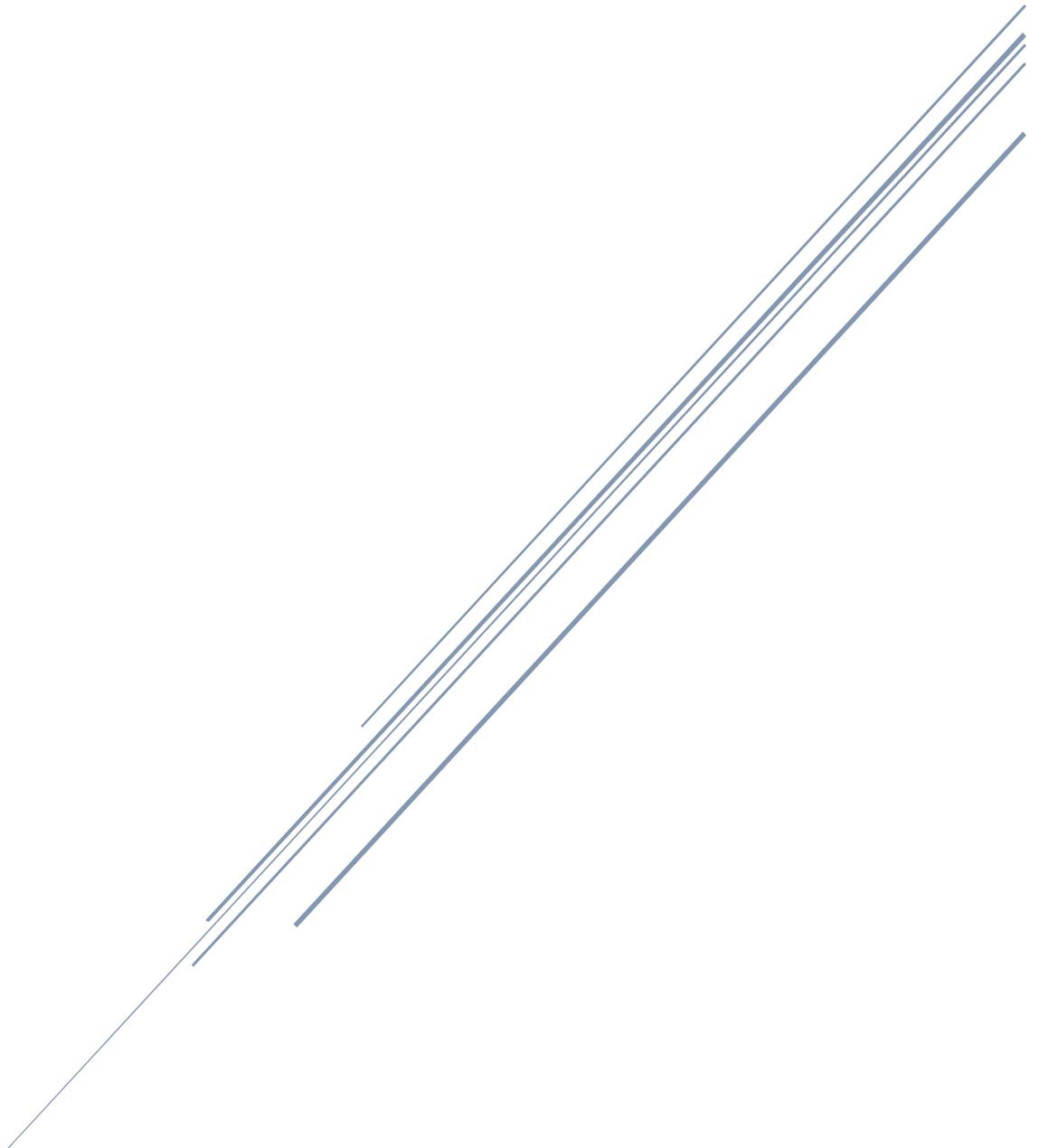


OCTION

The Next Frontier for Decentralized Options Trading



Whitepaper
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1. INTRODUCTION

a. The Rise of DeFi

The rise of the DeFi industry in 2020 has created great potential for the development of various types of ecosystems backed by DeFi. This is reflected in the total amount of locked assets in DeFi, which are assets that have been allocated towards staking (aka a fixed deposit scheme) to support these ecosystems.

There has been an increasing amount of total locked assets in DeFi, which has seen growth from USD148.1 million in June 2018 to USD25.5 billion (~172x) in January 2020. This is for the Ethereum Defi Space. For the Binance Smart Chain, the total value locked up has seen growth from USD0.604 billion in January 2021 to USD11.295 billion in February 2021. Comparing the 2 chains in terms of security, scalability, and adoption, we see much more potential for the Binance Smart Chain. Hence, we would first build the platform on the Binance Smart Chain, becoming the 1st American and European Options Trading platform on the Binance Smart Chain.

