS for payments - however only international payments because the market it serves is between borders and therefore not restricted by the regulations of each individual country. Perhaps these regulations make sense. Nobody would want a company to become as dominant in finance as Google is in search.

The fact remains that 97% of the world's servers (the cloud infrastructure that runs the internet and stores the world's private data) run Linux. But this is never a source for alarm because Linux is open source technology and isn't controlled by one company or set of interests.

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Sovryn is a Fullstack Financial OS to provide the entire world with a transparent, open, and incorruptible financial solution. It is decentralized, borderless, and able to operate at global scale.

Like Macintosh, Sovryn bundles the basic operating system with the key applications that users require. Dapps already built on Sovryn include token swaps, leveraged trading, collateralized lending, uncollateralized lending, and bridging to Ethereum. But unlike Apple, Sovryn has a community governance system, enforced by the blockchain.

In the near future, products such as Bitcoin-backed stablecoins and perpetual futures swaps will be added.

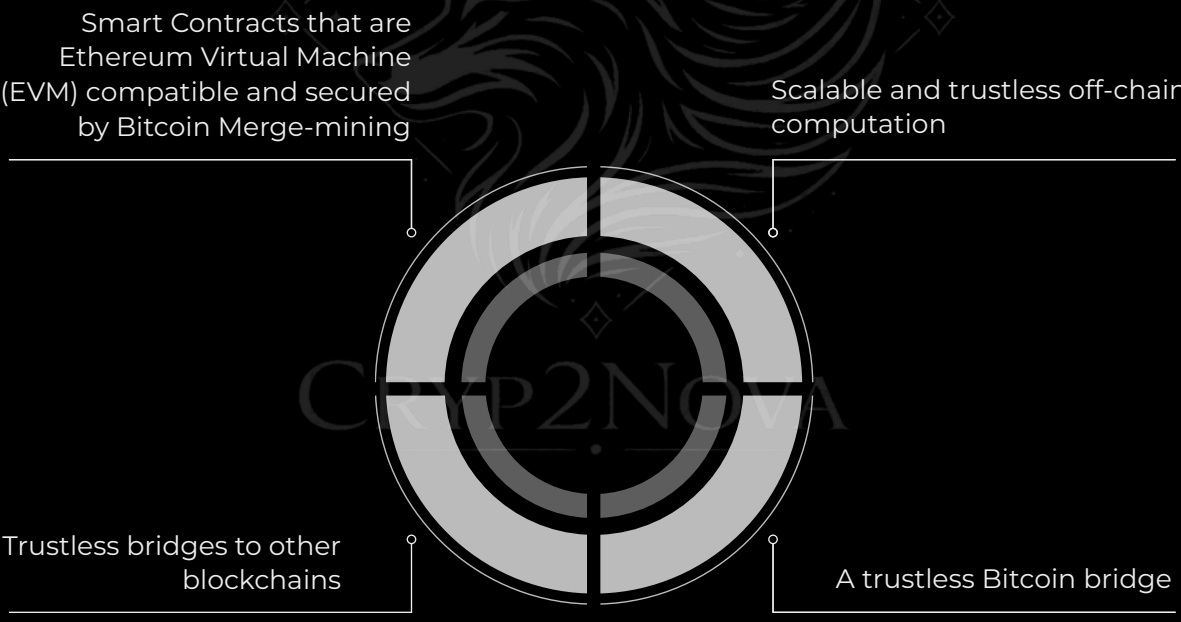
As with Apple products, a tight integration creates an easy and intuitive user experience that "just works". With Linux, any developer can build additional applications that they might think are missing, or contribute directly to core protocol development.

By leveraging the existing financial primitives in Sovryn within an open source blockchain-compatible operating system, complex financial innovations can be built swiftly and securely by anyone.

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HOW DOES SOVRYN WORK?

