



LITEPAPER

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Vela Exchange is a permissionless, self-custody driven perpetual exchange built with innovative blockchain architecture to ensure fast transactions, secure trading, and extensibility into additional synthetic options and derivatives. The rewards structure of Vela Exchange is carefully balanced to manage token & rewards supply while maintaining high incentives for liquidity provisioning and trading.

While perpetual trading is the first product of Vela Exchange, the long term vision of Vela Exchange is to provide traders with a home base complete with everything they need to trade crypto assets and leveraged products. This vision is always in motion at Vela Exchange and is an essential part of the Vela team's ethos as we continue building in the cryptocurrency ecosystem.

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Platform Overview

Perpetual Exchange

Fully on-chain order book perpetual exchange where users can create positions against performance of synthetic assets with leverage up to 100x.

Major activities within Vela Exchange include:

- Backing the perpetual vault and leveraged trading by minting or redeeming VLP
- Creating or closing leveraged positions on supported synthetic assets
- Managing pending or open positions with triggered orders
- Staking \$VELA or VLP for various ecosystem rewards

Trading Features

Vela Exchange provides traders with a powerful platform for leveraged trading supported by robust hybrid on-chain and off-chain architecture. We believe that combining the best of blockchain technology and proven, server-hosted capabilities allows users to benefit from self-custody without sacrificing performance and reliability.

Leveraged Positions

Traders may create long or short positions with up to 100x leverage on certain assets with USD as the quote currency. Asset prices are synthetic and are derived from oracles and price data derived from several enterprise data sources through our custom vStream price feed.

Assets supported will include:

ASSET TYPE	EXAMPLES	MAX LEVERAGE
Cryptocurrency	ETH, BTC, DOGE	30X
Forex	GBP, EUR, JPY	100X
Market Cap	Arbitrum TVL, USDC	30X

Positions may be created or closed based on both spot or triggered orders, and managed via a variety of risk management strategies within the application.

Positions created may have a variety of linked orders associated with the position. These orders encompass a variety of historical or triggered actions specified by the trader. More details are included in the Advanced Position Management section.

Collateral Management

Vela Exchange has a vault that is entirely backed by the USDC stablecoin, and when trading on Vela you must deposit USDC into the platform. Upon depositing, you are credited USD on the exchange, which simply shows as dollars in your account.

The purpose of this method is to allow for flexible stable coin deposits as the trading platform expands, and possibly add additional stables beyond USDC in the future.

Advanced Position Management

Traders may utilize a variety of powerful strategies set by triggers or immediate execution. Risk management has never been easier on a decentralized exchange.

Capabilities:

- Create limit order, trailing order
- Take profit (partial or full)
- Stop loss (partial or full)
- Trailing stop
- Add/remove collateral

Vela Stream™ Price Feeds

Custom price feeds allow Vela Exchange to extract data from any approved provider, including oracles like Chainlink, CEXs, and enterprise data providers.

As the Vela Exchange platform matures, we expect to leverage the vStream service to continue to onboard additional data partners to promote stability of prices as well as new, in-demand assets for trading

API Endpoints

Vela traders and partners may utilize Vela Exchange API endpoints to automate trading workflows. See more about our API endpoints in our Gitbook.

Alerts and Notifications

Traders have the advantage of subscribing to SMS or email notifications triggered by Vela Exchange.

In-app notifications also give traders real-time awareness of triggers, liquidations, price updates, and other important data.

All notifications are managed by Vela Exchange's secured servers and may be enabled or disabled at any time

Referral Management

Vela Exchange traders may choose to share unique referral links to their networks to obtain benefits. Currently, Vela Exchange referrals will provide a share (up to 20%) of all generated fees back to the referrer.

Additional benefits are planned to layer on additional value for network referrals

Fiat On/Off-Ramps

Traders may utilize Vela Exchange's 3rd party fiat on/off-ramp partners to manage their cryptocurrency and fiat exchanges.

All KYC and AML requirements through the on/off-ramps are managed solely through our partners

Tokens Rewards

Platform Rewards Summary

Up to 75% of the revenue generated by the platform will be used to reward stakers of VELA, eVELA and VLP as well as for liquidity providers via minting VLP.