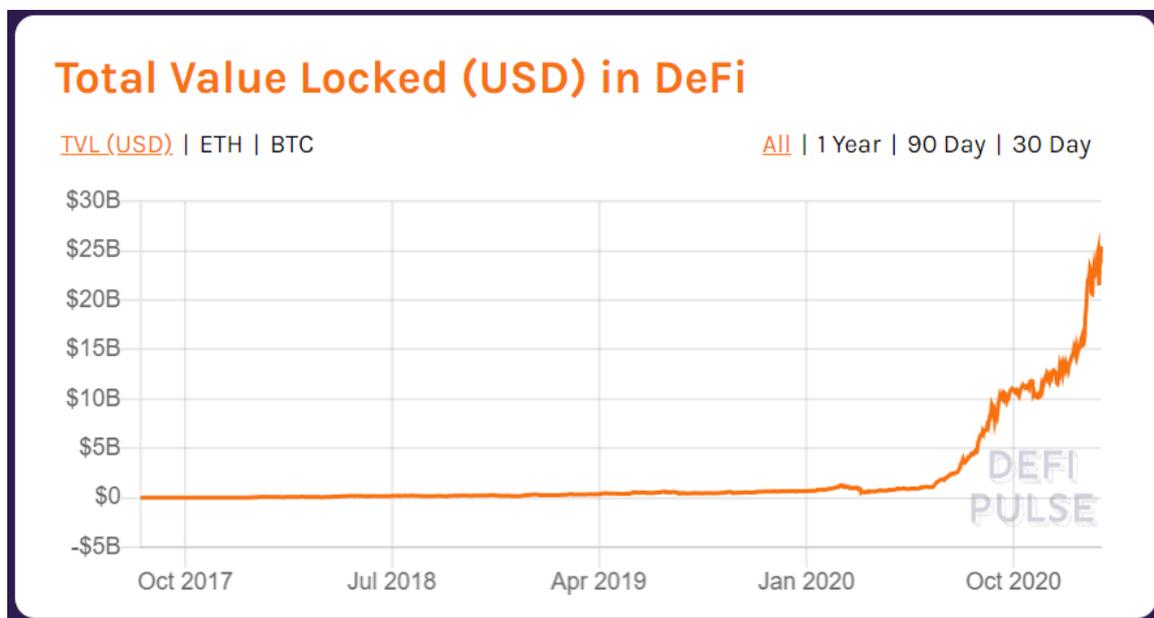


Figure 1: Total Value Locked (USD) in DeFi¹ on the Ethereum Chain

¹ <https://defipulse.com>

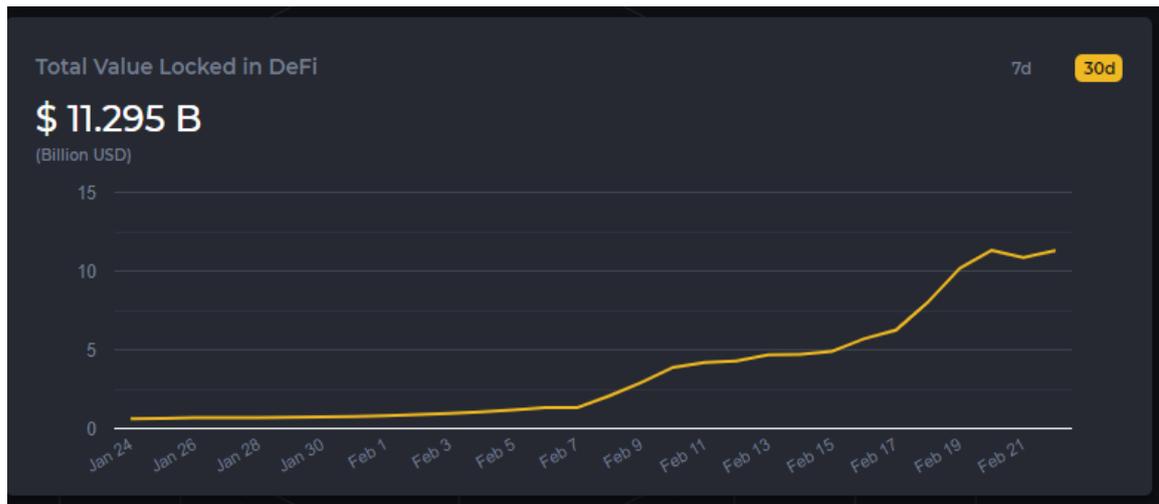


Figure 2.1: Total Value Locked (USD) in DeFi² on the Binance Smart Chain

The sudden surge in total locked assets signals a paradigm shift in the industry. As tech-savvy investors increasingly understand and embrace the positive implications of DeFi, many are eager to participate. Projects that focus their core around decentralization bring about many advantages, which positively impacts risk management and profit generation in this market.

b. The Competitive Edge of OCTION

OCTION is a fully integrated next generation decentralised options trading platform that incorporates both American and European options. OCTION aims to provide its users with a seamless user-friendly options trading platform along with lower transaction fees and a broader spectrum of cryptocurrencies that can be traded on. In the future, OCTION will also integrate derivative assets from traditional finance such as Gold/AU, Copper, Zinc and Oil. Among the advantages of OCTION include:

- a. Being decentralized, OCTION prevent unnecessary disruptions and interventions by a centralized platform
- b. Lower commissions compared to full-service brokers
- c. Zero-time decay as all orders are instantly taken up by writers (liquidity pool)
- d. Maximum efficiency of liquidity as all un-utilized liquidity is immediately available to underwrite new options contracts
- e. No market maker is required to provide liquidity via sitting limit orders as all orders will be taken up against the liquidity pool
- f. OCTION token holders will benefit from the development of the OCTION ecosystem with advantages when being a writer (earn transaction premiums and guaranteed liquidity for liquidity providers), holder (discount on transaction premiums) or just a token holder (earn settlement fee)

