

BH Network

Decentralizing Internet Marketing

[Economic Whitepaper - Release 1 - Revision 1.4]

May 25, 2022 - The BH Network Team

<https://bh.network/>

Disclaimer

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While the token utilities set out in our publications are the intention at the time of publication, we reserve the right to make changes as we deem necessary per market and industry-based factors. We base all statements regarding the future of BH Network on our analysis at the time of writing.

BH Network has no connection, correlation, or commitment to any other business, trading name, or otherwise to any similar name.

We are not providing recommendations or advice about buying or holding our token; it is not a “stablecoin,” and the markets are volatile. The token value may rise or fall; you should not purchase tokens if you cannot lose the entire monies staked.

Preface

This paper is an economic overview of BH Network and how the team plans to incorporate two projects into the BH Network ecosystem.

Freelancers represent approximately 35% of the global workforce, with a current total of 1.1 billion international freelancers. More than $\frac{2}{3}$ of the workforce found their current position online - over three-quarters of whom would not change to other work methods. Furthermore, the expectation is that over half of the US workforce will be freelancing in the next few years [1]. Although some of the current change is due to the pandemic, it is unlikely that the trend will retract and see people move away from freelancing - there are too many benefits.

Freelancers, their customers, and agencies face many issues daily. How do internet freelancers find work? Why do the monopoly owners take such a vast percentage of the worker's money? Should workers live in fear of disputes and chargebacks after correct execution and delivery of a service or product? Is there a better solution by using accessible technology?

To increase reasoning for transitioning from employment to freelancing, 75% of freelancers earn equal to or above their employment wages [2]. Using the right platform, BH Network wants to increase that percentage closer to 100% through lower fees and fewer fraudulent chargebacks when compared to fiat freelancing platforms.

Some of the primary intended use cases for the BHAT token include payments for digital goods and services, fees, staking, and delegation. The BHAT token will be the native payment method of the marketplace, available on the Elrond Network. The majority of transactions within the marketplace will include a small fee; some transactions will pass without a native token fee due to the holder, referrer, or other rewards.

The BH Network team expects to complete the first stage of the marketplace and satellite project in around two (2) to three (3) years. The first beta version of the marketplace will be coupled to the marketplace in the first 12 months from the ICO. Doing so in the way we predicted in our infographic will create a self-sustaining, value-generating ecosystem providing global freelancers products, services, and information.

The following years will focus on increasing user bases and value for the community to become a thriving ecosystem for cryptocurrency enthusiasts, traders, and institutions while reducing freelancers' daily problems.

Feedback and contribution

This paper is the first public version of the BH Network economic whitepaper. All contributors to this paper are operating and working in a volatile environment with changing risk factors and emerging ideas that will benefit the community. Therefore, we are always willing to listen to constructive feedback, and we will implement ideas that fit with our economic model and benefit the community as a whole. If you would like to provide such feedback, please use the [community channel](#).

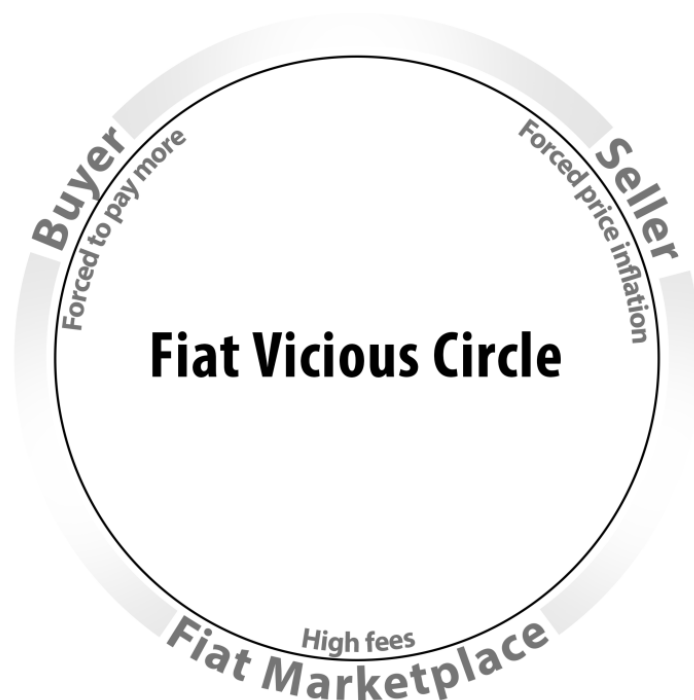
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1. The Primary Project - The Marketplace

