Whiteheart: Hedge Contracts as a New Financial Primitive for Automated On-chain Hedging of Crypto and Stocks

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One Pager

Whiteheart[1] is an on-chain hedging protocol built on top of the Hegic protocol[2]. The core part of the hedging protocol is a new financial primitive called hedge contract. Hedge contract is a system of Ethereum smart contracts that can automatically conduct the process of hedging users' holdings' market value.

The way a hedge contract works is it can automatically buy an at-the-money (ATM) put option contract on the user's behalf each time the user acquires an asset on a decentralized exchange (DEX). A put option is a right but not an obligation to sell an asset at a fixed price during a certain period of time. Hedging with at-the-money (ATM) put options means that the strike price of an option at the moment of protecting an asset's value will be equal to the market price of the asset with a potential <1% spread.

Hedge contracts utilize liquidity which is pooled by liquidity providers on non-custodial smart contracts. Liquidity providers act as the value downside insurance sellers who are pooling their funds on smart contracts for sharing the potential fees on selling this type of insurance represented as ATM put options. Liquidity providers earn fees paid by hedge contracts users in case the value of assets will not decrease.

WHITE token provides its holders with a right to receive a share of fees generated by the protocol. The total supply is 8,888 WHITE. Fees are distributed pro rata among the staked WHITE tokens. There is no minimum amount of WHITE that can be staked. The initial distribution breakdown of fees is: 30% of fees are distributed among WHITE tokens staked. 30% of fees are distributed among Whiteheart liquidity providers. 20% of fees are distributed among the HEGIC staking lots (10% go to WBTC lots and 10% go to ETH lots). 20% of fees are distributed among Hegic liquidity providers (10% go to WBTC pool LPs and 10% go to ETH pool LPs).

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[1] Whiteheart is an on-chain hedging protocol using hedge contracts: https://www.whiteheart.finance/
[2] Hegic is an on-chain peer-to-pool options trading protocol: https://www.hegic.co/