² <https://defistation.io>

c. Overview of the OCTION Ecosystem

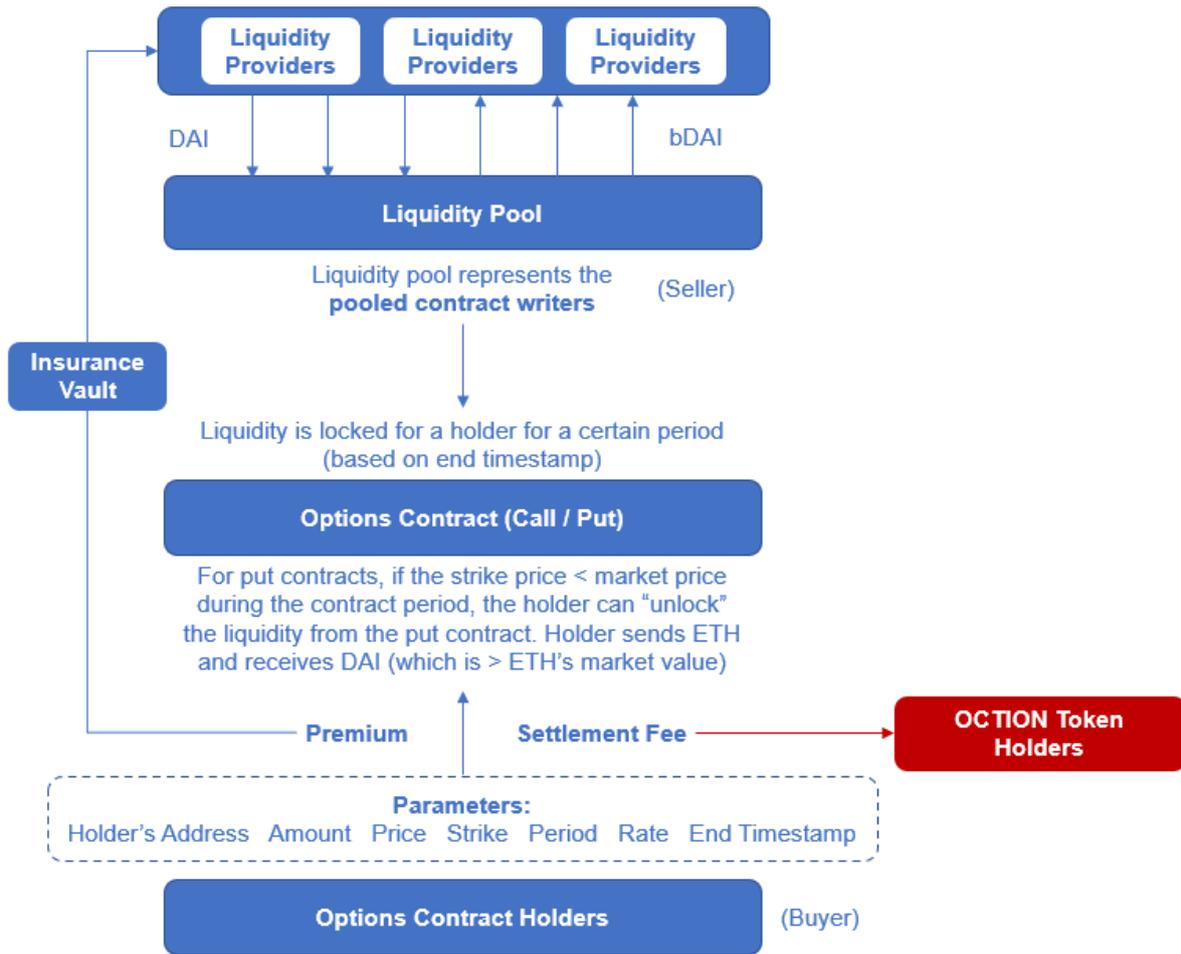


Figure 3: The OCTION Ecosystem

d. The OCTION Ecosystem

In following the theme of DeFi, the OCTION ecosystem intends to combine the utilization of DeFi with an options platform.

An options contract on OCTION will be executed through a Smart Contract. Execution of Smart Contracts on OCTION will provide a buyer (herein described as the “holder”) with the right to buy or sell an underlying asset at a specific price (herein described as the “strike price”). To do this, the holder will need to buy an option from a seller (herein described as the “writer”), who sells the right to buy or sell an asset to the holder. In doing so, the writer now has the obligation to buy or sell an asset within a specified time period. In return, the writer receives a premium, paid by the holder, for the right (through the option) to buy or sell an underlying asset at a specified strike price within a certain period of time.

e. Holder’s Perspective

From a holder’s perspective, an OCTION options contract is typically used to hedge the positional risk of their assets against bullish or bearish price movements.

- a. For a call option, the holder would pay a premium for the right to buy the underlying asset within a certain period of time. The holder would gain if the price of the underlying asset increases above the strike price within this specified time period.
- b. For a put option, the holder would pay a premium for the right to sell the underlying asset within a certain period of time. The holder would gain if the price of the underlying asset decreases above the strike price within this specified time period.

f. **Writer's Perspective**

In a traditional options platform, writers are individuals who are selling various options to holders. However, on OCTION, writers are not individuals. Writers will only be able to participate through the OCTION liquidity pool, which allows for a collective staking of capital to collectively sell options to holders.

Writers are incentivised to provide liquidity to the OCTION liquidity pool to:

- a. Collectively earn premiums paid by holders in taking up an options contract.
- b. Collectively spread the downside risk across all writers through the OCTION liquidity pool (reducing individual capital exposure through a diversified portfolio of options contracts).
- c. Earn additional interest through the Binance Savings.
- d. Increase long run upside potential from statistical advantages through insurance offerings that help mitigate liquidity risks. OCTION contract holders will be allowed to exit their existing positions (pre-expiry) to receive a portion of the paid premium back.

g. **Writer's Perspective –Traditional vs OCTION Options Contract**

An example is described below to provide a better comparison of the differences from a writer's perspective between a traditional options contract versus an OCTION options contract.