The BH Network Marketplace, using a separate domain with a user-friendly and more mainstream name, will be a decentralized marketplace for global freelancers with low-level management by request or to resolve issues and a customer support team to manage listings and deny all illegal activity on the platform.

Freelancers, by nature, have solid skills for using IT services, inherent adaptability, the ability to learn new technologies, and wish to extend their service reach around the globe. That creates a simple and effortless transition from the current fiat marketplaces to a safer, faster, and fairer blockchain marketplace.



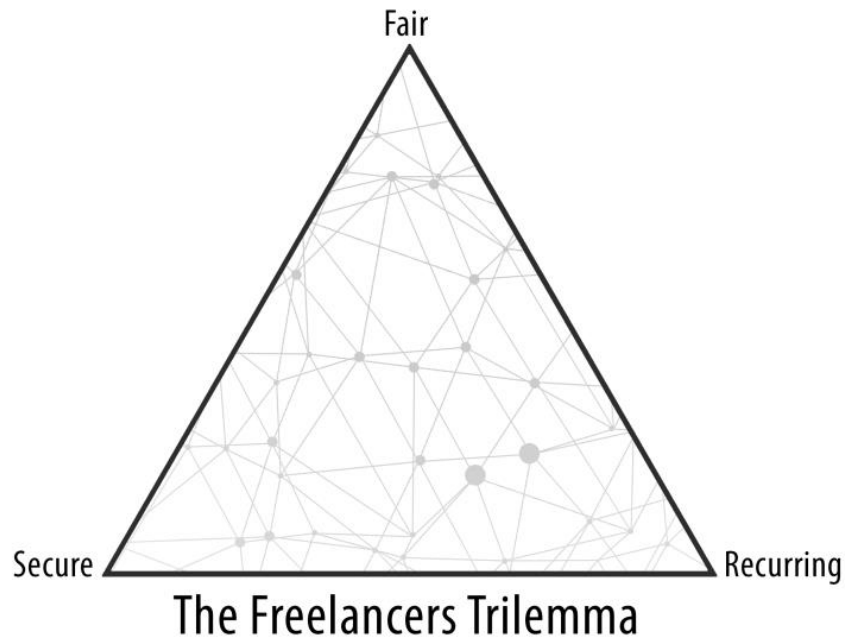
The image above represents the vicious circle of the FIAT marketplaces.

Due to the enormous fees forced by fiat marketplaces, the seller needs to inflate their prices by ~20%, creating higher prices for the same product or service.

Elrond Smart Contracts will control the primary marketplace processes, thus avoiding the huge fees that current marketplaces and payment processors demand and following all applicable laws and regulations by providing invoices and receipts. Furthermore, the blockchain stops any alteration or manipulation without clear evidence of the editor.

