

\$LAVA : A Decentralized Liquidity Distribution Protocol Inside The Molten Ecosystem

Abstract

LAVA is a new auto-liquidity-generation protocol that allows users to earn ETH by staking their \$LAVA tokens. Unlike most farming/staking tokens, users get to earn something of actual value (ETH) rather than a governance token with little utility in the short-term.

Additionally, LAVA employs a single-token staking system so there is no risk of impermanent loss as there always is with traditional liquidity farming.

Background: The Liquidity Dilemma

One of the biggest challenges every new DeFi project faces is how to ensure sufficient liquidity for traders to easily enter and exit.

Projects typically solve these issues in one of two ways, either:

1. Raising presales and using part of the funds for liquidity
2. Having liquidity incentives that encourage users to pool their own liquidity in exchange for a reward token (usually a governance token)

While both of these methods have been proven to work, there are flaws to both approaches.

Lately, the market has generally been distrustful of presales due to the rampant exit scams (“rug pulls”) associated with collecting a large amount of ETH upfront. Plus, the presale model gives the team little incentive to continue working on the project because they’ve already “made their money”.

The second model is your typical yield-farming model where users pool liquidity themselves and earn a reward token, usually a governance token that allows for partial control over the project. However, as we’ve seen in the meteoric rise and fall of yield-farming projects, most people are not interested in governance and instead only interested in maximizing profits.

Solution: Auto-Liquidity-Generation Protocols

One solution to the liquidity problem is developing an auto-liquidity-creation protocol that perpetually adds to the liquidity pool on every trade. This way, no single person or entity “owns” the liquidity pool, which will continue to grow as long as there is sufficient trading volume.

This concept was first introduced by Heaven’s Gate (HATE) which created the Proof-of-Gate (POG) mechanism to auto add liquidity on every single transaction. POG was improved upon by Liquid (LIQ) which went a step further to lock the liquidity into the contract itself where it could never be transferred or removed.

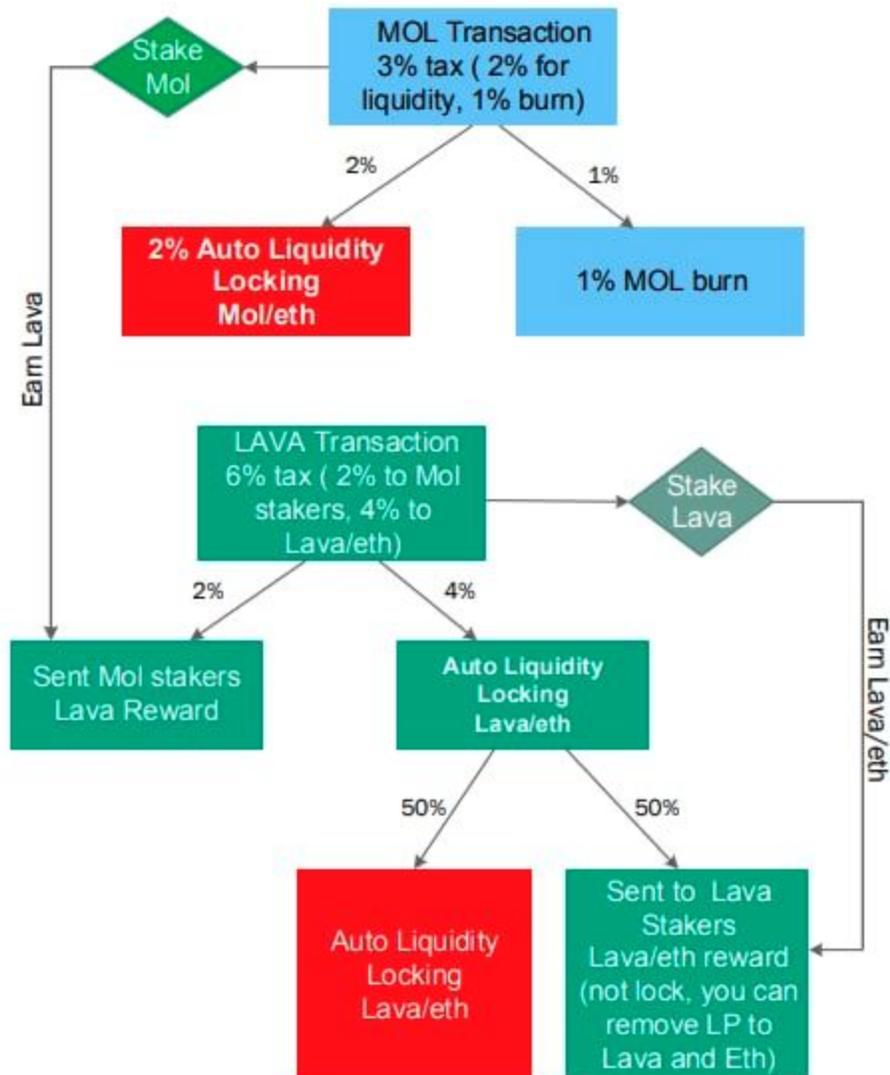
Next, Molten (MOL) improved upon this concept further by adding a deflationary burn feature that would guarantee a “price floor” over time, as more and more tokens are taken out of the system.