For a put options contract with a strike price of USD1,000, a writer is obligated to buy the underlying asset for USD1,000 within the options contract period. For simplicity, the premium paid for this put options contract is assumed to be zero.

In a scenario where the price of the asset falls from USD1,000 to USD950 before the expiration date, the holder has the right to exercise his put option of selling the asset at a price of USD1,000 to the writer, even though the current market price of the asset is USD950. This means that the writer would incur a loss of USD50.

In this scenario, the difference in outcomes between a writer for traditional options contract versus a writer for an OCTION options contract is shown in the table below.

Table 1: Comparison between a writer for a centralized financial institution and a writer for the OCTION platform

| “Traditional Put Options Contract” vs “OCTION Put Options Contract” | | |
|---|--|--|
| Contract Type | Traditional | OCTION |
| Number of Contract Writers | Single | Cluster of liquidity providers: 50 writers |
| Obligated Action | Selling a put options contract with a strike price of USD1,000 | Selling a put options contract with a strike price of USD1,000 |
| Current Price | USD950 | USD950 |
| Writer(s)'s Incurred Losses | USD50 | USD1 per writer |

There are further variables to consider which include:

a. Premium

A premium is the price of an options contract. A holder will pay a writer to purchase the rights to buy or sell a given asset within a specified period of time. The concept of premium stays the same on OCTION. However, this premium is proportionately distributed to the writers who have participated through their liquidity pool contributions.

b. Rate

A predefined cost of opening an options contract that influences the premium (the price of an options contract).

c. Expiration Date

The date in which an OCTION options contract will expire and becomes void. Through decentralization from the use of Blockchain, all expiration dates are timestamped and a centralized platform will be unable to alter the expiration dates of any OCTION options contracts.

Based on the above variables, the nett financial impacts are described in the table below.

Table 2: Comparison between a writer for a centralized financial institution and a writer for the OCTION platform

| “Traditional Put Options Contract” vs “OCTION Put Options Contract” | | |
|---|--|--|
| Contract Type | Traditional | OCTION |
| Number of Contract Writers | Single | Cluster of liquidity providers: 50 writers |
| Obligated Action | Selling a put options contract with a strike price of USD1,000 | Selling a put options contract with a strike price of USD1,000 |
| Current Price | USD950 | USD950 |
| Rate | 3% | 3% |
| Expiration Date | 3 Days | 3 Days |
| Premium | USD100 | USD100 |
| Nett Premium Gained | USD100 | USD2 per liquidity provider |

While the risks are lower for an OCTION writer, the rewards are also distributed amongst writers. This would lead to nett lower financial gains as the premiums are divided amongst OCTION writers. This happens simultaneously for all writers in the liquidity pool.

However, it is projected that over the long term, returns are statistically favourable for OCTION options writers as compared to traditional options writers and OCTION option writers will be able to expect a positive nett return on their investment.

h. Fixed Variables of OCTION

Some of the fixed variables of OCTION are described below.

- a. **Options Contract Holder:** The buyer of a hedge contract
- b. **Options Contract Writer:** Pooled sellers of an options contract (i.e., liquidity pool providers)
- c. **American Options:** Options contract that allows holders to exercise their rights at any time before and including the expiration date
- d. **European Options:** Options contract that limits rights exercise to only the day of expiration
- e. **Holder’s Address:** BNB-address that the buyer uses for activating an options contract
- f. **Writer’s Address(es):** BNB-address(es) that is (are) used for writing an options contract

- g. **Put Contract:** On-chain contract that allows the holder (buyer) the right to sell the underlying asset at a specified price within a fixed period. It also creates the obligation for the writer (seller) to buy an asset at a specified price within this fixed period.
- h. **Call Contract:** On-chain contract that allows the holder (buyer) the right to buy the underlying asset at a specified price within a fixed period. It also creates the obligation for the writer (seller) to sell an asset at a specified price within this fixed period.
- i. **Amount:** The size of an options contract (e.g., 10 BNB)
- j. **Price:** Current market price of an asset (e.g., 10 BNB = USD2,000)
- k. **Strike:** Exercise price of an options contract (e.g., USD1,000)
- l. **Period:** Length of time the options contract is valid
- m. **Rate:** % premium for opening an options contract
- n. **Premium:** USD cost of buying an option for a certain period
- o. **Settlement Fee:** Cost of executing an options contract. This is paid in advance by the buyer
- p. **Break-even Price:** Price where the options contract will break-even
- q. **Pool Size:** Total funds available for holding and executing options contracts
- r. **End Timestamps:** Date which active options contract expires
- s. **Release:** The function that enables the swap of an asset with the liquidity pool based on an options contract
- t. **Intrinsic Value:** Difference between the underlying asset's price and the strike price
- u. **Time Value:** Premium (cost of an options contract) less it's intrinsic value
- v. **OCTION Development Fund:** ODF

2. LIQUIDITY POOLS

a. The OCTION Liquidity Pool

Investors looking to participate in the OCTION liquidity pool will be able to invest their DAI, USDT, USDC, TUSD and/or any additional stable coins into the OCTION liquidity pool. In return, bDAI tokens will be specifically minted and transferred to the BNB-address of the provider. The equation used to derive the minting of bDAI tokens will be:

$$\Delta W = \frac{W * \Delta P}{P}$$

Elaboration of the above constants are as follows:

ΔW – Amount or value of bDAI tokens that are received by the liquidity provider

W – Total value/amount of bDAI tokens that have been previously sent out

ΔP – Total value/amount of stable coins that are provided to the pool by the liquidity provider

P – Summation of the total amount of stable coins that are in the liquidity pool

Writers on OCTION will start to receive premiums after contributing to the liquidity pool. If a new writer joins the liquidity pool, they will only begin earning the premiums starting from the next activated options contract. This also means that all premiums or losses from writing OCTION options contracts activated before the new writer joined, will not be taken into consideration for the new writer.

