

The What is Fair Market Pricing Model in the Decentralized Digital Asset Space

I wrote this whitepaper on Fair Market Pricing because it is a crucial part of the ever evolving world of digital assets. Doing it the right way can foster the trust from digital asset investors and traders globally that is required for a robust and liquid trading environment. I will touch on a pricing model that is used on HootDex that has proven to be very effective and flexible.

I hope that my theory, views and details provided in this paper serve as a spark to create additional conversations and collaboration. As always I am always open to discussing these topics with the media and interested parties so that the veil can be taken off and true global growth can begin in this young digital asset economy.

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Whitepaper on WTFM (What is The Fair Market Pricing) Model

Louis Velazquez – October 19, 2023

Overview

This whitepaper will be highlighting the dynamics of the WTFM pricing model, the definition and why it is instrumental in the digital asset exchange ecosystem for HootDex, a decentralized digital assets swapping. In this paper we will also explore the concept of WTFM, its purpose, benefits, and impact, elucidating how it is used across various digital asset categories on HootDex, such as Digital Basket Tokens (DBTs), CryptoPairs, and SynthCryptos. I want to present the theory underpinning WTFM, dissect the methodology used for calculating fair market pricing, and identify the factors that influence it. This model was created specifically for HootDex initially however it can be integrated into other similar digital asset products.

Introduction

What is WTFM?

"WTFM" stands for What is The Fair Market. It is a pricing model created for and employed by HootDex, a decentralized digital asset swapping platform or more widely referred to as a "DEX". This model was designed to provide transparent, fair, and tamper-resistant pricing for various digital assets on HootDex, including Digital Basket Tokens "DBT", CryptoPairs, and SynthCryptos. This is not just a catchy name, it's a sophisticated yet simple pricing model meticulously designed to ensure fairness, transparency, and resilience in the digital asset market. HootDex has adopted this model as a fundamental part of its operations. WTFM is an approach aimed at setting new standards for transparency of pricing as it relates to digital assets funds, baskets or synthetics in general beyond decentralized platforms.

At its core, WTFM represents a departure from traditional market pricing models. It boldly addresses the inherent issues of fairness, transparency, and immunity from manipulation within the decentralized digital asset market. This pioneering approach is

not limited to a specific asset type but is extended across a range of digital assets. DBTs, CryptoPairs, and SynthCryptos all fall under the purview of this model, ensuring that a wide array of assets benefits from its fairness and transparency. As an integral part of HootDex's operations, WTFM seeks to redefine the way digital assets are valued and traded for the benefit of the digital asset investing and trading public.

Why It Matters: The Essence of Transparent and Fair Pricing

In an environment where the volatility and complexity of digital assets often lead to uncertainty, WTFM's emergence is significant. The mission is to provide a secure and transparent pricing model that gives participants confidence in the fairness of their investments or trading. The impact of this approach goes beyond just numbers; it fosters trust and integrity within the decentralized digital asset market, laying a solid foundation for investors, traders, and institutions to actively engage in this dynamic ecosystem. With its principles rooted in fairness, transparency, and resilience, WTFM promises to be a guiding light in the ever-expanding world of digital asset trading.

Purpose of WTFM

At the heart of the WTFM pricing model lies a fundamental purpose, to establish a digital asset pricing structure that mirrors their fair global market value without being influenced by market manipulations or distortions. The digital asset space is renowned for its volatility, where prices can be influenced by a variety of factors, sometimes leading to sharp fluctuations across various exchanges. This dynamic landscape necessitates a pricing model like WTFM for the decentralized space that provides a dependable reference point for fair trading and investment.

The overarching objective of WTFM is to champion fairness and transparency in digital asset pricing. It seeks to eliminate the risk of price manipulation, where market actors might engage in activities that artificially inflate or deflate the value of assets. By doing so, WTFM instills trust in investors and traders, who can confidently rely on the model to provide a clear and accurate representation of an asset's fair market value. As a result, market participants on HootDex can make informed decisions with confidence, knowing that they are operating in a fair and transparent environment.

