



**Divvy**

**Be the House**

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Not investment advice. This litepaper is subject to change.

## Introduction

Divvy is a permissionless, decentralized betting protocol that's bridging the world of Defi and gambling to allow anyone to partake as The House. By utilizing blockchain technologies, Divvy will redefine the way people bet and interact with sportsbooks and casinos around the world. Here at Divvy we're no longer accepting the status quo. The House always wins and it's time to redistribute the wealth.

## Current State of the Gambling Industry

Online gambling has grown in popularity due to the ease of access where anyone with an internet connection has the ability to place bets and gamble online. Segments of online gambling include: sports/esports betting, fantasy sports, casino games, lottery, poker, etc. The global online gambling market wagered \$44.16 billion in 2016 and is estimated to reach \$81.71 billion by 2022; that's a CAGR of 10.8%! The regions leading the charge are Asia, Europe, and North America. Sports betting held the largest portion of online gambling with a 48% market share. Americans alone legally wagered \$140 million on the 2017 Super Bowl. Estimates suggest if you included the unregulated market, that total may have been closer to \$5 billion.

Wagering with crypto has been one of the fastest growing uses of blockchain technology. Utilizing crypto has allowed for privacy-centric gamblers to bet anonymously while also providing a much quicker funding option. Bitcoin (BTC) has taken the helm in terms of volumes wagered. Gamblers have wagered \$4.5 billion in BTC since 2014, and it's estimated that over \$24.5 billion bets have been booked over the past 2 years. Traditional fiat sportsbooks have begun embracing cryptocurrencies as a form of deposit. Many companies automatically convert the asset into fiat at the point of receipt oftentimes at a rate lower than the current market price.

The industry is projected to expand due to a lax regulatory environment. The global rise of the middle class enables more consumers to have access to disposable income. Many states in the US have or are currently considering legalizing gambling in an attempt to collect additional tax revenue to soften the damages from the COVID-19 pandemic. This is a golden opportunity to enter the gambling industry and disrupt the space with revolutionary blockchain technologies.

## Current Issues with Online Gambling

There are a myriad of issues that currently plague the online gambling industry. The current business model is completely centralized which opens the door for operators to take advantage of their users in a number of ways. It's estimated that only 36% of casino providers have provably fair gambling mechanisms in place. Without this control the edge is overwhelmingly in favor of the house, making it extremely unlikely for the average bettor to profit in the long run.

The current model severely lacks transparency. Bettors are clueless on whether the operator has the liquidity to cover the winning bets. It's common to see rogue operators pull exit scams with client funds due to liquidity concerns leading to insolvency and an inability to pay clients out. Additionally, inefficient and expensive processes further cut into the margins of centralized gambling companies. Managing a fiat online casino requires a team of live operational staff members to process deposits, withdrawals, and provide support. There are stringent international banking regulations for processing payments for gambling entities. Many companies are forced to work with expensive and slow payment processors, leading them to push those costs onto the users. Traditional online gambling companies charge 5% or more on deposits and withdrawals! Large withdrawals take weeks to process and may be required to be broken down into multiple tranches.

Security should not be taken lightly when using online sportsbooks or casinos. Centralization enables malicious actors to focus on a single vector of attack. Hackers are getting more sophisticated, salivating at the opportunity to pilfer sensitive information and selling it to the highest bidder on the dark web. Millions of people around the globe are victims of identity theft where their livelihoods are jeopardized in a matter of minutes. Most online gambling sites mandate some form of 'know your customer' (KYC) and require users to submit personal information prior to using the platform. These sites often have a poor track record of safeguarding client information subjecting their private information to cyber attacks.

Cryptocurrency-based sportsbooks and casinos have solved some of the issues outlined above, however, they are not without pain points of their own. BTC is the most widely accepted cryptocurrency when it comes to crypto betting. As the adoption and demand for BTC continues to rise, so do the network fees and confirmation times. It's now more expensive than ever to send BTC, with the average cost hovering around \$59.87 per transaction. The companies that don't support BTC normally require users to wager in their native ecosystem token. This poses additional barriers as the native tokens often have limited exchange listings and lack the liquidity to freely trade in and out. The tokens also provide zero utility outside of their ecosystem. Lastly, both BTC and native ecosystem tokens come with inherent volatility. This poses additional risk for bettors as the assets they've wagered with may be losing value while locked up in a bet and inaccessible for liquidation.

## **The Divvy Difference**

Divvy is the world's first DeFi betting protocol. By utilizing blockchain technologies, Divvy's decentralized betting network offers our community a safe and trustless environment, enabling anyone to anonymously participate within the network. For the first time in history, anyone can be The House, simply by providing liquidity to the Divvy House Pool. House Pool participants share the profits generated from betting activities in proportion to their share of the House Pool. People will no longer have to defy the odds in order to profit at a sportsbook or casino. Now they'll have the option to be part of the Divvy House, where the *house always wins*.

Divvy will provide the ultimate betting experience and redefine the way people gamble online. Our mission is to disrupt the gambling space and bring light to an industry that's long been shrouded in darkness.

### **Transparency**

Transparency and integrity of the Divvy protocol will be unmatched when compared to competitors. All bets are wagered on-chain in a trustless and distributed manner. Once the data is on the blockchain it becomes immutable and fault tolerant. Each transaction will be searchable on the blockchain where each bet will have a unique transaction hash. With full transparency, bettors can be rest assured that any odds we provide are provably fair.

### **Stablecoin Based:**

Both the Divvy House Pool deposits and wagers will be stablecoin based. By removing the intrinsic volatility of regularly traded cryptos, users will no longer need to worry about their assets fluctuating while locked in pending bets. This will provide gamblers with an experience similar to traditional fiat betting platforms while reaping the benefits of blockchain technologies. USDT will be the first supported stablecoin on our platform with the potential of replacement or expansion to others based on DAO proposals.