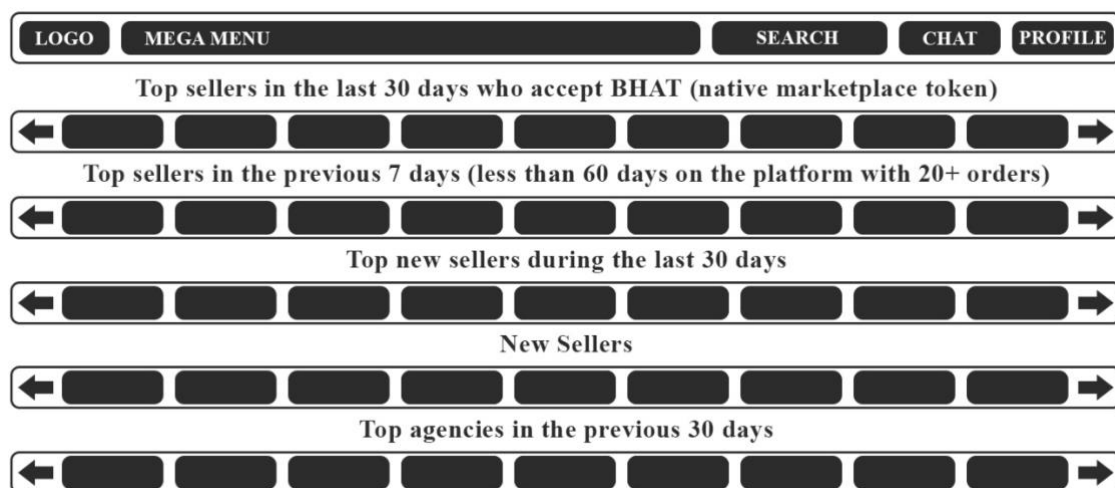
Please see point 2 below to understand better how BH Network will solve the Freelancers Trilemma.

2. The Freelancers Trilemma: Fair, Recurring, Secure



2.1 Fair

Freelancers, agencies, nor customers will ever switch from fiat to crypto without the real potential of equality and fairness. The BH Network marketplace creates fairness to all participants by introducing job slides for each category, subcategory, and search results for different sellers on the first fold for desktop devices and two slides on mobile devices without prioritizing established sellers for higher marketplace revenue.



Note: the image above reflects the view while browsing a category or after a search. The order of the slides will change to match individual user experience and community votes.

Scenario: You have a passion and skill for graphic design and decide to make an extra income for your daily living needs. You find ANY fiat marketplace and the BH Network marketplace. As you are not familiar with freelancing, you join both to make a comparison:

Marketplace	Fiat Marketplace	BH Network
Fees	Up to ~20%	2-5%
Prices	Inflated + ~20% to cover the fees	Real price
Chances to take orders in the first month	Almost none	Day one possibility due to BHN fair algorithm
Cashing out	Up to 5 working days on average + Payment processor 3-7 days	Instant
Chargeback risk	High	No chargeback risk due to the Escrow Smart Contract

Fiat Marketplace Vs. BH Network Marketplace

2.2 Recurring

Why would people switch from a fiat marketplace to a crypto marketplace? In line with the above explanations, the BH Network marketplace will satisfy all requirements in the following ways:

Sellers

- **No forced price increase.** Due to the low fees, no seller will need to increase their prices by at least 15-20% to cover fiat marketplace and payment processor fees.
- **No manipulation.** New sellers will not be pushed to try and trick the algorithm with fake orders - visibility from day one.
- **No payment processor wait times or fees.** Using blockchain technology, sellers will have immediate access to their funds, allowing for instant staking, trading, paying for goods, or withdrawal in any currency without massive exchange or withdrawal fees or wait times, 365 days a year.
- **No fraudulent chargebacks.** Blockchain technology and a custom escrow Smart Contract will provide peace of mind for sellers who accurately and efficiently complete services. If buyers dispute a service, a BH Network auditor will check the contract terms and give credit to the correct party. Payment processors and banking institutes always favor the buyer. They can, in some instances, decline to work with them if too many people file chargebacks, even if they are not warranted.

Buyers

- **No seller prioritization.** The BH Network marketplace algorithm will not prioritize sellers or manipulate the choices of buyers. A simple and intuitive User Interface will provide a clear, modern experience, showing them a multitude of options based on budget and requirements.
- **Same services, lower prices.** Due to low fees, sellers will be able to charge less, thus providing the same standard of work to the buyer at a lower price.