WTFM serves as a cornerstone for trustworthy trading and investment in the digital asset realm. It is designed to mitigate the inherent uncertainties associated with this market and to reduce the risks of market distortions that can occur on decentralized as liquidity pools are concerned or centralized exchanges. This model is not just about numbers but about fostering trust and confidence within the digital asset community. With WTFM as the guiding principle, market participants on HootDex can navigate the complex world of digital assets with the assurance that their actions are based on accurate and fair pricing. In essence, the purpose of WTFM is to elevate the digital asset market to new levels of reliability and integrity with the hope that it transcends beyond HootDex and leads to a greater adoption over time across the entire space.

Benefits of WTFM

The WTFM pricing model, meticulously designed for HootDex, unfurls a tapestry of multifaceted advantages that underpin its significance in the digital asset ecosystem. These benefits encompass transparency, fairness, trustworthiness, and the vast potential for diversification, transforming the landscape of decentralized digital asset trading and investment.

Transparency: At the core of WTFM's benefits is an unwavering commitment to transparency. Unlike traditional financial markets where pricing might be obscured or delayed, WTFM offers an exceptionally high degree of transparency. It empowers HootDex members with the ability to confirm the fair market value of digital assets in real-time. This feature is particularly vital in the volatile and rapidly evolving world of digital assets, where informed decisions hinge on accurate and up-to-the-minute information.

Fairness: Another pivotal advantage of the WTFM model is its role in ensuring fairness. By design, it creates a safeguard against market manipulations, offering a level playing field for all participants. It achieves this by preventing liquidity pools' undue influence on pricing. In essence, it acts as an impartial arbiter, ensuring that the pricing remains equitable and free from distortions. This fairness resonates with both seasoned investors and newcomers to the digital asset arena, fostering an environment where trust and integrity prevail.

Trustworthiness: Trust is a cornerstone of any successful financial system, and the young digital asset economy is no exception. Members of HootDex can place their unwavering

trust in the WTFM model, confident that the pricing it provides accurately mirrors the fair market value of digital assets at any given moment via any credible source. This trustworthiness is a valuable asset in the digital asset space, where perceptions of instability and uncertainty often loom large. With WTFM, members can rely on a reliable reference point for their investment and trading decisions, enhancing their confidence in navigating the digital asset market.

Wide Asset Variety: A key allure of HootDex is the opportunity it offers for diversification. It opens the door to a rich and diverse array of digital assets, allowing investors to access a broad spectrum of investment opportunities adhering to WTFM. This diversification can serve as a risk management strategy, as it spreads investments across different assets, reducing the impact of a poor-performing asset on the overall portfolio. In this manner, WTFM acts as an enabler, encouraging users to explore a wider horizon of digital assets and enhancing their potential for robust, well-balanced investment strategies.

Impact of WTFM

The impact of WTFM is significant for HootDex and can be significant across the entire the digital asset landscape over time. It fosters a fair, transparent, and trustworthy environment, thereby attracting investors and traders. It mitigates market manipulation and maintains market integrity, enhancing the overall health of the digital asset ecosystem.

WTFM has heralded a new era of fairness in digital asset trading as can be seen with HootDex. By constructing a shield against market manipulations and external influences, it levels the playing field for all participants. This fairness serves as a magnetic force, drawing in investors and traders, both retail and institutional, who seek an equitable and unbiased trading environment. The impact here is evident in the growing confidence of market participants, who are assured that their transactions are conducted on a just and impartial platform.

One of the pivotal impacts of the WTFM model is its elevation of transparency to a core principle. In an environment historically plagued by opacity and information delays, WTFM breaks the mold. It brings transparency to the forefront, offering HootDex

members the ability to access and confirm the fair market value of digital assets in real-time. This level of transparency is not only empowering but also comforting, enhancing the decision-making process for investors and traders, especially as it relates to a decentralized digital asset exchange with liquidity pools.