Decentralised lending protocols will provide users with the latest and most efficient UI/UX and enable real-time returns. OCTION options contract returns specify that liquidity providers that are earning on OCTION are unable to guarantee a high level of stability and predictability due to the everchanging volatility of the assets that the OCTION options contracts are currently exposed to (e.g., price fluctuations of BNB). However, the quantitative and theoretical returns on writing OCTION options contracts in the long run are expected to be higher than the current yields that are provided for other on-chain lending protocols.

The writing of OCTION options contracts will bear a different risk and rate of return, and is therefore incomparable to other on-chain lending protocols. Liquidity pool providers will be able to enjoy various benefits for providing liquidity.

3. MARKET ACTION: BUYING A CALL OPTION

a. Buying a Call Option – An Option to Buy

Assuming someone who owns BNB is bearish on BNB in the short term (e.g., 2 weeks) but bullish on BNB in the long term (e.g., a period longer than 2 weeks). To hedge against potential downside risk, a put OCTION options contract can be purchased while waiting for the price of BNB to recover.

Purchasing a put OCTION options contract would allow the holder the right to swap BNB to DAI at a specific price for a specific period.

In other words, the buyer can effectively hedge against any potential downside price movements of BNB. In a scenario where the price of BNB drops, the holder will be able to swap out the BNB at a higher price (strike price) than the current market price.

The specific steps of buying an OCTION options contract is as follows:

a. **Step 1:** Defining the parameters of the OCTION options contract

These parameters include:

- i. Option size (amount of BNB to be assumed in the OCTION options contract)
- ii. Expiration duration (time before the contract expires)

The price data feed is retrieved using Chain-link oracles and this price is reflected in real time. Herein lies another advantage of using a decentralized options trading platform – all price feeds are live and immutable through Blockchain technology.

However, all execution and maintenance of the OCTION options contracts are not linked to the price feed mechanisms. Those are performed separately using Smart Contracts which cater to BEP-20 tokens. This helps safeguard the whole ecosystem from potential malicious price attacks.

b. **Step 2:** Payment of premium for OCTION options contract

After deciding all parameters, the holder now pays the premium for a single OCTION options contract in BNB. This will be the initial payment currency for the OCTION ecosystem.

For example, the buyer pays USD100 in BNB and sends 0.1 BNB (assuming 1 BNB = USD1,000) to activate the OCTION options contract. Once the premium is paid, the Smart Contract verifies the amount. If the amount is correct and successfully verified, the OCTION options contract will be activated. The reverse also holds true if an incorrect amount is sent. The OCTION options contract will not be activated and the transaction will be rejected. The amount that was sent would then be returned to the holder's BNB wallet address.

4. MARKET ACTION: BUYING A PUT OPTION

a. Buying a Put Option – An Option to Sell

Writers act as liquidity providers, which can be provided in the form of DAI, USDC, USDT or other stable coins. The key point to note from this perspective is that all liquidity pools on OCTION are fully decentralized, which means that they are non-custodial in nature.

The participants who decide to contribute and become a writer of an OCTION options contract are safe from any kind of centralized theft because nobody has access to the writers' funds. The only individuals who have access are the holders, aka the buyers of the OCTION options contract. The holders should have fair access because their financial gain, should they decide to exercise their options, will be taken from this liquidity pool.

The main incentive for anybody to become a writer would be to receive premiums which buyers would pay to purchase OCTION options contracts. In the initial implementation of the OCTION ecosystem, this rate will vary between 0.5% to 2.0% per week.

The resulting gain for writers in terms of percentage are estimated to be from +30% to 120% APR (annual percentage returns) if the writers contribute DAI, USDC or USDT. It is important to note here that rates will vary based on the average contract period of all existing OCTION options contracts and the strike price that each holder chooses.

In the previous section, the buyer chooses to pay USD100 in BNB and sends 0.1 BNB (assuming 1 BNB = USD1,000), to activate an OCTION options contract with a USD950 strike price. If BNB remains at USD950, he is at the money. If BNB goes down to USD900, he makes USD50. If we use the figures given in the table below, we will notice that the premium comes up to a total of USD100, which is the premium for this put OCTION options contract. This USD100, which is initially paid in BNB, resulting in 0.1 BNB, will be sent to PancakeSwap automatically and swapped to the DAI stable coin. Therefore, the premium on the writer's side, will be received in DAI, which is a stable coin. Once the swap is successful, that premium will be added to the liquidity pool. Liquidity providers will be able to withdraw DAI anytime but not in the full amount. 80% of the total DAI will be locked in to provide liquidity for the OCTION options contracts while the other 20% is always unlocked and can easily be withdrawn by liquidity providers.

In a scenario where the 20% that is designated for withdrawal is insufficient for liquidity providers to swap their bDAI for DAI, the liquidity providers would have to wait for the expiration of the contracts which involve the liquidity which they provided. In other words, if there is insufficient DAI for withdrawal, the requests to swap bDAI into DAI will be subjected to a queuing system whereby, the liquidity providers would have to wait in line until the contracts expire. The premiums are allocated in proportion to the amount of liquidity that has been contributed to the corresponding OCTION options contracts.