Scenario one: As a buyer of recurring services from a specific seller on a fiat marketplace, the seller invites you to the BH Network marketplace for the same service at a lower initial cost, fewer fees, and a more straightforward process - would you switch?

Scenario two: As a seller of non-refundable services such as e-books, would you invite your customers to the BH Network marketplace with custom escrow services and blockchain technology?

Fact: Global studies show recurring customers are always more beneficial to businesses than new customers, and they assist in the longevity of the marketplace [3].

As an entity, BH Network will earn only a fraction (~18 times less) of the income compared to fiat marketplaces. The team will use that income to maintain a healthy environment with customer support employees, scalability, security, enhanced UI/UX, take advantage of market opportunities, and other costs to support long-term prosperity.

2.3 Secure

Web applications rely on the classical “username & password” credential and similar authentication methods, which are relatively easy to implement and familiar to most developers.

But you cannot compare these traditional methods with asymmetric EdDSA encryption. Blockchain public key cryptography offers superior security and privacy when compared to legacy authentication mechanisms. At the same time, it is a paradigm shift for developers, who often have to rebuild several components in their applications to allow blockchain integration.

The Elrond dApp core components are built using React and Typescript. The npm package installs the library that helps any website and dApp owner authenticate their users and execute Elrond blockchain transactions. Web Wallet, Maiar Login, and Ledger methods for authentication and transaction signing are included, and you can enable all of them to allow users to sign in to your app using their Elrond ID and integrate blockchain transactions into your processes [4].

Using the Elrond Maiar application, all marketplace participants, buyers, and sellers will have a more secure and straightforward method to log in when compared to the classic “sign in with Google, Facebook, Twitter, etc.” method. There are no secondary wallets, usernames, or passwords to forget or lose.

Classic marketplace flow:

1. **Sign in with Google, Facebook, Twitter, etc.**
2. **Pay for a service with a 3rd party provider (card, PayPal, Google/Apple Pay, etc.)**
3. **Log in to third party provider to authorize payment**
4. **Prove you are that person**
5. **Await for confirmation of funds transfer**

The BH Network marketplace flow:

1. **Sign in to the marketplace with Maiar, Web Wallet, or Ledger**
2. **Pay for a service with Maiar, Web Wallet, or Ledger**
3. **Sign transaction with Maiar, Web Wallet, or Ledger**

Simple and secure. Using a single, decentralized application for every marketplace application removed many issues and intermediaries. You are in charge of your money; no provider can lock your funds; you are no longer dependent on other services as Maiar controls all services.

That will be the new normal with the undeniable adoption of blockchain technology, Maiar users, and marketplace users.

3. Staking Rewards

3.1 Reward Calculation and Distribution

The term “reward” used herein designates an incentive to be granted to BHAT holders/users staking BHAT, as described below.

Rewards are distributed in real-time by the following rules:

- **The staking Smart Contract will distribute the equivalent of their participation quota from the staking flow (based on their staked amount) to all the staking addresses.**
- **The total maximum amount of BHAT accepted in the staking pool is 50,000,000 BHAT during the first three (3) years, allowing a minimum 25% APR for the staking addresses via Smart Contract supplementation from the tokenomics staking buffer. After the first (3) years, if the adoption sustains a compounding APR of 28%, the total maximum amount of BHAT accepted in the Maiar DEX Metastaking pool will have no limit.**
- **After the first three (3) years, the Smart Contract rewards will be purely from adoption/marketplace fees.**

The mechanism of these rewards from adoption/marketplace fees is implemented to ensure a wider adoption and active participation of the BHAT holders/users on the marketplace (Platform), an incentive for the active BHAT holders to contribute to the future development and performance of the marketplace. In this respect, the buyers will use a performant Platform to acquire the services and e-products from the sellers, and the sellers will use a fair and performant Platform for an extended period in the future. For simplification, the rewards assure the marketplace's future development and the users/BHAT holders' loyalty.