Market manipulation, a recurrent challenge in all financial ecosystems, is decisively addressed by WTFM in the digital asset space. The model's design actively mitigates this concern, serving as a guardian of digital asset market integrity. It acts as a deterrent to those who might seek to manipulate prices for their own gain, thereby preserving the ethical foundation of the digital asset landscape. The impact of this is profound, as it ensures that market participants can have confidence in the authenticity of prices and trading activities.

The impact of WTFM reverberates throughout the entire HootDex digital asset ecosystem. It underpins the ecosystem's overall health and resilience by enhancing its integrity. Market participants, emboldened by fairness and transparency, are more likely to engage actively and invest with confidence. This vibrancy and trust radiate outward, making the digital asset space more attractive to a broader range of investors and market participants.

This allows for centralized and decentralized digital assets exchanges alike to integrate tokens listed on HootDex for their exchanges, knowing the integrity behind WTFM.

How WTFM Is Used Today

WTFM is used across various asset categories on the HootDex decentralized digital asset swapping platform:

1. Digital Basket Tokens (DBTs)

The pricing of DBTs on HootDex is determined based on the underlying value of the total assets within the basket and the number of tokens issued. This is devoid of liquidity pool influence.

2. CryptoPairs

CryptoPairs combine digital assets with real-world assets. Pricing for CryptoPairs on HootDex is derived from the composite global pricing for the underlying digital assets it represents, with pricing immune to the effects of liquidity pools, avoiding any potential form of manipulation. They can be in various currencies which further increases exposure globally.

3. SynthCryptos

SynthCryptos on HootDex are priced based on a composite of global pricing for the underlying digital asset they represent, adhering to the WTFM model.

The Theoretical Foundations of WTFM

The theory underpinning **What is The Fair Market Pricing** “WTFM” is rooted in the fundamental concept of fair market pricing for digital assets on HootDex. This theory challenges conventional pricing models that often succumb to the sway of market conditions, volatility, and manipulation. Instead, WTFM advances a visionary approach where digital assets on HootDex are valued based on their inherent worth via a composite of global pricing, independently of liquidity pools or transient market fluctuations.

Intrinsic Value as the North Star

At the heart of the WTFM theory lies a commitment to intrinsic value. Integrating the composite global pricing across various trusted global markets to determine pricing is where it begins for HootDex. WTFM can also integrate other logics so it can postulate the true worth of layer-1 blockchain native coins and stand alone digital assets, which should be determined by their inherent characteristics, utility, and real-world

applications. This concept is in stark contrast to models that rely solely on market sentiment or speculative factors to dictate prices. By anchoring value to the inherent qualities of assets, WTFM seeks to create a more dependable and just pricing structure for native coins and stand alone digital assets.

Minimizing Liquidity Pool Influence

A pivotal element of the WTFM theory is mitigating the influence of digital asset pricing via liquidity pools. Liquidity pools are known to introduce volatility and potential distortions into asset pricing. WTFM's theory recognizes the need to break free from this influence. It does so by design, ensuring that pricing remains untarnished by the fluctuations caused by large pools of assets. This pricing independence from liquidity pools aligns with the core theory of fair market pricing. Liquidity pools are an integral part of the decentralized financial ecosystem however the inclusion of additional protocols on a DEX will breed fair pricing, reduce slippage, reduce major arbitrage and breed trust.

Real-Time Composite Global Data as the Source

In pursuit of fair market pricing, the theory of WTFM advocates for a reliance on real-time composite global data from trusted sources, not just one oracle but a composite or a few. Pricing digital assets based on the most current and comprehensive data available serves to reduce the impact of market distortions and manipulation. This aspect of the theory promotes transparency and accuracy, enabling users to trust that they are accessing fair prices.

How WTFM Fair Market Pricing Is Calculated

The foundation of the WTFM pricing model is rooted in real-time composite global pricing data. This robust calculation process serves as the linchpin for achieving equitable and transparent pricing for digital assets on HootDex. Understanding how WTFM pricing is calculated sheds light on the model's capacity to foster fairness and integrity in the

digital asset ecosystem.