Table 3: Table illustrating allocation of premiums according to amount of liquidity contributed.

| Liquidity Provider Name | Liquidity Volume | % Entitlement |
|-------------------------|------------------|---------------|
| James | 100,000 DAI | 10% |
| Stella | 200,000 DAI | 20% |
| Alfred | 300,000 DAI | 30% |
| Cindy | 400,000 DAI | 40% |

Besides the distribution of premiums, the distribution of losses are also executed in the same manner. When a holder exercises the purchased option before the expiry date and a profit is made, that profit would also be taken in proportion to the above percentages, as shown in the table above.

A final point to note would be that the premiums paid by the holders would undergo the same swap using PancakeSwap, to be converted into DAI for the writers. At this current time in our publication, a swap for other stable coins is currently not available. However, in the future, this may be possible through decentralized governance through voting by the OCTION token holders.

5. PRICING MODEL

a. Pricing of OCTION Options Contracts

Holders will be able to choose an OCTION options contract with one of the many strike prices that are stated and predefined on OCTION. The strike price is the exercise price of a OCTION options contract.

In the scenario below, a holder chooses an OCTION options contract with a USD1,000 strike price. During the period of the option, the holder will be able to sell the underlying asset for USD1,000, regardless of the current market price. The strike prices on OCTION are always differing with a spread of 5% (multiplier) from the current market assessed price of an asset.

Table 4: Strike Prices and Different Multipliers of Put Hedge Contracts on OCTION

| Put Contract | | Strike Price |
|----------------------|--------------------------------|--------------|
| Out of the money (-) | Market Price * Multiplier 0.9 | USD900 |
| Out of the money (-) | Market Price * Multiplier 0.95 | USD950 |
| At the money (0) | Market Price | USD1000 |
| In the money (+) | Market Price * Multiplier 1.05 | USD1050 |
| In the money (+) | Market Price * Multiplier 1.1 | USD1100 |

Similarly, a put contract is:

- “At the money” if the current asset value is equal to the purchased strike price
- “In the money” if the current asset value is above (>) the purchased strike price
- “Out of the money” if the current asset value is below (<) the purchased strike price

Every put options contract will have a different rate based on the strike price and duration.

Table 5: Rates (%) Associated with the Different Strike Prices and Duration on OCTION

| Put Contract | Strike Price | Contract Duration (Time) and Rates (%) | | | | |
|----------------------|--------------|--|---------|---------|---------|---------|
| | | 7 Days | 14 Days | 21 Days | 4 Weeks | 8 Weeks |
| Out of the money (-) | USD900 | 0.5% | 1% | 1.5% | 2% | 4% |
| Out of the money (-) | USD950 | 1% | 2% | 3% | 4% | 8% |
| At the money (0) | USD1000 | 2% | 4% | 6% | 8% | 16% |
| In the money (+) | USD1050 | 1% | 2% | 3% | 4% | 8% |

| | | | | | | |
|------------------|---------|------|----|------|----|----|
| In the money (+) | USD1100 | 0.5% | 1% | 1.5% | 2% | 4% |
|------------------|---------|------|----|------|----|----|

The pricing model on OCTION is different from traditional financial markets options pricing. Traditional financial markets tend to use the Black-Sholes derivative mathematical model for derivative investment instruments. The rate on OCTION is a predefined percentage of the current asset's value that varies depending on the duration of a hedge contract. The cost of holding a put options contract for a certain duration is called the **Premium**.

Table 6: Premiums for Hedge Contracts with the Different Strike Prices and Duration on OCTION

| Put Contract | Strike Price | Contract Duration (Time) and Rates (%) | | | | |
|----------------------|--------------|--|---------|-----------|---------|---------|
| | | 7 Days | 14 Days | 21 Days | 4 Weeks | 8 Weeks |
| Out of the money (-) | USD900 | USD4.50 | USD9 | USD13.50 | USD18 | USD36 |
| Out of the money (-) | USD950 | USD9.50 | USD19 | USD28.50 | USD38 | USD76 |
| At the money (0) | USD1,000 | USD20 | USD40 | USD60 | USD80 | USD160 |
| In the money (+) | USD1,050 | USD60.50 | USD71 | USD81.50 | USD92 | USD134 |
| In the money (+) | USD1,100 | USD105.50 | USD111 | USD116.50 | USD122 | USD144 |

b. Pricing Formulas for the OCTION Options Contracts

Formulas to derive the above table values and calculation of premiums.

- i. At the money (ATM) put contract:

$$SP * R (\%) = ATMR$$

SP – Strike price, R (%) – Predefined rate in %, ATMR – At the money rate for put options contract

Example: The rate for holding a put options contract with a strike price of USD1,000 for a period of 21 days is 6%. Therefore, implementing the above formula would give a calculation as follows:

$$USD1,000 * 6\% = USD60$$

- ii. In the money (ITM) put contract:

$$SP * R (\%) + (SP - MP) = ITMR$$

SP – Strike price, R (%) – Predefined rate in %, MP – Market price, ITMR – In the money rate for put options contract

Example: The rate for holding a put options contract with a strike price of USD1,100 (in the money) for a period of 8 weeks is 4%. The rate of an option

held in the money portion includes the difference between the strike price and market price. Therefore, implementing the above formula would give a calculation as follows:

$$USD1,100 * 4\% + (USD1,100 - USD1,000) = USD144$$

- iii. Out of the money (OTM) put contract:

$$SP * R (\%) = OTMR$$

SP – Strike price, R (%) – Predefined rate in %, OTMR – Out of the money rate for put contract