Given the fact that the users of the marketplace will be BHAT holders as well, by granting them such rewards from the marketplace fees within the staking, as described herein, it will be assured not only their loyalty and active involvement in the development of the marketplace but also a method to reduce indirectly the fees paid by them on the marketplace.

For example, if a user pays fees in the marketplace as a buyer and such user holds additional BHAT, which is in staking, by the reward received from the staking it will result that the fees paid by the user in the marketplace are smaller (by compensation between the fees and the reward from staking) in this scenario than in a scenario in which the user does not put his BHAT in staking.

Taking into consideration the above-mentioned, the utility of the rewards is to assure smaller fees for the users and their loyalty in connection with the marketplace as well as an increased adoption.

3.2 Staking

Staking is capped to 1,000,000 BHAT per address during the first three (3) years to allow a fair distribution of rewards during that period. The minimum stake is 1,000 BHAT. The staking pool will have a cap of 50,000,000 tokens. The first-come, first-served rule will apply. However, people who do not get to stake when the cap is reached will go on a waiting list.

Stakers from the waiting list will not get rewards, but they will benefit from all the marketplace's perks. Whatever amount of BHAT leaves the staking pool gets replaced by the same amount from the queue.

3.3 Unstaking and Unbonding

If a staking address unstakes an amount of BHAT from the staking pool, that amount will be bonded for ten (10) days. During the unbonding period, the staking address will not receive rewards nor marketplace perks for the unstaked amount.