Finally, LAVA added additional use-cases to this protocol by allowing users to farm a part of these liquidity tokens to further decentralize the liquidity without having to add liquidity themselves and risk impermanent loss.

How LAVA Works

MOL/LAVA Dual Deflationary Tokens

- * MOL is deflationary token started with 10000 tokens
- * Lava supply is fixed at 5000 tokens.... Tokens will be taken out of circulation through Auto Liquidity Locking)



\$LAVA is the second token in the Molten ecosystem. It functions similarly to \$MOL in that every transaction will effectively add to the ever-growing liquidity pool, but with a few important distinctions:

Every \$LAVA transaction is taxed 6% which goes towards building liquidity and providing rewards

- 2% goes into a reward pool for \$MOL stakers
- 4% gets added automatically to the Uniswap LAVA-ETH liquidity pool
 - Of this 4%, half gets burned ensuring it stays in liquidity forever
 - The other half is sent to the \$LAVA staking pool where users can earn these liquidity tokens as rewards

Users can decide to keep their LP reward tokens to collect Uniswap trading fees, or un-pool them for ETH and \$LAVA.

Stake \$MOL to Earn \$LAVA

\$LAVA can also be earned by staking \$MOL, as 2% of every \$LAVA transaction goes into the staking reward pool. For the first 7 days after launch, the \$MOL staking pool will have bonus staking rewards.

No Impermanent Loss

As mentioned earlier, \$LAVA employs a single token staking system where users are not required to pool with ETH in order to stake. While in the short term, this can hurt the overall liquidity, it should not be an issue in the long term as the protocol builds its own liquidity.

\$LAVA Audit

The \$LAVA token and staking contracts have been audited by Genji Sakamoto, the chief Architect at Swipe. There were no major issues but a few small one, all of which have been fixed.

Additionally, our auditor found a way to optimize the contracts for lower gas prices during this period of high fees.

You can read the [full audit report here](#).

\$LAVA Roadmap

The \$MOL and \$LAVA protocols both thrive on trading volume, since transactional taxes is what builds the liquidity pool. Therefore, the goal is to build application layers that drive trading volume.

First, we will create a community Molten DAO to govern the protocol. Voters will be able to decide on \$LAVA's tax rates, dev fees, etc.

Then, we will begin development of application layers on top of the \$LAVA and \$MOL protocol to incentivize trading volume. These will be in the form of games and lotteries that encourage users to buy and sell tokens in order to participate. The Molten DAO will ultimately decide on the direction of these developments.

Next, we will seek out partnerships with other projects to integrate \$LAVA and \$MOL into their ecosystems to further boost trade volumes.

Links:

Website: <https://www.molten.finance>

Telegram: <https://t.me/moltenfinance>

Twitter: <https://twitter.com/moltentoken>