Until recently, the technology for building an open source, fullstack financial OS like Sovryn did not exist. But now, the primary tools for constructing a full suite of decentralized financial applications on Sovryn are becoming available. The primary technological components required include:



Thanks to advances in cryptography and the extensive work done in the Bitcoin and Ethereum communities as well as the larger crypto community, all these technologies are now available and improving rapidly.

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SMART CONTRACTS SECURED BY BITCOIN MERGED MINING

Due to the work of Sergio Lerner and others at the Rootstock project, there is now a highly reliable set of tools for securing smart contracts with Bitcoin Proof-of-Work through merge-mining. What is more, fully EVM-compatible smart contracts can be constructed, allowing developers to use the full, rich set of developer tools built by the Ethereum community.

The Sovryn smart contracts have been built using Solidity. However, unlike smart contracts deployed to Ethereum, these smart contracts are secured by Bitcoin Proof of Work, providing three powerful advantages:

- The security assurances of the most secure, trusted Blockchain
- Much lower gas fees
- The ability to pay for transactions in Bitcoin

WHAT IS MERGED MINING?

Merged mining is the process of mining two or more chains at once. Miners may use their computational power for mining blocks on multiple Proof of Work (PoW) blockchains at the same time. The primary chain is the "parent chain". The secondary chain, the "child chain", essentially inherits some of the security characteristics of the parent. Merged mining may also be referred to as Auxiliary Proof of Work (AuxPoW).

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SCALABLE AND TRUSTLESS OFF-CHAIN COMPUTATION

Ethereum has proven two things. First, smart contracts are extremely powerful and useful. Second, smart contracts are computationally-intensive and require off-chain scaling. The Ethereum community has realized this and has developed "rollup" technology that allows computation to be performed off-chain, but then rolled-up to the blockchain.

Like with other layer-2 scaling technologies (like lightning network), this allows for users and smart contracts to transact off-chain while still having security assurances provided by the blockchain.

Sovryn will soon migrate its smart contract to a rollup, allowing for near infinite scale, upgradability, and even lower transaction fees.

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TRUSTLESS BRIDGES TO OTHER BLOCKCHAINS

Trustless bridges that allow interoperability between different blockchains has long been a sought-after goal. However, trustless bridges require the ability to share proofs between chains, which is a complex and highly computationally intense challenge. Finally, zero knowledge (ZK) proofs provide a path to seamless, low friction proof sharing between chains. However, they remain too computationally expensive to be practical on layer-1 chains like Ethereum. By allowing the proofs to be generated offchain with rollup technology, this problem can finally be overcome.

After migrating to a rollup, Sovryn will deploy a trustless bridge to Ethereum, which will allow for the quick, secure, and user-friendly transfer of tokens and data between Sovryn and the Ethereum DeFi ecosystem. Bridges of this kind can also be built to other chains that have valuable activity or tokens, allowing all assets to be traded and transacted on Sovryn. This will also allow Sovryn to provide Bitcoin interoperability to all these other chains and to the entire DeFi ecosystem.

A TRUSTLESS BITCOIN BRIDGE

One of the greatest challenges in extending Bitcoin's capabilities has been the difficulty in bridging Bitcoin trustlessly to other chains or layer-2 systems. In recent years, advances in threshold technology have allowed for the creation of the first true trustless bridge: TBTC. TBTC-type technology is powerful but requires overcollateralization of assets by stakers to remain trustless. This can make the system expensive for users.

Additionally, threshold signature schemes are complex, making the bridge complex and slow for users. This is changing however.

The introduction of taproot to Bitcoin as well as optimizations of the signatory schemes will soon allow faster, cheaper, smoother, bridge transactions, with only a fraction of the required collateralization.

Sovryn is deploying a threshold scheme Bitcoin bridge - and will be the only one that is secured by Bitcoin PoW. Also constructed by Sovryn is the FastBTC relay, which allows users to bridge their Bitcoin seamlessly from any Bitcoin wallet. This system will continue to improve as the technology matures and is optimized.

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THE URGENT NEED FOR SOVRYN

Four major trends have developed over the last few years to create a perfect storm of urgent need for a system like Sovryn.

