# LOOP Governance Token Whitepaper

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# Executive Summary

The LOOP token is the governance and value accrual mechanism for the LOOP Chain protocol, enabling instant settlement between enterprise stored-value programs. Unlike traditional utility tokens, **LOOP is designed specifically for enterprise governance participation while maintaining economic incentives for network growth.**

The LOOP token underpins protocol governance and long-term sustainability.

Enterprises participate through wrapped governance tokens (wLOOP) that carry voting power but are non-transferable.

Investors and contributors hold LOOP, the liquid governance asset that reflects network growth through controlled fee distribution and buybacks.

Early phases focus on protocol control and stability, not trading.

# 1. Introduction

## 1.1 The Problem

The $500 billion stored-value industry operates on settlement infrastructure that hasn't fundamentally changed since the 1990s. Enterprises lose 2-3% in fees and wait 3-7 days for settlements, locking billions in working capital.

## 1.2 The Solution

LOOP Chain provides instant, atomic settlement at 0.08% cost. The protocol requires a governance mechanism that:

- Aligns network participants with protocol success
- Enables decentralized parameter control
- Distributes value fairly among stakeholders
- Maintains enterprise-friendly compliance

## 1.3 Token Purpose

The LOOP token serves as:

1) **Governance Rights:** Vote on protocol parameters and upgrades
2) **Economic Alignment:** Fee distribution to token holders
3) **Network Security:** Stake-based validation and slashing
4) **Growth Incentive:** Rewards for network expansion

# 2. Token Economics

## 2.1 Supply Metrics

Total Supply: 12,000,000,000 LOOP (fixed, immutable)

Initial Circulating: 0 (all tokens vest over time)

Inflation Rate: 0% (deflationary through optional burn)

## 2.2 Distribution

| Allocation | Percentage | Tokens | Vesting Schedule |
|---|---|---|---|
| Team & Founders | 20% | 2.4B | 1-year cliff, 4-year linear |
| Protocol Development | 20% | 2.4B | Milestone-based over 5 years |
| Enterprise Adoption | 25% | 3.0B | Never sold, only granted for usage |
| Network Growth Reserve | 15% | 1.8B | Years 1-5 staking rewards |
| Treasury (DAO/council) | 10% | 1.2B | DAO-controlled, unlocked at TGE (Insurance + future dev fund) |
| Investors | 10% | 1.2B | Various vesting by round |

**Circulating supply caps:**

≤15 % in Year 1

≤30 % in Year 2

full unlock by Year 5

This maintains controlled float and scarcity while the network matures.

## 2.3 Vesting Details

**Team & Founders:**

- 12-month cliff (0% available Year 1)
- Linear monthly vesting months 13-48
- Transfer restrictions until fully vested

**Investors:**

- Pre-seed: 6-month cliff, 18-month linear
- Seed: 1-year cliff, 2-year linear
- Series A+: 1-year cliff, 3-year linear

**Enterprise Adoption Pool:**

- Permanently locked for grants
- Never enters circulating supply
- Used only for integration incentives

# 3. Governance Framework

## 3.1 Governance Scope

Token holders vote on:

- **Fee Parameters:** Protocol fee rate (currently 0.08%)
- **Settlement Limits:** Maximum transaction sizes
- **Asset Additions:** New stored-value program types
- **Treasury Allocation:** Use of DAO funds
- **Protocol Upgrades:** Smart contract improvements
- **Emergency Actions:** Pause/unpause functionality

## 3.2 Voting Mechanism

**Vote-Escrowed LOOP (veLOOP):**

- Lock LOOP tokens to receive veLOOP
- Voting power = LOOP amount × lock duration
- Maximum lock: 4 years (4x voting multiplier)
- Minimum lock: 1 month (1x voting multiplier)

**Proposal Process:**

1) **Discussion:** 7-day forum period
2) **Proposal:** 100,000 veLOOP to submit
3) **Voting:** 7-day voting period
4) **Execution:** 2-day timelock
5) **Implementation:** Automatic or manual

**Quorum Requirements:**

Parameter changes: 4% of veLOOP
Protocol upgrades: 10% of veLOOP
Emergency actions: 1% of veLOOP (fast-track)

## 3.3 Enterprise Governance Wrapper

wLOOP (Wrapped LOOP) represents wrapped, non-transferable governance rights for enterprise participants.
Enterprises deposit LOOP or commit settlement volume to receive wLOOP for voting.

Votes cover protocol parameters (fees, limits, asset onboarding) and emergency actions.

Enterprises may exit governance by burning wLOOP and reclaiming LOOP, ensuring no speculative exposure.