Put options contracts have intrinsic value and time value. The longer the duration of an expiry for an options contract, the more time value it has. The formulas for “out of the money” and “at the money” are the same. However, the “in the money” rate has a different computation. The reason behind this is because “out of the money” and “at the money” options contracts only have a time value but “in the money” options contracts have both intrinsic value and time value. The options holder has the right to exercise under the put options contract to quickly sell the underlying asset for more than the current value. This means that the “in the money” put options contract has intrinsic value. However, there is a fee that should be paid by holders to activate an options contract. The fee will be calculated as follow:

$$A * P * R (0.5\%) = OTMSF$$

A – Amount, P – Price, R (0.5%) – Predefined rate of 0.5%, OTMSF – Out of the money settlement fee (put options contract)

$$A * P * R (1\%) = ATMSF$$

A – Amount, P – Price, R (1%) – Predefined rate of 1%, ATMSF – At the money settlement fee (put options contract)

$$A * P * R (0.5\%) = ITMSF$$

A – Amount, P – Price, R (0.5%) – Predefined rate of 0.5%, ITMSF – In the money settlement fee (put options contract)

Example: If the amount of an asset the holder wishes to purchase is 1 and the market price is USD1,000 and the options contract is at the money. The settlement fee will be as follow:

$$1 * USD1,000 * 1\% = USD10$$

For opening a hedge options contract, the option holder will be paying the forward rate (premium rate + settlement fee). The formulas to calculate this are as follow:

$$OTMR + OTMSF = OTMP$$

OTMR – OTM Rate, OTMSF – OTM Settlement Fee, OTMP – OTM Premium

$$ATMR + ATMSF = ATMP$$

ATMR – ATM Rate, ATMSF – ATM Settlement Fee, ATMP – ATM Premium

$$ITMR + ITMSF = ITMP$$

ITMR – ITM Rate, ITMSF – ITM Settlement Fee, ITMP – ITM Premium

6. OCTION POSITIONAL SHIELD

a. Insurance Option for All Holders

The OCTION Positional Shield is a special mechanism designed to give holders a portion of their paid premium back if they want to exercise their options early. This special mechanism is only available before the option's expiry date.

To elucidate the impact of this function, one example is described below.

Table 7: Baseline Scenario - Day 1

| | |
|---|--------------------------|
| Current Market Price of BNB | USD1,000 |
| Strike Price of OCTION Put Options Contract | USD1,000 |
| Option's Expiry Duration | 2 weeks |
| Premium Paid | USD50 in the form of BNB |
| Status | At-the-money |
| Days Left to Contract Expiry | 14 Days |

Table 8: Scenario at Day 7

| | |
|---|--------------------------|
| Current Market Price of BNB | USD1,000 |
| Strike Price of OCTION Put Options Contract | USD1,000 |
| Option's Expiry Duration | 2 weeks |
| Premium Paid | USD50 in the form of BNB |
| Status | At-the-money |
| Days Left to Contract Expiry | 7 Days |

Referring to the two tables above, the holder starts off by buying an OCTION options contract which expires in 14 days. Initially, the put options were “at-the-money” and therefore the holder decides to wait. However, after waiting for 7 days, the market price did not move, and the holder is currently still “at-the-money”.

At this juncture, if the holder is holding onto at least USD30 (3% of strike price) worth of OCTION tokens, the holder would see an additional button light up on the trading interface. That button is labelled as the OCTION Positional Shield.

If the holder opts for this shield, the platform will show the holder the premium amount that could be refunded to him if he decides to exercise his put options contract immediately. With reference to the 2 tables above, the trader is currently bearing a nett loss of USD50 because of the premiums he paid. If the same trader decides to utilize the OCTION Positional Shield and exercises his put options contract right now, the liquidity pool will refund him USD15. In other words, the trader's nett loss has now been reduced to USD35 (USD50 less USD15). This OCTION Positional Shield function is also applicable in “out-of-the-money” and “in-the-money” scenarios.

Essentially, the OCTION Positional Shield is a feature designed to create additional value in the long run for OCTION token owners and to reduce the likelihood of these holders selling their tokens.

7. VALUE CREATION FOR OCTION TOKEN HOLDERS

a. Function of OCTION Tokens

OCTION token is an BEP-20 token that has two fundamental functions:

i. Used for distribution of settlement fee between all OCTION token holders

Total settlement fees that accrue on the OCTION platform are proportionally distributed to all OCTION token holders every quarter.

ii. Used for protocol on-chain governance

The collective fractional ownership, utility and governance functions are represented by all OCTION tokens.

b. Advantages of Owning OCTION Tokens

There are various utility advantages for owners of OCTION tokens, including:

i. Cheaper premiums when buying option contracts

To enjoy discounted premiums, an options contract buyer must hold OCTION tokens on their BNB-address used to activate this particular options contract. The market value of OCTION tokens on the buyer's BNB-address should be equal or higher than the strike price of the options contract to enjoy a 30% discount on the premium rate (excluding settlement fee).

Example: For a 1 week put option of 10 BNB, the holder chooses a strike price of USD10,000 (at-the-money; BNB market price is USD1,000). The price of this put option contract is USD500, whereby USD400 is a 4% at-the-money rate of the 1-week BNB put option and USD100 is the settlement fee for the put option. If the buyer also holds USD10,000 or more worth of OCTION tokens (higher than the strike price of the options contract), this provides the buyer with a 30% discount on the initial 4% at-the-money rate. The buyer would now only be required to pay USD280 (instead of USD400) as the rate for buying an at-the-money 1-week BNB put option plus a settlement fee of USD100.

ii. Priority in unlocking liquidity

To enjoy priority in unlocking liquidity, writers (aka liquidity providers) must hold OCTION tokens on their BNB-address that they are using to provide the liquidity to the liquidity pool. The market value of OCTION tokens on the writer's BNB-address should be equal or higher than the liquidity provided to the liquidity pool to enjoy priority unlock with no delays.