01 FINANCIALIZATION OF BITCOIN

As it enters its second decade, Bitcoin has managed to establish itself as a true reserve asset that can attract global investors and institutional investment. While this is an important step in the maturation of Bitcoin towards becoming the global reserve currency, it also introduces new risks. The financial institutions that are becoming major stakeholders in the Bitcoin economy are of the old financial system. Permissionless decentralization is largely a foreign concept to them.

The financialization of Bitcoin is an inevitable and necessary step towards Bitcoin emerging as a global reserve asset. However, the shape this financialization will take is up for grabs and will be determined over the coming years. Will users continue to find themselves forced to use centralized services that are increasingly indistinguishable from traditional finance? Or will we create the tools that extend Bitcoin's censorship-resistant properties to the financial sphere?

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02 REGULATORY ATTENTION

Until now, Bitcoin has not been viewed as a serious threat to the status quo by governments and their regulatory bodies. Now, due to the increased adoption of Bitcoin and stablecoins by individuals, technology companies like Facebook, and institutions, this view is changing.

Over the last few months we have seen increased regulatory scrutiny. Facebook, Tether, and BitMex are a few examples of regulatory attempts to bring the world of crypto to heel. Most recently, we have seen new and aggressive efforts to introduce the 'travel rule' to crypto to curtail and limit the use of self-custody and wallets. All this while multiple, high level entities within the US government have been experiencing external hacks. Only truly decentralized DeFi, which leaves traditional finance and all its weaknesses behind, can provide users the self-custody, privacy, and self-sovereignty they desire. As regulation becomes more burdensome, the desire for true Bitcoin DeFi will grow.

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03 RISE OF DEFI

The crypto-community has leapt into DeFi, making it the fastest growing sector of the economy. However, the biggest, most important asset, Bitcoin, has been largely absent from the shift to DeFi. This is despite the fact that the Bitcoin holders are among the most interested in decentralized services of any community. The reason has not been a lack of desire; it has been a lack of appropriate opportunity.

Most so-called DeFi projects offer only limited decentralization. The primary methods for bridging BTC to Ethereum are centralized (WBTC, RenBTC). As a result, the options for Bitcoin DeFi have been unsatisfactory. Pair this with the extremely high fees on Ethereum and it's no wonder that only 0.6% of BTC supply has been deployed in this way.

04 ETHEREUM SCALABILITY

Ethereum has exceeded its current carrying capacity. Transaction fees for DeFi sometimes exceed $100 per transaction. Ethereum, which has a culture of hyper-inclusivity, has become instead the most exclusive blockchain, providing lopsided advantages to its wealthiest users.

This situation will not last, change is around the corner. Layer-2 scaling (rollups and bridging) will provide new scalability and more inclusive fees. This is both a challenge and an opportunity. The shape of the DeFi ecosystem is going to change.

Layer-2 projects like Sovryn provide a solution. In the medium term this will dismantle part of the easy interoperability and composability (though high in cost) that DeFi projects currently enjoy.

Sovryn not only provides the infrastructure to bring Bitcoin fully into DeFi, it also provides a fully integrated DeFi stack, designed from the ground up for layer-2 scalability. With Apple-like composability, Sovryn becomes the central impetus for the creation of compatible, self-sovereign DeFi products, today and tomorrow.

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NEXT-GEN DEFI: VERTICAL INTEGRATION

The migration of projects to layer-2 is an important, positive development. It will help solve scalability issues. But in the short term, it will also introduce new problems and frictions.

1 | BROKEN COMPOSABILITY

DeFi platforms currently rely on the ability to easily share users, liquidity and functionality. This has provided powerful network effects for Ethereum. However, this easy composability and migration of users will become much more difficult if DeFi products migrate to different platforms.