All rewards will be distributed in both USDC and eVELA.

eVELA rewards are funded by using a portion of VELA buybacks, not by minting new tokens.

Perpetual Fees Split

The fees generated from the perpetual exchange are split as follows:

1. 50% to the VLP Vault
2. 20% in eVELA rewards
 - a. 10% for staking VELA/eVELA
 - b. 10% for staking VLP
3. 5% in USDC rewards for stakers of VELA/eVELA
4. 25% to Treasury

VELA

VELA is the native token for the Vela Exchange ecosystem. VELA can be obtained by providing liquidity on supported DEXs, through obtaining and vesting eVELA, by purchasing via supported exchanges, or through specific platform rewards.

Owners of VELA may also stake VELA to participate in platform reward share

eVELA (escrowed VELA)

eVELA is a vesting token for VELA and can be used in two ways.

1. Stake and earn rewards just like staking VELA with the same reward structure.
2. Stake into the vesting contract and claim the same amount of VELA which is unlocked continuously throughout a 1 year linear vesting period. eVELA that is staked for vesting does not earn rewards.

VLP

Traders may mint VLP tokens to back leveraged trades within the platform. By minting VLP, stablecoins are deposited into the perpetual trading vault for traders to borrow from for their leveraged positions. The value of the vault is represented through the cumulative total of all minted VLP tokens that have not been redeemed.

By holding VLP, users share 50% of the total fees generated by the perpetual exchange in USDC.



Staking Rewards

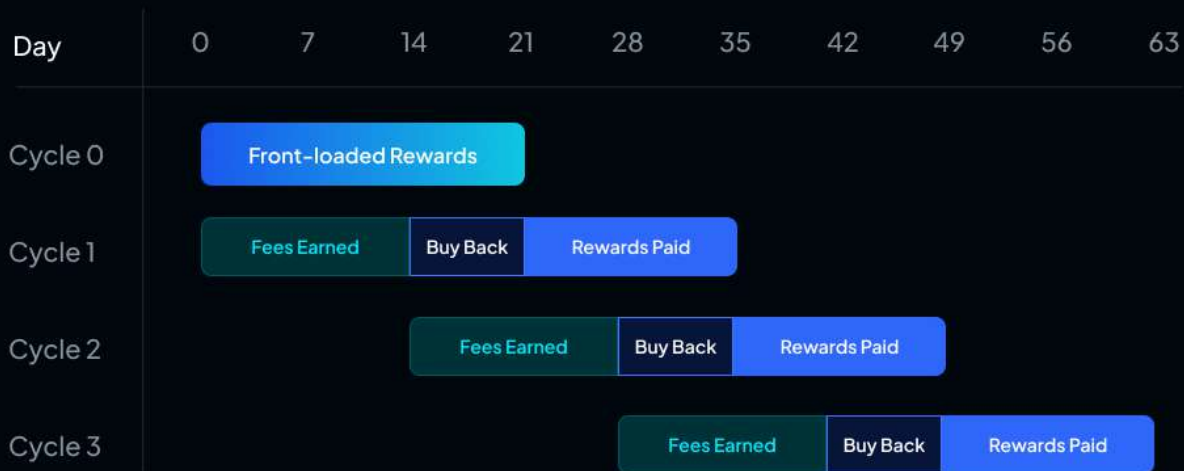
Any of VELA, eVELA, or VLP can be staked to earn a share of fees as rewards.

If any amount of VELA is staked then there will be a 72 hour 'cooldown' period in which you will not be able to unstake. After these 72 hours have passed, you are able to unstake freely. There is no such cooldown period for eVELA or VLP

Your staked tokens entitle you to the following benefits:

1. Receive discounted trading fees as per the fee discount table
2. Earn eVELA from each VELA buyback equivalent to 20% of the total perpetual fees
3. Earn USDC from 5% of the total fees generated by the perpetual exchange fees
4. Earn ecosystem rewards (depends on chain and subject to change)

All rewards are continuously claimable via the Vela dashboard, with new rewards loaded every 14 days, as per the rewards cycle chart below. During the first 21 days, since no fees have been collected previously, each contract will be front loaded with eVELA rewards.