Example: At times when unlocked DAI in the liquidity pool is insufficient for writers to swap their bDAI to DAI, requests for these swaps will be aggregated in queues. However, if a writer holds OCTION tokens where the market value of the OCTION tokens is equal or higher than the liquidity provided to the liquidity pool, they can instantly swap their bDAI for their contributed DAI. Liquidity from the ODF will be used to instantly swap the bDAI to DAI.

iii. Voting governance through the OCTION Enhancement Programme

OCTION token holders can vote to change aspects of the OCTION platform such as the options contract rates, settlement fee, strike price multipliers, assets supported by the options contracts and more. This governance mechanism will only be implemented when the OCTION protocol has a traction of at least 100 monthly active holders (buyers) and writers (sellers).

8. TOKENOMICS

a. Token Allocation and Sale Details

OCTION total token supply shall be 100,000,000. The total supply is allocated as follows:

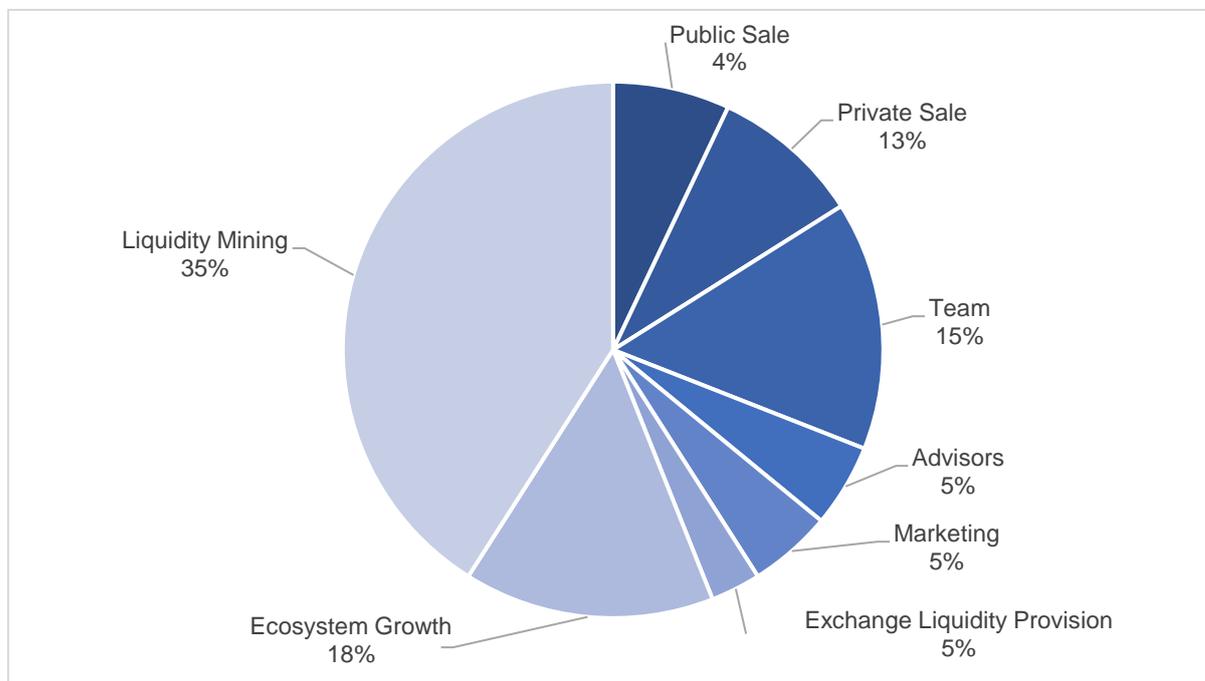


Figure 4: Token Supply Allocation

b. Token Specifications

The specifications of OCTION tokens are detailed below.

Table 9: Token Specifications

| Specifications | Description |
|------------------------------|---------------------|
| Token Ticker | OCT |
| Token Type | BEP-20 |
| Blockchain | Binance Smart Chain |
| Legal Classification | Utility Token |
| Total Supply (No. of Tokens) | 100,000,000 |

9. FUNDRAISING

a. Token Sale Allocation

The total fund-raising target is expected to be USD 1,480,000.

b. Token Vesting Schedule

The vesting schedules for the respective token tranches detailed below.

Table 10: OCTION Token Vesting Schedule

| Tranche | Vesting Schedule |
|------------------------------|--|
| Private Sale | 20% upon exchange listing, 8% per month thereafter |
| Public Sale | 50% upon exchange listing, 25% per month thereafter |
| Team | 6 months cliff, 8% every month thereafter |
| Advisors | 6 months cliff, 8% every month thereafter |
| Marketing | 10% upon exchange listing, 5% per month thereafter |
| Exchange Liquidity Provision | Reserved for DEX and CEX liquidity provision |
| Ecosystem Growth | Reserved for partnerships, user acquisition and platform development |
| Liquidity Mining | Reserved for liquidity mining programs to bootstrap the platform |

10. Team and Advisors



Ian C.
Project Coordinator



Japhet L.
Project Coordinator



Nicholas S.
Project Coordinator



Ben C.
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Development



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Shawn L.
Advisor, Market Liquidity
Non-Executive Director at
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Y. Mun Kit
Advisor, Technological
Architecture



J. Kim Poh
Advisor, Liquidity Pools

11.PROJECT TIMELINE

a. 2021 Roadmap – Q1 and Q2 2021



b. 2021 Roadmap – Q3 and Q4 2021