4. Fees

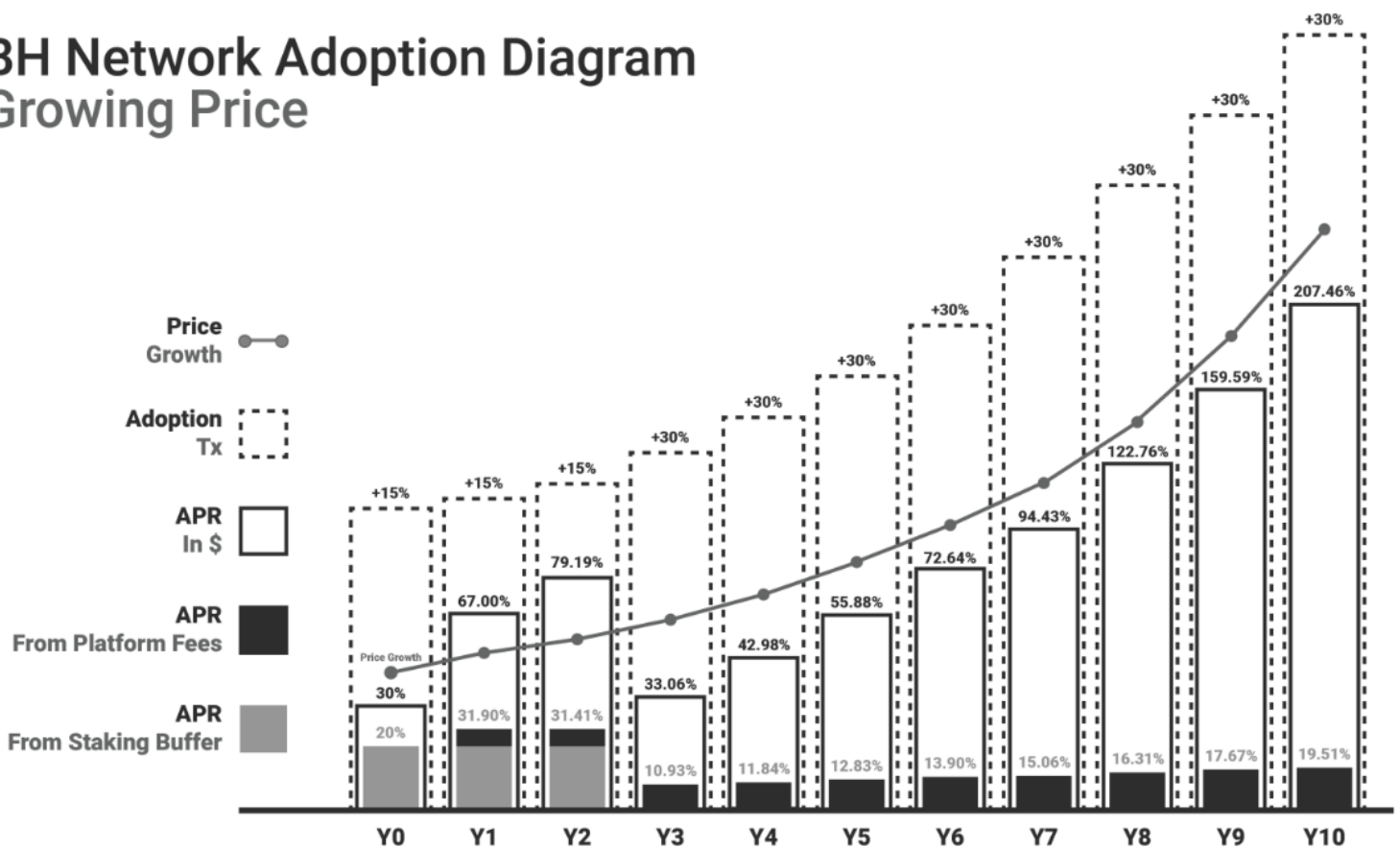
4.1 Transaction and Smart Contract Fees

The token transactions and the Smart Contracts call fees will depend on Elrond Network’s fees as BHAT is essentially an Elrond Standard Digital Token and will be paid in eGLD. If minted on other networks, BHAT transaction fees will depend on the hosting network (Ethereum, Binance Smart Chain, etc.) and paid in their native tokens.

