



DGF Litepaper

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Contents

Page 1 - **Glossary of Terms**

Page 3 - **Disclaimers**

Page 4 - **Distributed Governance Framework and Digital Rewards**

Page 5 - **Switch Nodes**

Page 6 - **Proof of Action**

Page 7 - **Switch Distribution Engine**

Page 7 - **Switch ERC-20 Token**

The Switch Distributed Governance Framework (DGF) governs the Switch Blockchain. Switch Reward Card DAO LLC is making this Lite paper available for informational purposes on behalf of the DGF.

Glossary of Terms

Action Items

On-chain or off-chain actions valued by the DGF and entitling SWITCH Nodes to Digital Rewards upon validation on the SWITCH Blockchain.

Action Points

Actions Items carry points associated with them. Action Points are only converted into Digital Rewards when validated on-chain by Oracle Nodes.

Digital Rewards

Digital Rewards are SWITCH Native Tokens earned by SWITCH Nodes on the Switch Layer 2 Blockchain when Action Points are validated and brought onto the Switch Blockchain.

Distributed Governance Framework (“DGF”)

The set of rules that manage the Switch Blockchain as voted and adopted by the Switch Node Network pursuant to a Charter that was voted and duly ratified.

Node Governance LLC

A Swiss limited liability corporation acting on behalf of the DGF based on delegation of power.

Oracle Nodes

Smart nodes and/or Lite nodes operated by oracles on the Switch Blockchain to validate on-chain / off-chain actions and insert them on the Switch Blockchain.

Proof of Action (PoA)

A Proof-of-Action (PoA) is a validation of an on-chain or off-chain action by Oracle Nodes.

SWITCH Blockchain

Layer 2 distributed ledger operated by Switch Node Network whose source code is governed and secured by a trustee in Switzerland.

SWITCH Distribution Engine

The distribution system controlled by the DGF allocates Digital Rewards to Node licensees.

SWITCH ERC-20 Token

The SWITCH ERC-20 Token is a Switch Native Token that has been bridged from the Switch Layer 2 Blockchain to the Ethereum Layer 1 Network.

ERC-20 token is the technical standard for fungible tokens created using the Ethereum blockchain. A fungible token is one that is interchangeable with other tokens of the same type. ERC-20 allows different smart contract enabled tokens a way to be exchanged.

SWITCH Native Token

Switch Digital Rewards distributed to Oracle Nodes on the Switch Blockchain. These tokens cannot be purchased and must be earned through on-chain validation of Action items.

SWITCH Nodes

Smart nodes and Lite nodes connected to the SWITCH Blockchain.

SWITCH Node Network

The network composed of SWITCH Nodes licensees spread globally around the world.

SWITCH Reward Card DAO LLC

Switch Reward Card DAO LLC manages the Switch Debit Card and Switch Trading Platform programs within the Switch Ecosystem.

SWITCH Trust

The trust created by Switch Reward Card DAO LLC with the mission to decentralize the governance of the SWITCH Blockchain and secured by Granit Trust Services SA, a Swiss trust company.

Disclaimers

The SWITCH Blockchain genesis keys are held in trust by a Swiss trustee responsible for maintaining and securing the network. The SWITCH blockchain is governed by a Distributed Governance Framework (DGF) composed of the SWITCH Node Network, which is distinct from and not controlled by Switch Reward Card DAO LLC.

Any value derived from SWITCH nodes and Switch Digital Rewards is likely to be uncorrelated with the success or failure of Switch Reward Card DAO LLC and/or the Switch Native Token and/or the SWITCH ERC-20 Token.

Digital Rewards are not available for purchase from Switch Reward Card DAO LLC. Digital Rewards received in exchange for validations on the Switch Blockchain. Digital Rewards is designed to have utility on the Switch platform for the purchase of Switch Reward Card DAO LLC's products and services. The digital reward is not an investment product and may never have any value outside of the Switch platform. Switch Oracle Nodes should not expect to recognize any value from the digital reward other than its utility with Switch Reward Card DAO LLC. Switch Reward Card DAO LLC does not anticipate correlation between the digital reward value and Switch Reward Card DAO LLC business activities.

Distributed Governance Framework and Digital Rewards

Control over the distribution of Digital Rewards resides with the Distributed Governance Framework ("DGF"). The DGF is comprised of Switch Node Network and has been set up to ensure Switch Reward Card DAO LLC does not have control over the governance of the SWITCH Blockchain and the SWITCH Node Network. The DGF will operate according to its Charter, which has been approved by the SWITCH Node Network.

The DGF may delegate certain functions to an independent third party, Node Governance LLC, which is a Swiss-based company focused on administration of governance for node networks and blockchains.

Although the initial Proof-of-Action protocol has been initially designed by Switch Reward Card DAO LLC, it will not be operated by this entity and will not be effective without DGF approval. Future changes to the protocol will have to be approved by the DGF according to its charter.

Certain Action Items take place off-chain as defined in the Charter. Digital receipts are created on Layer 3 when these actions take place and are reported to Layer 2 for validation by the Node Network. Upon on-chain validation, the Digital Rewards are issued to the Switch Node that carried out the validation.