At its core, WTFM employs a multi-step process to derive fair market prices. For Digital Basket Tokens (DBTs) for example, the model meticulously takes into account two critical factors: the underlying asset's intrinsic value from a composite of trusted global sources and the initial token supply at inception. These parameters form the bedrock of the pricing structure, ensuring that assets are valued according to their true market worth.

One of the distinguishing features of WTFM is its unyielding commitment to eliminating the influence of liquidity pools on pricing. By design, liquidity pools are purposely kept separate from the pricing mechanism on HootDex. This deliberate isolation ensures that pricing is impervious to external manipulation and that it reflects the intrinsic value of the digital assets. This doesn't mean that liquidity pools are not utilized, they are essential for creating a fluid market; it simply means that the liquidity pool does not impact pricing.

Through this calculated approach, WTFM constructs a framework that is both transparent and equitable. The real-time global data, coupled with the consideration of the underlying asset's value and the token supply, forms a pricing structure that users can trust and rely upon. This pricing mechanism upholds fairness and trustworthiness as its guiding principles, serving as a model for ensuring integrity in digital asset valuation.

As digital asset markets continue to evolve, the importance of a pricing model like WTFM is evident beyond HootDex. It offers an unswerving path to establish fair and transparent pricing, free from undue market influence or manipulation. By taking into account the composite of global pricing, intrinsic value of assets and carefully considering token supply, WTFM's calculation process paves the way for an equitable digital asset ecosystem with different techniques implemented.

Factors That Influence WTFM Fair Market Pricing

The calculation of WTFM pricing is a simple process that epitomizes transparency and fairness in the digital asset arena. To arrive at a WTFM price, several crucial components are considered, ensuring that the value is accurate, tamper-resistant, and unequivocally just. Every digital asset exchange will process WTFM slightly differently depending on their resources and needs. HootDex uses a composite of a number of trusted sources globally, so it allows the pricing to adhere to WTFM as discussed and provide a truly fair pricing structure.

Real-Time Global Pricing Data: The Bedrock of WTFM Pricing

WTFM pricing is anchored in real-time composite global pricing data on HootDex. This data, which is continually updated second by second, forms the foundation for the fair valuation of digital assets. It eliminates the pitfalls associated with outdated or manipulated data, ensuring that the pricing structure adheres to the core principles of transparency and accuracy.

Digital Basket Tokens (DBTs): A Unique Perspective

For Digital Basket Tokens (DBTs), a specialized approach is undertaken on HootDex. The calculation takes into account two fundamental factors: the underlying asset value and the token supply at the time of inception. By factoring in these critical variables, WTFM pricing for DBTs strives to provide a genuine representation of the asset's worth. This method ensures that the pricing is tethered to the actual value of the assets in the basket, rather than being swayed by external influences.

Liquidity Pool Influence Elimination: Ensuring a Tamper-Resistant Structure

One of the central tenets of WTFM pricing is the elimination of liquidity pool influence. Liquidity pools, which can introduce volatility and distortion into pricing, are consciously excluded from the calculation. This design choice is intentional and aligns with the overarching goal of preserving fairness and transparency on HootDex. By removing the impact of liquidity pools on SynthCryptos, CryptoPairs and Digital Basket Tokens, the pricing remains insulated from manipulation, safeguarding its integrity.

Conclusion

The **What is The Fair Market Pricing** “WTFM” model is a critical advancement in the world of digital asset trading especially as it relates to HootDex. It prioritizes fairness, transparency, and trustworthiness, ensuring that digital assets are priced according to their fair market value. With the ability to span various asset categories, it can have a

profound impact on the digital asset landscape over time, enhancing the integrity of markets and fostering trust among investors. This is one of the areas that the digital asset players have tried to foster and perhaps with a model such as WTFM they can begin doing such. The future of WTFM in my opinion is very promising, as it sets a standard for fair pricing in the decentralized digital asset world, preventing manipulation and ensuring equitable value assessment. This protects traders and investors, both on institutional and retail levels. As the digital asset space continues to evolve, the importance of models like WTFM will only grow.

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