2 | MORE COMPLICATED USER INTERFACE

Users and developers alike rely on a large number of shared user-facing interfaces. Wallets, explorers and aggregators currently reduce the effort DeFi developers must expend on providing user onramps and data sources. Most of this 'last-mile' infrastructure is not well adapted to a multi-layer world and will take time to adapt.

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3 | HIGHER FRICTION ON/OFF-RAMPS

With almost all users, tokens and products on Ethereum layer-1, users only need to "onboard" once to Ethereum and can then easily use the entire DeFi ecosystem. This will no longer be the case with multiple layer-2 platforms each requiring their own on/off ramps.

4 | MORE COMPLICATED SECURITY ASSURANCES

Layer-2 solutions have different security assurances from layer-1. In some cases, user onboarding can be made easier by reducing security. Several existing layer-2 projects are already making security sacrifices to make user onboarding easier. For example, users are signing messages instead of transactions, reducing their visibility and control. In many cases, this reduction in security is not communicated to users.

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The frictions are growing pains and can be solved. Solutions require a next-generation of DeFi platforms and a foundational ecosystem. There is an exciting window of opportunity for next-gen solutions to have a powerful advantage, during which they can accrue substantial traction.

SOVRYN HAS BEEN ARCHITECTED SPECIFICALLY FOR A LAYER-2 ENVIRONMENT:

VERTICAL INTEGRATION:

The current DeFi ecosystem is designed around the principle of 'composability'. Dapps are highly reliant on the many dapps in the Ethereum ecosystem for their functionality and liquidity. Sovryn, by contrast, is vertically integrated. It offers all the key primitives (trading, lending, leverage, stablecoins, Bitcoin-onramp) in one tightly packaged protocol that 'just works'.

LIQUIDITY:

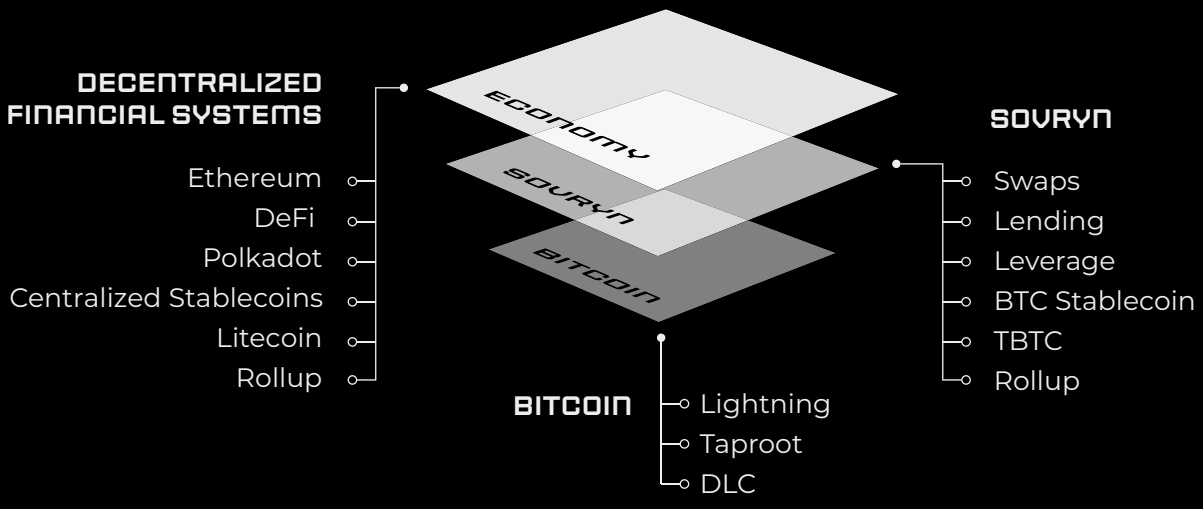
Sovryn is not reliant on Ether as a reserve currency for liquidity. Instead, it is designed to be Bitcoin-native, which will give primacy to Bitcoin-backed stablecoins. In this way, the Sovryn solution helps DeFi network effects to move away from chain primacy toward asset primacy, which will enable a faster, more secure, and simple to use financial system. In such a system, Bitcoin is the foundational asset and stablecoins contribute liquidity and functionality.