4.2 Marketplace Fees

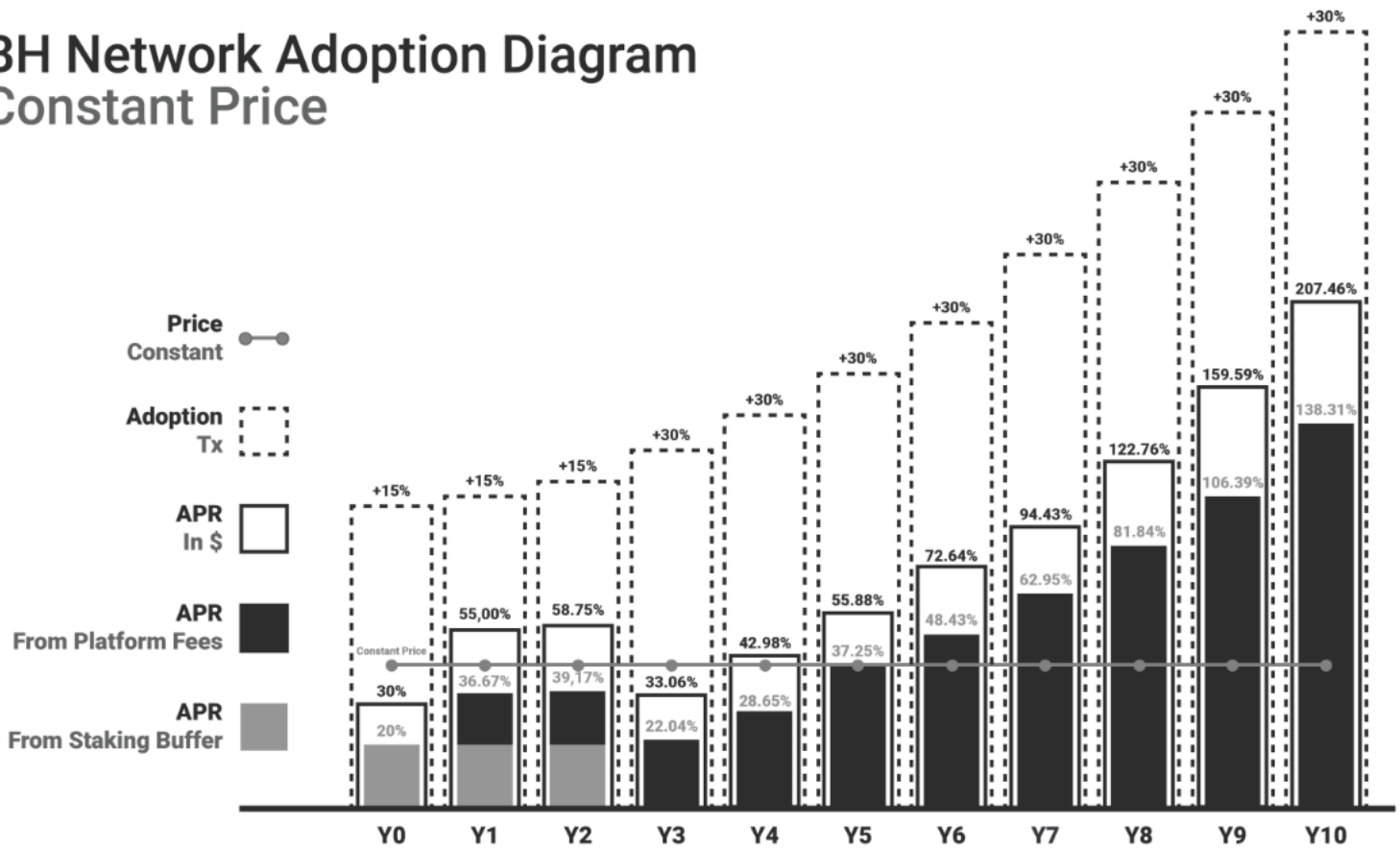
Besides transaction and Smart Contracts call fees, paid in eGLD, the BH Network marketplace will require an approximately 3% fee for using the platform. 70% of the revenue resulting from the fees will help maintain and improve the platform, and 30% will return into the staking Smart Contract and be distributed as staking rewards which will assure user loyalty because the staking rewards will indirectly reduce the fees paid by them in the marketplace.

BH Network Adoption Diagram Growing Price



The graphic (1) above takes a 20% BHAT token price increase per year: APR grows compared with \$ but decreases in BHAT tokens (because we need to reduce the fees in BHAT)

BH Network Adoption Diagram Constant Price



The graphic (2) above takes into consideration a constant price of the BHAT token: APR grows compared with BHAT, but is constant in BHAT token price (because we don't need to decrease the fees in BHAT)

The input data for the above economic flow simulations are better described and managed in the “*Staking BH Network - Economic flows simulations coupled with the economic whitepaper*” tables - link in the Appendix section.

Conclusions based on the above economic simulation flows:

1. Adoption (number of tx in the marketplace) will grow faster, and the token price will follow it. We used a lower rate in this simulation to be conservative.
2. The higher the token price, the fewer tokens we will collect from the fee. Therefore, we will move fewer tokens back to the staking Smart Contract.
3. The inflation from staking will decrease to zero after the first 3 years. From the 4th year, the staking rewards will be paid only from the marketplace tx fees.
4. The APR is a report between the revenue and the BHAT price. If the BHAT price increases with a smaller ratio than the revenue ratio, then the APR in BHAT tokens will increase. However, if the price does not increase, and the report is different, the APR in \$ will increase.
5. Even if the price of the BHAT token is constant, the APR in \$ will increase if adoption increases (because of the staking rewards gathered from the marketplace tx fees).