VELA Buyback Model

Another mechanism to stabilize supply of VELA is a unique VELA buyback model.

Up to 20% of the generated perps fees (including fees for opening/closing a position, staking VLP, and net funding fees) will be used to buyback VELA on the open market.

Buybacks will be made strategically and occur over 2 weeks periods.

To give an example of projected buyback values, a total of \$200,000 will be dedicated towards VELA buybacks for every \$1 mill in perpetual generated fees.

All the VELA bought back from the market will be periodically loaded onto the staking contracts and an equal amount of eVELA is minted. This eVELA is emitted as rewards for stakers of VELA, eVELA and VLP. This means no additional VELA will need to be minted to maintain this rewards structure

Platform Rewards Flow Process



Rates and Fee Structures

Trading Fees

The fees for the perpetual exchange will be a flat 0.08% for both opening and closing a position.

Fee Discounts

Your staked VELA + eVELA has the utility of earning discounts on fees. The table below shows the number of staked tokens required at any given time to achieve the corresponding discount % on the fees of perpetual platforms

STAKED VELA + eVELA	DISCOUNT ON FEES
500	2%
2,500	3%
5,000	5%
10,000	10%
25,000	15%
50,000	20%
100,000	30%
250,000	40%
500,000	50%

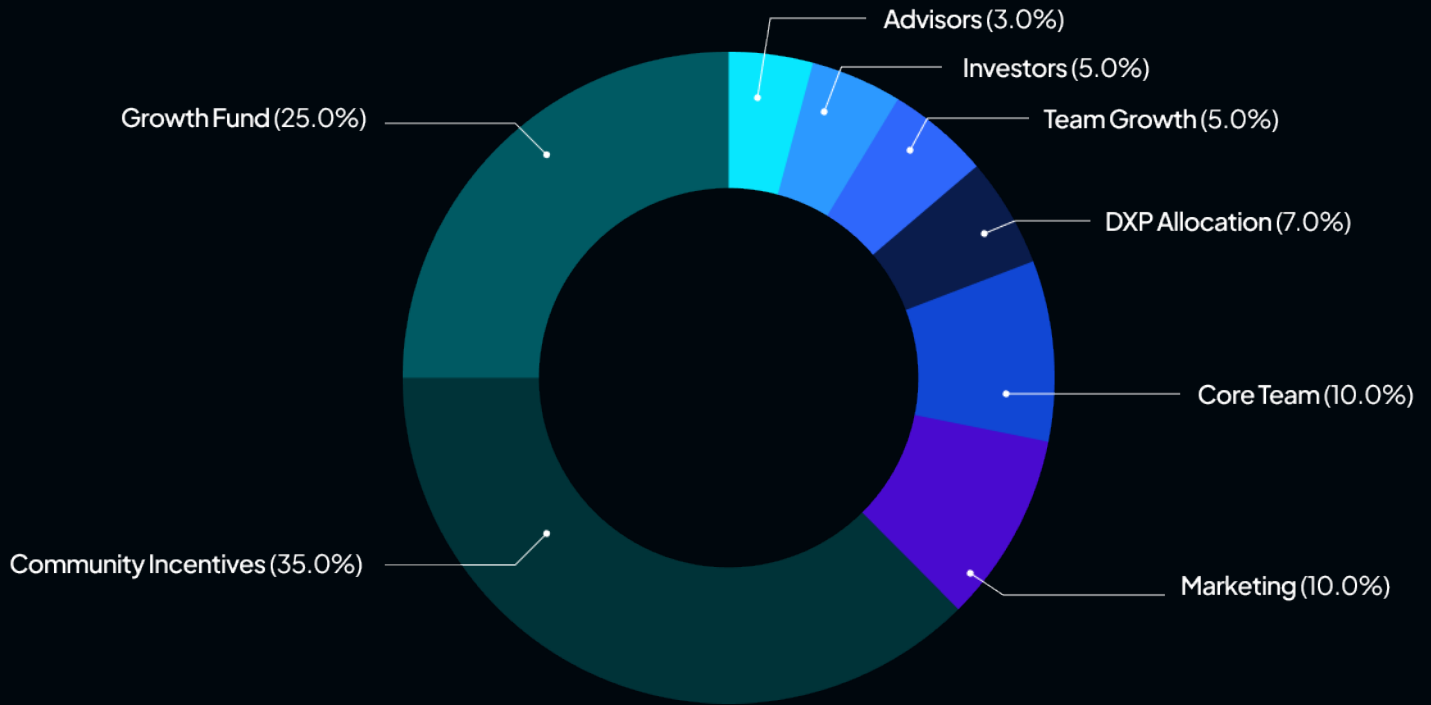


Funding Rate

A funding rate (updated hourly) for both long and short positions, per asset, has been put in place to help balance both sides of the OI (open interest). It's paid out when closing one's position and is calculated based on a set perceived risk per asset and net OI. A positive funding rate results in a funding fee paid to the VLP vault whereas a negative funding rate results in a funding fee paid from the vault.

Tokenomics

Distribution of VELA

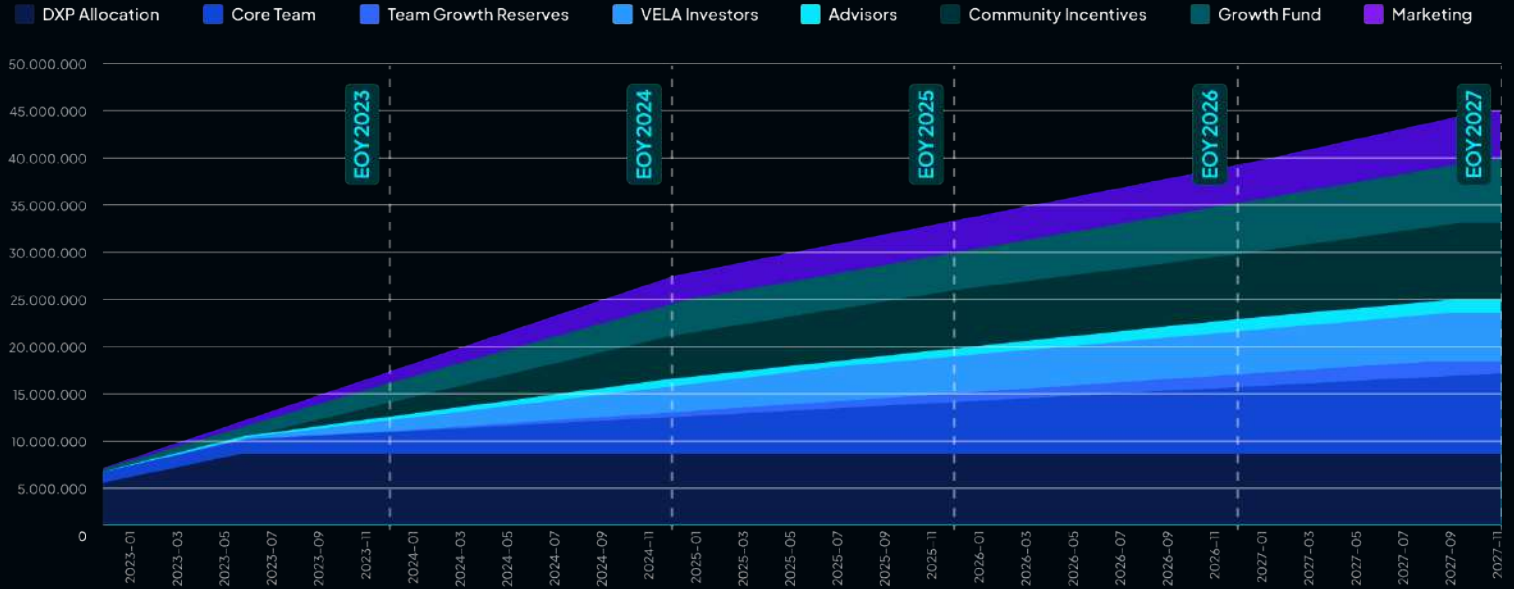


	ALLOCATION	VESTING AND OTHER DETAILS
Community Incentives	35.0%	Limited to 5% usage per fiscal year. Reserved for LP reward emissions, market maker rewards, beta test rewards, and other incentives.
Growth Fund	25.0%	Reserved for any future grants, DEX liquidity, market maker allocation for CEXs, and the liquidity provisioning rewards incentive program.
Marketing	10.0%	Limited to 2% usage per fiscal year. Reserved for marketing rewards including airdrops, distributions via KOL partnerships, and co-marketing efforts with partners.