UX:

Sovryn's UX focus over the last few months has been on developing an easy onboarding process for users who can no longer rely on the default MetaMask settings. Due to our launching on Rootstock, we have tackled this problem and built a set of tools and best practices that other teams have not yet had to tackle. Sovryn also has had to contend with the need to provide users with an experience that cannot rely on 3rd party explorers.

ON-RAMPS:

Sovryn is building the technologies and UX to make fast, easy on/off ramps available for assets from multiple different chains. Sovryn will act as a Bitcoin sidechain with user transactions secured by Bitcoin PoW. For Ethereum users, the transfer of assets will be secured by the Ethereum network, and Sovryn will act as the Bitcoin-shard of Ethereum.



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ROAD-MAP

CUB RELEASE

COMPLETE

PHASE 00

Key Primitives Launched to Testnet

In August 2020, the Cub release was launched on testnet. This release included the core financial primitives for a fully integrated DeFi stack:

- Swap trades and AMM
- Collateralized Lending and Borrowing
- Uncollateralized Lending (flash loans)
- Leverage (margin trading)

Sovryn Cub also included the first iteration of the FastBTC relay, allowing Bitcoin bridging within just 1 Bitcoin transaction. Additionally, the system was interoperable with Web3 wallets such as MetaMask.

BADGER RELEASE

COMPLETE

PHASE 01

Mainnet Alpha Launch

With the Badger release, Sovryn went live on mainnet. Rootstock merge-mining was used to secure the system using Bitcoin PoW. Initially, the system was whitelisted to limit the use of the system to only a few early users.

STOEFFEL RELEASE

COMPLETE

PHASE 02

Decentralized Governance

The Stoeffel Release will see the launch of the Sovryn Bitocracy system for decentralized Governance. It will also introduce the SOV token.
In addition to the Sovryn Bitocracy, decentralized adoption systems controlled by the Bitocracy are deployed. These include:

- Decentralized Referrals and Profit Sharing
- Programmatic Trading Rebates
- Liquidity Mining v1.0

These tools will allow Sovryn to be one of the few decentralized projects that can utilize the same adoption and marketing tools that centralized services enjoy.

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PHASE 03

PEER RELEASE

Q1 2021

Ethereum Mainnet

This release will see the launch of the Ethereum Beacon and EthBridge v1.0. The Peer release will also launch programmatic sales, allowing the protocol to increase its treasury by permissionlessly selling SOV and other tokens. The system will be fully permissionless and limitations on liquidity and user activity will be removed.

PHASE 04

CITADEL RELEASE

Q2 2021

Rollup Migration

Citadel will be a major release and provide the first glimpse of the full power of the Sovryn protocol. It will feature tighter integration with Ethereum, an improved Bitcoin peg, and scalability through rollup migration. With Citadel, the Sovryn protocol will not only be a tool for sovereignty, it will also become sovereign itself. It will boast its own interchain, capable of bridging to multiple blockchains, and leveraging their security assurances. It will also be more tightly integrated with Bitcoin PoW as its core source of security. Additional anticipated innovations are conditional payments, advanced order-types and futures.

BEYOND CITADEL

The crypto world moves fast and the Sovryn protocol gives creators in the industry an extensible, financial operating system so they can adapt and advance as each new technology emerges. At the same time, it gives the world the opportunity to experience a truly permissionless economy, rich with DeFi offerings layered onto the Bitcoin Blockchain.

As Bitcoin hits milestone after milestone, from a trillion dollar market cap to a global reserve asset, Sovryn will expand the reach of fair, permissionless finance. Sovryn will become a platform for raising equity, for mortgage lending, for pensions. Sovryn will provide for the basic economic needs, not of a small set of crypto-traders, but for the entire human population. For decades, the average person has been financially disenfranchised. It didn't matter if they were in Atlanta or London, Lagos or Shanghai. The "unbanked" and the "banked" have all been indentured to a corrupted monetary, financial and economic system. Time for us, the people, to take back control. We shall be Sovryn.