### **Anonymity**

We respect the Divvy community's desire to remain anonymous in order to keep sensitive information private and secure. Advancements in Web3 development have enabled users to instantly connect to the Divvy DApp without compromising assets or going through an intrusive sign-up process.

### **Non-Custodial**

The non-custodial nature of cryptocurrencies ensures that the assets in the wallet are completely in the owner's control. Divvy smart contracts can only settle funds to users of the protocol. Bettors that wagered on the game will receive payouts and settlements directly to the wallets that initiated the bet. House liquidity providers (LPs) that hold house tokens have a claim to a share of the pool proportionate to the amount they own. House LPs are free to transfer any amount of their house tokens to other parties.

### **Guaranteed Payouts**

Gamblers on Divvy never have to worry about whether their bets will be paid out. All wagers are guaranteed due to the fact that Divvy smart contracts are configured where the house never accepts a bet that it cannot back. Each time a bettor requests to wager, the betting contract ensures that the House pool has sufficient liquidity. Once confirmed, the House Pool will send funds to the escrow contract to lock in the bets until the oracle triggers settlement.

### **Efficient and Autonomous**

Powered by Solana smart contracts, wagers are settled instantaneously to the bettor's wallet after the outcome of an event is determined and communicated via oracles. Solana's Proof of History consensus mechanism enables the ecosystem to process over 65,000 transactions per

second at a fraction of a penny! Such innovations by Solana will allow Divvy to operate with low overhead as there's no need to staff operations personnel to manually manage treasury functions or work with expensive payment service providers to handle fiat transactions.

## How Does Divvy Work?

### Being the House

In order for the Divvy protocol to function properly, there must be liquidity in the House Pool to secure the bets entered by the bettors. LPs deposit stablecoins into the House Pool and in return receive House Tokens that represent their share of the House. The House Tokens will reflect the individual LP's portion of the Divvy House's total profits and losses generated from betting activity. The value of the House Tokens is derived by:

$$\text{House Pool Stablecoin Balance} \div \text{Total House Tokens in Circulation}$$

### Betting

Gamblers interact with the betting UI by connecting a compatible wallet to the Divvy DApp via Web3. Once connected, bettors will have a wide array of options to bet on. For V1 launch, Divvy will support the most popular global sport betting markets such as American Football, basketball, MMA, boxing, tennis, e-sports, football, cricket, and more. Additional markets will be supported via DAO proposals. The following bets types will be supported during V1 launch: win bets or money line, point spreads or handicap, and totals or over/under. V2 will add support for futures, parlays, round robins, pleasers and teaser bets. Once the desired markets are selected, the bets will aggregate in the bet slip and allow bettors to input their desired wager(s). Prior to pushing the bet on chain, the betting contract will communicate with the House Pool to ensure that there's ample liquidity to support each bet. The bet will be rejected if there's insufficient funds in the pool to cover.

The betting smart contracts will pool bets for an event together to determine the net amount that the House Pool needs to cover. That amount will be deposited into the betting contract to ensure a guaranteed payout. In an ideal scenario there is 50/50 action on each side; at that point, the house will profit regardless of the outcome. To mitigate risk, odds will fluctuate in an attempt to balance the pool books.

Odds will be provided into the smart contract via oracle integrations. We're developing strategic partnerships with Switchboard which will enable Divvy to create and manage a custom data feed to support the protocol. Our odds will be obtained via professional odds providers who support some of the largest betting platforms in the world. The result is our bettors will receive the same odds at Divvy as they would at other platforms. This will prevent arbitrage opportunities in the market. Once a game is over, the Switchboard oracle will collect data from various sources in order to come to a consensus before publishing the game outcomes to the betting contracts and trigger the settlement process.

## **Liquidity Mining**

Divvy House LPs will be able to stake their House Tokens and earn \$DVY tokens as an extra yield on their deposits. Over time, this mechanism will result in House LPs becoming a huge part of the DAO and in effect the house will govern itself, achieving full decentralization. Staking and locking House Tokens will be an additional risk mitigation technique we will use to guarantee liquidity in the House Pool for both pending and incoming bets.

## **Divvy Foundation Profit Share**

The Divvy protocol will allocate 5% of house earnings to the Divvy Foundation to keep up with our goal to promote continuous innovation and improvement, 24/7 support and maintaining the system. 1% of the house earnings will be allocated to an insurance pool. The insurance pool will be used to replenish liquidity if/when the House pool has met internal threshold levels we set or if the protocol becomes compromised at any time. Divvy will partner with insurance protocols such as Nexus Mutual to purchase an insurance policy. The premiums will be paid via funds from the insurance pool.

## **Divvy Tokens - \$DVY**

\$DVY tokens are the native token of the Divvy ecosystem. The goal is to accrue value through utility rather than inflation. \$DVY will possess the following utility:

- Voting: \$DVY tokens represent voting rights to participate in DAO decisions, and play a significant role in Divvy ecosystem governance.
- Dividends (TBD): \$DVY token holders will be eligible for future distributions of House profits. The amount and frequency of distributions will be decided by the DAO.
- Betting Boost: Long-term \$DVY token holders will be eligible for lower vigorish, or the cut the House takes, when wagering. This function maximizes returns and minimizes losses for LPs partaking in betting as well.
- NFT Marketplace: The Divvy NFT Marketplace will only be accessible to \$DVY token holders.

## **Divvy DAO**

The Divvy DAO will be the main governing body of the Divvy protocol. \$DVY token holders are given the ability to participate and vote on community proposals and amendments. Community votes include but are not limited to: community incentives (liquidity mining rewards), marketing initiatives (betting tournaments), and protocol upgrades (what sport/games to support next).

# Token Economics