5. Token Utilities

Here is a list of the utilities that the token will provide:

1. Buy and sell products and services on the marketplace
2. Staking rewards
 - a. The staking, in which, part of the marketplace fees will be moved to staking SC. Such staking represents an incentive offered to BHAT holders/users to assure their loyalty and the future development of the platform.
3. Holding a minimum amount of native tokens will provide you with the following rewards:
 - a. Free listings above the set limit
 - b. Free job applications above the set limit
 - c. Featured listings above other tokens and coins
 - d. Featured seller using native tokens listings
 - e. Extended visibility through weekly newsletters
 - f. Extended visibility on the marketplace, BH.Network, social media, and other marketing channels.
4. Drastically reduced fees compared to other tokens due to the scalability of the Elrond network. (eGLD will match almost identically. Stable coins will require +1-2% extra).
5. A permanent and passive form of free advertising.

Please note the following:

- (i) BHAT can be used to access/buy services/products from the marketplace;
- (ii) There are no guaranteed financial returns arising from holding BHAT;
- (iii) BHAT is not guaranteed against fiat currencies or other assets;
- (iv) No shares are granted in the issuer's share capital (and implicitly neither voting rights in the issuer entity of BHAT), nor other rights regarding the acquisition of issuer's shares (including option rights) by acquiring the BHAT;
- (v) No dividends are granted related to the eventual profits of the issuer to the BHAT holders.
- (vi) BHAT are not securities or other types of financial instruments.

6.1 Properties of Money and BHAT

Fiat currencies and regulations have ruled how people have used the money for as long as people can remember. However, the limitations that come with fiat have crippled the end-users for just as many years. Only backed by governments and their ability to increase circulation at any moment have decreased the value of our money, increasing the price of commodities, with no option for public rebuttal.

One of the most significant issues with fiat currencies, primarily electronic, is the lack of personal control. The requirement to ask for permission, waiting to use your own money, and a high requirement for trust have become routine. Cryptocurrency removed the need for third-party trust, and doing so also removed requirements for permission and waiting. While the use-cases for cryptocurrency are becoming more common, we want to provide the service to a more mainstream market than investments.

Using the BH Network marketplace will allow for an estimated 1.1 billion freelancers to buy and sell services with much lower fees and no third-party limitations. Utilizing the native BHAT token, freelancers will have access to:

a) Utility

Fast, reliable, and low-cost transactions for all individuals to trade currency for services and products. That is the primary reason for the marketplace and native token. Using the token on the Elrond network provides numerous benefits of security, speed, and ease of use.

b) Scarcity

With a fixed max supply model, cryptocurrency removes inflation and stops uncontrollable price spikes through scarcity and limitation of supply. A total supply of 500,000,000 BHAT released over two and a half (2.5) years will assist adoption and reduce the maximum supply over time.

c) Divisibility

A successful currency is divisible into smaller numbers to allow for smaller transactions and purchases and larger purchases and/or transfers while accurately reflecting the value of transactions available in the freelancing economy.

BHAT is divisible with 18 decimal places to allow for price increases while still providing the accurate price reflection of goods and services.

d) Transportable

Currency should have easy transportability between economy members to create use - not only for members of the same country using the same currency but global transfers. Fiat currencies hit a bottleneck in this section; there are few reliable, fast, and cheap ways to transfer currency between members of different countries.

Using the Elrond Network and infrastructure allows for global transfers within seconds, and at a fraction of the cost of any fiat institution.

e) Durable

Physical fiat has its flaws for durability. While that has improved over the years, there are still issues. Some of the problems have been addressed using electronic forms; plastic cards are still easy to lose or break. Digital currency stored in a non-custodial wallet is accessible anywhere you have access to the internet, indestructible, and with the same, if not better, security than traditional banking methods.

f) Lower counterfeit probability

Fiat has always faced the issue with counterfeit money, and 2018 saw around 1 in 10,000 notes being fake in the US alone [5]. Decentralized blockchain technology creates a difficult, if not virtually impossible, currency to counterfeit. -

Appendix

- [Staking BH Network - Economic flows simulations coupled with the economic whitepaper](#)

References

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