Sovryn sees a future where all on-chain transactions, bridges, gas fees, etc., are optimized to the point of infinite scalability. The Sovryn protocol will become the full-fledged financial OS that it was envisioned to be. As these technical breakthroughs are fully met, Sovryn's focus will pivot to the user experience - bridging users from their traditional world of finance seamlessly and effortlessly to the Sovryn financial layer. There, they will transact in a full suite of permissionless financial services from investments to ATMs, all designed specifically for complete financial sovereignty.

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BITOCRACY: HERDING SOVRYN CATS

BITOCRACY
/bit·ah·krəsi/
Noun
a scalable system of coordination where the rules are encoded in software and enforced by the blockchain.

Sovryn is a decentralized protocol. However, it is not like Bitcoin or Ethereum. Those are base level protocols, which hardly change. Sovryn is an operating system and application-stack built on top of Bitcoin's foundational layer. But unlike Bitcoin, Sovryn can easily evolve, adapt and scale. If Sovryn manages this successfully, it could become the OS of finance - far more scalable and open than any existing financial service. In size and scope, it could dwarf any of today's financial institutions.

Unlike centralized businesses, Sovryn doesn't have or require a corporation. There is no central authority to manage the evolution of the protocol. But unlike Linux (where everyone can run their own version or fork), Sovryn must provide everyone with the same set of rules and capabilities to ensure fairness and transparency in finance.

Additionally, Sovryn as a financial protocol must deal with the risk of loss of funds. For the system to succeed and have user confidence, there should be ways for users to recover from losses that might be caused by faults in the system. How can the evolution of such a system be guided with openness and transparency? This is a significant coordination problem. Luckily, we can take advantage of the most advanced and transparent coordination technology ever developed: the blockchain.

The efforts of all the people, resources, and technologies needed for maintenance, growth and management of risks in the system are coordinated through the blockchain. This is what we refer to as a Bitocracy. Instead of its rules being enforced by the court system, its rules are enforced by the Blockchain.

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Sovryn Bitocracy is based on eight key principles:

1 | CENSORSHIP RESISTANCE
The system cannot arbitrarily stop, freeze or deny transactions.

2 | SELF-CUSTODY
The system cannot seize or control user funds.

3 | TRANSPARENCY
All rules of the system are open source and visible to all.

4 | PROGRAMMATIC
All rules of the system are enforced objectively and uniformly by code.

5 | PERMISSIONLESS
Participation in Bitocracy is voluntary and open to all.

6 | LOW TIME PREFERENCE
The system incentivizes long-term commitment and thinking.

7 | PSEUDONYMOUS
Sovryn preserves open access and privacy by allowing pseudonymous participation.

8 | GAME-THEORY COMPATIBLE
The protocol incentivizes desired outcomes by requiring skin-in-the-game from participants. Economic rewards and punishments enforce desired outcomes.

The base Bitocracy system allows participants to vote on changes to the system, new development, and use of the treasury by staking the Sovryn coordination token: SOV. Anyone can acquire SOV to participate. Participation is incentivized by channeling system fee revenue to stakers. In return, stakers must lock up their SOV, accepting both a loss of liquidity and the potential for loss of funds. The longer they stake, the greater the weight of their vote and the larger their share of the fees. This emphasis on long lock-up periods (up to three years) encourages long term thinking. The longer your financial fate is tied to Sovryn, the more Sovryn values your vote.

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SOV TOKEN: USES AND ECONOMICS

SOV is used to tokenize the rights, rewards, and risks associated with participating in Sovryn Bitocracy. To understand what SOV is, how it is used and why it is important, one must first understand what SOV is not.

