

Hoard Masternode Program

V0.5 Draft

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Introduction

The Hoard Masternode program is the mechanism that powers the decentralized exchange protocol codenamed “Smaug Network”. This open-source software enables Hoard community members to create their own exchanges, wherein they either source liquidity for the Smaug Network, or connect users of the Hoard wallet app and other supported applications to these and other liquidity pools. In addition to these capabilities, the masternodes also maintain the off-chain ledgers that represent users’ assets deposited in the Smaug network, either in a publically available ledger or encrypted within a Zero-knowledge ledger, each secured by the Ethereum blockchain. The market matching masternodes set their own competitive rates and can take fees on the trades they make, while the order matching masternodes receive block rewards in the form of the HOARD token. In either case, 5,000 HOARD tokens is required to register as a masternode, in order to provide stake in the correct operation of the network. In cases where masternodes do not behave correctly (misquoting orders, not fulfilling trades, etc.) these HOARD token stakes are forfeited and burned.

Two Types of Masternodes

Market-Making Masternodes

Market-making masternodes publish publicly their own individual quotes for each supported asset the masternode owner chooses, and are required to honor these quotes as the order-matching masternodes query them on behalf of users. In this way, each market-making masternode operates as its own individual exchange, competing with the other masternodes within the Smaug network. The market-making masternode software consists of a web-based application that allows the owner to plug in liquidity sources they have access to, and add additional fees to the orders they fulfill to be rewarded for the services they provide. Market-making masternodes are responsible for verifying the deposits within the off-chain ledger, and signing the transfer of ownership in the ledger when users execute trades.

Order-Matching Masternodes

The order-matching masternodes connect to the network of market-making masternodes, and receive block rewards provided they service users’ trade queries and executions correctly and honestly, in the best interest of the users. They also connect to traditional exchange and swap services that are compatible with the Smaug network protocol. These nodes are also responsible for verifying the deposits of users into the Smaug network off-chain ledgers.

Masternode Rewards

Masternode rewards will commence immediately following the distribution of HOARD tokens. While the Smaug network and protocol is developed and new features are launched, HOARD token holders will be able to pre-register their HOARD token stakes and immediately be able to earn masternode rewards prior to the masternode software being launched without having to run the masternode software.

The HOARD token masternode rewards are detailed below, but some key points are:

- 20% of Available Masternode Rewards (8 million tokens) will be issued in the first year
- Approximately 49% of Available Masternode Rewards will be issued in the first 3 years
- Approximately 80% of Available Masternode Rewards will be issued in the first 7 years
- Approximately 99% of Available Masternode Rewards will be issued within 20 years

Masternode rewards are distributed randomly to the network of masternodes, resulting in an equal share of block rewards for each masternode over time. Once a certain number of blocks have passed after the most recent block reward, another block reward will be awarded to one of the masternodes registered at that time. The more masternodes that are active, the lower the average reward received over time per node, thus balancing the number of masternodes.

Masternode Reward Schedule

Immediately following launch, masternode rewards will begin distribution. These rewards will be distributed evenly between each qualified masternode. The amount of masternode rewards distributed over time will decrease by 20% each year.

Masternode Reward Requirements

Participation in the Hoard Masternode and earning rewards has two requirements:

1. Staking 5,000 HOARD tokens within the Masternode smart contract
2. Running the Masternode software and upgrading the software when required at a future date

Upon the initial distribution of the HOARD tokens, the masternode smart contract will be made available to deposit the masternode stake within. Once the masternode software is available, masternode participants will be required to run the software to continue to receive rewards and connect Hoard's users to the supported exchanges as well as market-making nodes.

Following the completion of the HOARD token distribution, a decentralized web application (DApp) will be launched on the Ethereum network that will allow community members to register for the masternode program and begin receiving rewards. Users can use Metamask or a similar compliant Ethereum wallet to interact with the DApp and deposit their HOARD token stake. Detailed instructions along with a video walkthrough will be provided at the official Hoard masternode website.

Once the masternode software is available, registration for the masternode program will operate similarly, with the additional requirement of providing the web address of the Hoard masternode software that the user is running. Hoard will make the installation and operation of the masternode software as simple as possible, eventually providing 1-click installers for popular hosts such as Heroku, as well as providing containerized builds of the software. That being said, at this stage, operating a masternode at this stage will require additional technical know-how. Full details are forthcoming but a familiarity with standard web server software and cryptocurrency nodes will be required to effectively administer a node.