To summarize the enterprise token here:

- Non-transferable governance tokens for enterprises
- Allows voting without token price exposure
- Enterprises deposit funds, receive wLOOP
- Exit anytime by burning wLOOP for funds

# 4. Value Accrual Mechanisms

| Phase | Trigger | Buyback | Stakers | Treasury | Description |
|---|---|---|---|---|---|
| MVP | <$50 M GMV | 0% | 0% | 100 % | All fees accrue to treasury for ops + pilot funding |
| Phase 1 | ≥ $50 M GMV or 2 live pilots | 10 % | 20% | 70% | Gradual distribution begin |
| Phase 2 | ≥ $200 M GMV or break-even | 20% | 20% | 60% | Full buyback + staker participation model |

**Fee recycling replaces traditional inflation: a portion of every 0.08 % settlement fee funds buybacks and governance rewards, reducing circulating supply over time.**

**Growth Drivers:**

- Each new participant increases network utility
- More volume = more fees = more value
- Network effects create competitive moat
- Token scarcity increases with burn

# 5. Network Effects & Growth

**Each enterprise integration consumes wLOOP to activate governance privileges, anchoring demand in real operational use rather than speculation.**

Integration grants (from the Enterprise Adoption Pool) are vested and non-transferable, creating long-term alignment between protocol performance and enterprise commitment.

**Growth Drivers are:**

- Each new participant increases network utility
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# 6. Utility Beyond Governance

**LOOP may be listed on approved exchanges for liquidity, enabling market discovery under regulated conditions, while wLOOP remains internal for enterprise governance.**

## 6.1 Priority Access

- Token holders get early access to features
- Reserved capacity during high demand
- Beta testing opportunities
- Direct support channels

## 6.2 Fee Discounts (Planned)

- Stake LOOP for reduced settlement fees
- Tiered discounts based on stake amount
- Enterprise bulk discount programs
- Partner revenue sharing

### 6.3 Collateral Uses (Future)

- Stake for becoming a validator
- Collateral for credit lines
- Cross-chain bridge requirements
- Partner program participation

# 7. Risk Factors

### 7.1 Regulatory Risks

- Token classification uncertainty
- Cross-border restrictions
- Securities law compliance
- Tax treatment variations

### 7.2 Market Risks

- Token price volatility
- Liquidity constraints
- Market manipulation potential
- Competitive token launches

### 7.3 Technical Risks

- Smart contract vulnerabilities
- Governance attacks
- Oracle failures
- Network congestion

### 7.4 Adoption Risks

- Enterprise reluctance
- Slow network growth
- Competitor emergence
- Technology obsolescence

# 8. Regulatory Compliance

## 8.1 Token Classification

- Designed as governance token
- No promise of profits from efforts of others
- Utility clearly defined
- Decentralized control structure

## 8.2 Distribution Compliance

- No public sale in restricted jurisdictions
- KYC/AML for all participants
- Accredited investor verification
- Transfer restrictions during vesting

## 8.3 Ongoing Compliance

- Regular legal review
- Jurisdiction-specific restrictions
- Tax reporting assistance
- Regulatory engagement


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# 9. Roadmap

## Phase 1: Foundation (Months 1-6)

- Token smart contract development
- Governance framework design
- Security audits
- Initial distribution planning

## Phase 2: Pilot Launch (Months 7-12)

- Governance dashboard (internal use)
- Enterprise governance sandbox (wLOOP voting)
- Fee accrual & treasury accounting (Phase 0 live)
- First pilot integrations with Tier 1/2 partners
- Internal governance proposals and testing

## Phase 3: Growth (Year 2)

- Broader enterprise adoption program
- Activation of fee redistribution (Phase 1)
- Governance participation rewards enabled
- Controlled secondary market access for eligible participants (if compliant)
- Cross-chain settlement support (optional roadmap item)

## Phase 4: Maturity (Year 3+)

- Gradual decentralization via governance council => DAO model
- Full fee recycling (Phase 2 economics)
- Treasury-managed development and insurance fund
- Protocol core rule stabilization (ossification) and ecosystem growth

# 10. Conclusion

The LOOP token creates a sustainable economic model that:

1) Aligns all stakeholders with protocol success
2) Provides real utility through governance and fee distribution
3) Maintains enterprise-friendly compliance structure
4) Captures value as network grows

As LOOP Chain processes more settlement volume, token holders benefit from increased fee distribution, governance influence, and network value appreciation. The model is designed to be sustainable, compliant, and valuable for all participants.

# Appendices

## A. Technical Specifications

- **Token Standard:** SPL Token (Solana)
- **Decimals:** 9
- **Program ID:** [To be deployed]
- **Governance Program:** Modified Realms

## B. Legal Disclaimers

This whitepaper is for informational purposes only and does not constitute an offer to sell or solicitation to buy any tokens. Token purchase involves substantial risk. Consult legal and financial advisors.

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