SOV IS NOT AN ALTCOIN

SOV is not an altcoin, indeed it is not a coin at all. Over the past 10 years, people have admired Bitcoin for the value it created, seemingly out of nothing. Many have tried to emulate this digital alchemy by creating their own 'altcoins' or 'cryptocurrencies'. They, too, wanted to create value from nothing and sell tokens to others. The result has been the creation of literally thousands of pseudo-coins that might be actively traded but are almost all unnecessary. The Sovryn community does not believe we need thousands of coins or currencies or reserve assets.

SOV is not a currency. SOV is not designed to be a digital reserve asset or to compete with Bitcoin. It is not required for transaction fees. SOV is not required to use the Sovryn protocol. A user could use Sovryn their entire life without ever having to know about SOV.

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SOV IS A STAKE IN SOVRYN'S FUTURE

SOV is a tokenized representation of a true stake in Sovryn's future. The token is used to represent voting power and to wrap the rewards and risks of Sovryn's future into a digital representation. SOV is a new type of financial asset, used to coordinate the resources of a decentralized, open source community. The active participants of Sovryn Bitocracy have their success tied to each other and to the success of Sovryn, incentivizing them to voluntarily cooperate for the long-term good of the system.

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SOV BALANCES RISKS AND REWARDS

SOV can be used by the Sovryn protocol wherever there is a need to balance risks and rewards. Changes to the protocol introduce risks, but if they are successful, can grow the use of the protocol and the fee revenue it generates.

Trustless bridges must hold substantial funds. To ensure these funds are not lost, participants must risk real losses.

SOV can be staked to cover user losses and thus insure they do not occur. Active involvement in development and Bitocracy requires participants to invest in a deep understanding of the system and its ecosystem. This investment takes real effort and resources. In all these cases, the protocol incentivises participants to bear the costs and risks, in return for a share of the present and future fees earned by the protocol.

SOV IS SELF-BALANCING

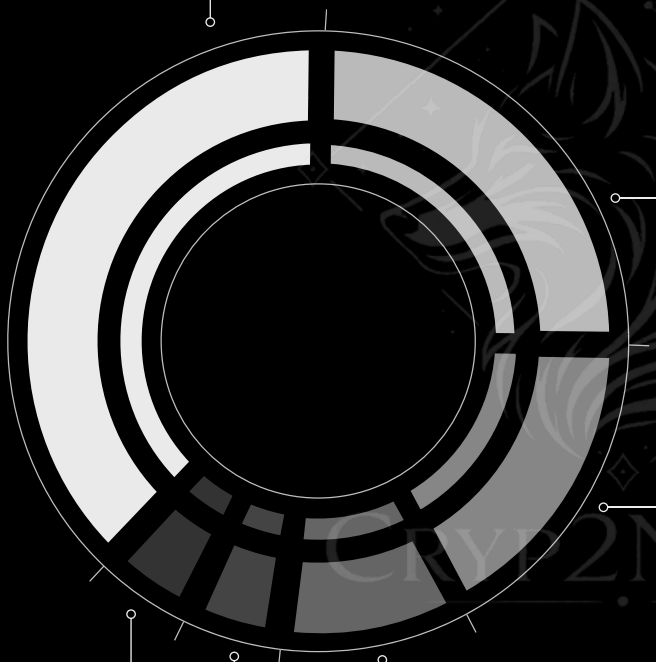
Holding SOV provides anyone with the right, but not the obligation, to stake their tokens and participate in Bitocracy. The system is self-balancing. The more value the protocol generates, the more value accrues to those who stake SOV. As the system generates more value, demand for SOV grows so that it can be staked in order to capture that value.

What happens if the system begins to generate too few fees? Again, the system is self-balancing. Users will unstake so as to not be exposed to the risks of Bitocracy and in order to regain the liquidity of their SOV. This process will continue until the system has once again reached equilibrium.

This does not mean SOV is a stablecoin. The price of SOV is determined by the market's assessment of the demand for SOV, today and in the future. The price can go up or down based on changing circumstances in the market or the protocol. SOV token only has value if Sovryn protocol provides value and captures part of that value via fees. All else being equal, if Sovryn is successful, the price of SOV may rise, reflecting that success. However, there is no mechanism to guarantee any price for SOV.