	ALLOCATION	VESTING AND OTHER DETAILS
Core Team	10.0%	6 month cliff with linear vesting for 36 months
DXP Allocation	7.0%	<p>Includes all DXP that has been assigned to the following, all of which will be claimable 1:1 for VELA.</p> <p>Private Sale - 4,238,000 DXP</p> <ul style="list-style-type: none"> • 10% unlocked at launch (April 8, 2022), 3 month cliff, linear vesting for 12 months <p>IDO - 1,000,000 DXP</p> <ul style="list-style-type: none"> • 25% unlocked at launch (April 8, 2022), linear vesting for 6 months <p>Copperlaunch LBP - 1,688,000 DXP</p> <ul style="list-style-type: none"> • No vesting
Team Growth Reserves	5.0%	Reserved as incentives for recruiting top engineers, designers, product managers, and executives - any new contract will include a 6 month cliff from date of hire and a minimum vesting period of 24 months.
Investors	5.0%	Allocated towards immediate follow-on investment rounds for VELA in Q4 2022
Advisors	3.0%	6 month cliff with linear vesting for 18 months

Emissions Schedule

PROJECTED VELA EMISSIONS



*Emissions schedule is an estimation. There may be a delta between actual emissions and projected emissions.

Governance Model

As a decentralized protocol, Vela Exchange aims to pass governance to the broader community as the platform matures. The details in this section are directional goals subject to change as our community and platform evolves.

Voting

Voting related functionality will be reviewed in 2023:

- Voting model
- Quorum requirements
- Proposal review process

Treasury Management

VELA Exchange will utilize a Gnosis Safe multi-sig wallet to manage treasury funds, with signers that include trusted community members, team members, and ecosystem leaders.

Roadmap

Perpetual trading is just the beginning.

The roadmap provided below are aspirations and milestones planned as of 2022. All items in the shared roadmap may change based on market analysis and sentiment, team discussions, and other variables

2023

- OTC platform integration
- Interoperability Solutions
- Spot market launch
- Expanded asset support
- Trading management enhancements
- API enhancements for bot integrators

2024

- Multi-chain support
- Trading analysis toolkit
- Tax and finance dashboard

Glossary

Base currency - The currency that is being quoted. In BTC/USD, BTC price is being quoted.

Leverage - The proportion of your trade that will be paid for with borrowed funds. If you are using 2x leverage, you will be funding half of the trade. If you are using 25x leverage you will be funding 1/25 of the trade.

Limit Order - A type of order that only executes at the price specified. The limit price must be better than the current market price. Therefore, for a buying order the price must be lower and for a selling order it must be higher than market price.

Liquidation - The forced closure of a trade due to the available collateral being exhausted, forcing the exchange to close the trade to stop losses and mitigate risk.

Long - A buying position that enables the trader to profit if the price of an asset increases.

Collateral - Collateral is the portion of your own funds that you put into a trade.

Unrealized P&L - The current profit or loss for an open trade.

Realized P&L - The profit or loss from a completed trade.

Position - An open collateral trade

Quote currency - The part of the trading pair that the price is shown in. For example, with BTC/USD, USD is the quote currency and the price of BTC is quoted in USD.

Short - A selling position that enables a trader to profit if the price of an asset decreases.

Stop - An order that executes once a specific price is reached that is worse than the current market price.

Glossary

Stop loss - A price level you can set on a position which will, once reached, close the position and prevent any further loss.

Take profit - A price target you can set on a position which will, once reached, close the position and lock in profits from the trade.

Trailing stop - A trailing stop order is a stop order with a limit that "trails" after market price. You can set a limit, such as \$50, and once the price moves \$50 against the trend the order will be executed.