The Digital Rewards are native tokens on the Switch Blockchain and are only granted to SWITCH Nodes based on their validations. These Digital Rewards can be bridged to Layer 1 (Ethereum) as a new ERC-20 token. Upon creation of the Switch ERC-20 Token, the Layer 2 native token is burned and is no longer valid. Digital Rewards cannot be used on Layer 1 and must be bridged to Layer 1 for Layer 1 utility.

Switch Nodes

The Switch Native Token is distributed to Switch Nodes by the DGF based on a predetermined schedule. Switch Node licensees are granted by Switch Reward Card DAO LLC.

There are two types of Oracle Nodes on the Switch Network, each with a different purpose, cost, and Digital Reward mechanism: Lite Nodes and Smart Nodes.

Lite Nodes are affordable nodes that request daily a reduced level of validation work on the Switch Blockchain. While these nodes have much more affordable license fees than Smart Nodes, the Digital Reward mechanism is ever decreasing. Digital Rewards granted to Lite Nodes are defined by the DGF.

Smart Nodes licenses are more expensive nodes as they establish the backbone of the Switch Network. Therefore, Smart Nodes earn full Digital Rewards..

The license to operate a SWITCH Node is granted by Switch Reward Card DAO LLC, which has rights to sell the node related technology; the Node licensee must activate the Node by installing the software and hosting and running it online in order to be entitled to Digital Rewards from the DGF. This allows the Node licensee to participate in the Switch Node Network and get Digital Rewards based on Action Items validated and brought onto the SWITCH Blockchain.

Digital Rewards that Node Licensees receive for their validation work are distributed by the Switch Distribution Engine, which automatically distributes Switch Digital Rewards (paid in SWITCH Native Tokens) on-chain based on a point system. This “point system” is further explained later in this paper.

The distribution of SWITCH will happen in the Switch App Digital Rewards Wallet that is created during the setup process of the Node Licensee's Switch Account, which is a decentralized non-custodial wallet.. The distribution process is secured and validated by the SWITCH Node Network.

Switch's Blockchain is built upon a network of nodes owned and operated by Switch Node Licensees to form the Switch Blockchain. Though integrated with the Ethereum blockchain (L1), the Switch Blockchain incorporates Layer 2 (L2) and Layer 3 (L3) solutions that Switch Nodes power and secure. The Oracle Node structure allows for 100,000 Smart Nodes and 25,000,000 Lite Nodes to guide and shape future decisions about the direction of Switch Blockchain. The more nodes that are activated and run, the more decentralized the Switch Blockchain will become. The DGF roadmap targets full decentralization of the Switch Blockchain over time.

The early founders of Switch own the first 20,000 Smart Node licenses as part of the initial development of the SWITCH Node Network. The percentage of founders' Smart Nodes is 20% of the max supply (20,000 of 100,000 Smart Nodes), which was enough to begin the process of creating a node network that became the Switch Blockchain but allows the community of Switch Oracle Nodes to own the vast majority of Switch's Smart Node licenses in the future. This ensures new initiatives are aligned with the perspective and desires of the community and DGF.

SWITCH will have a maximum supply of 50,000,000,000 tokens, 25,000,000,000 of which will be distributed to Oracle Nodes in the first year of distribution. Each year thereafter, the amount of SWITCH issued on the Switch Blockchain is half of the previous year's allocation.

Proof-of-Action

The Switch Network rewards dedicated users for actions undertaken within the ecosystem through a protocol known as Proof-of-Action (PoA).

Proof-of-Action ("PoA") recognizes energy usage, storage capacity sharing, and active user contributions tied to a given blockchain. This amplifies the potential for the network effect and rapid user growth, by directly rewarding users for bringing more users to the platform and more nodes to the network (both of which support the long-term viability of the blockchain).

Switch Distribution Engine

The Switch Network rewards Switch Oracle Nodes by distributing Digital Rewards through the Switch Distribution Engine based on a point system decided by the DGF.

Points will be granted to Oracle Nodes for off-chain / on-chain validations by making their node available (>6 hours/day).

SWITCH ERC-20 Token

SWITCH native token does not represent any financial value.

Switch Reward Card DAO LLC and its partners may provide an opportunity for Switch Oracle Nodes to bridge SWITCH native token to SWITCH ERC-20 token for various tangible goods or services or other benefits. Switch Reward Card DAO LLC makes no promises regarding the availability of any specific goods or services that will be available for purchase with SWITCH ERC-20 tokens.

Third party goods and services can only be purchased using the SWITCH ERC-20 token.

These benefits, aggregated from several third-party service providers and partners, cover a broad spectrum that includes:

- Bank fees, annual fees and other fees associated with using the Switch Card
- Coupons & gift certificates;
- Redeemable material rewards;
- Loyalty points balance;
- Exclusive discounts through participating partners;
- VIP treatment (i.e., online merchandise shopping, concierge services, travel and experience);
- Exclusive promotions (i.e., free samples with an order);
- Redeemable rewards based on promotions, loyalty, purchase history, etc.;
- Extra benefits (i.e., double points for loyalty program participation of users in promotional settings)

Rewards and other benefits that users receive are redeemable with participating merchants as a discount when purchasing a product or service. They are not intended, in any way, to be financial compensation.