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INITIAL ALLOCATION



ADOPTION FUND
38.65%

FOUNDERS FUND
25.0%

EARLY FUNDERS
17.19%

DEVELOPMENT FUND
10.0%

ECOSYSTEM FUND
5.0%

PROGRAMMATIC SALE
4.16%

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ADOPTION FUND

38.65% | 38,646,017.57 SOV

The heart of Sovryn is in the users who employ the product for the utilization of their funds. SOV will be distributed to users and contributors of the system via rebates, referral fees, and liquidity mining. Tokens distributed via liquidity mining will be the incentivization vehicle for bringing new users and funds to Sovryn across multiple DeFi ecosystems. With the release of new products, the adoption can be used to reward the first users and testers to ensure their optimization and success.

FOUNDERS FUND

3-YEAR VESTING WITH 6-MONTH CLIFF

25.0% | 25,000,000 SOV

The founding builders of Sovryn are a diverse group from across the world. They are united by a belief in a world where financial sovereignty is a programmable human right. The most successful innovative enterprises are built by founding teams that are committed to the long-term. The team of contributors is heavily invested in the success of Sovryn and the token vesting periods reflect this long-term vision.

EARLY FUNDERS

10-24 MONTH VESTING

17.19% | 17,194,728.62 SOV

The early funders of Sovryn believe in the future success of Sovryn as a revenue-generating business as well as the effectiveness of Sovryn's Bitocracy in supporting the decentralized business model. These early funders have acquired a long-term stake in SOV with a view to participation in the Bitcoracy.

DEVELOPMENT FUND

10.0% | 10,000,000 SOV

The development pool will serve as a treasury for development-related grants and bounties, for the construction of new features, and for rewarding new contributing builders. This will support on-going security and maintenance as well as R&D.

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ECOSYSTEM FUND

5.0% | 5,000,000 SOV

These tokens have been dedicated towards ecosystem initiatives, including ecosystem-oriented bounty programs to engage the community, or for executing partnerships with other DeFi on Bitcoin organizations. With new product releases comes the need for incentivizing the onboarding new users to Sovryn.

PROGRAMMATIC SALE

4.16% | 4,159,253.81 SOV

To further distribute SOV tokens and enfranchise interested users, a programmatic sale will be held by the protocol. This will provide opportunity for users to procure SOV tokens and participate as Sovryn voters and stakeholders.

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SOVRYN IMPROVEMENT PROPOSALS

A Sovryn Improvement Proposal is a submitted amendment to the Sovryn protocol, or a request for funds transferred from the Sovryn treasury to a specific address.

SOV token holders can make executable proposals if they possess enough voting power, vote on proposals during a predefined voting period, and in the end evaluate the outcome. If successful, the proposal will be scheduled on the timelock contract. Only after sufficient time has passed can it be executed. A minimum voting power of 1% of SOV (1,000,000) is required for making a proposal as well as a minimum quorum.

In addition, SOV token holders can aggregate their governing power to a specific stakeholder (without transferring their SOV tokens) through delegation.

Minimum SOV Required for a Proposal	**1,000,000 SOV, or 1% of the supply**

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SUMMARY

Sovryn's decentralized protocol extends the functionality of Bitcoin beyond permissionless, monetary sovereignty to include financial services such as trading, lending, the provision of liquidity insurance, and many other forms of trustless finance.

In order for Bitcoin to reach its full potential, Sovryn creates a decentralized financial operating system that, like Bitcoin, is borderless, censorship resistant, permissionless, and secured by the Bitcoin Network.

By moving past our reliance on centralized services, Sovryn expands on Satoshi's vision of monetary sovereignty to establish the economy for Bitcoin-native financial services.

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MORE INFORMATION:

SOVRYN.APP

SOV TOKENOMICS

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