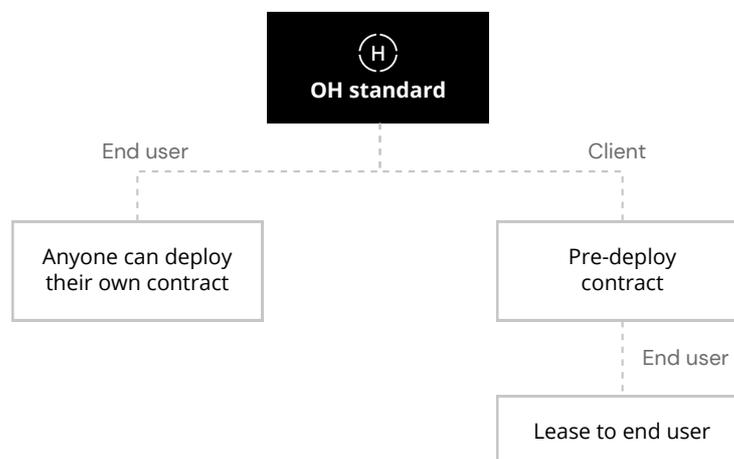


Smart Contract as a Service (SCaaS) – an overview

Much of the development done in DeFi has been driven by business models of questionable stability. The most frequented ones have been related to governance or transaction token issuance. A substantial portion of infrastructure has largely been built pro-bono, without reasonable expectations of creator compensation. To sustain the rate of progress, stable commercial incentives must be introduced that offer attractive returns to new entrants, while avoiding user experience complications in the form of additional token layers. The SCaaS is a framework that allows innovators to build sustainable business models based on the OpenHedge standard.

Client side software – a convenience layer

An end user can interact with an OpenHedge contract directly, or through an intermediary.



Direct contract deployment by end user

Any DeFi system must ensure that it can be used without intermediation, including basic client side software. Any user who wishes to deploy an OH contract, can do so. In this event, the users would have to pay the full contract deployment costs, as well as deal with the rigidities of finding a counterparty for their trade. At the time of writing, a contract deployment cost at times exceeded 1 ETH.

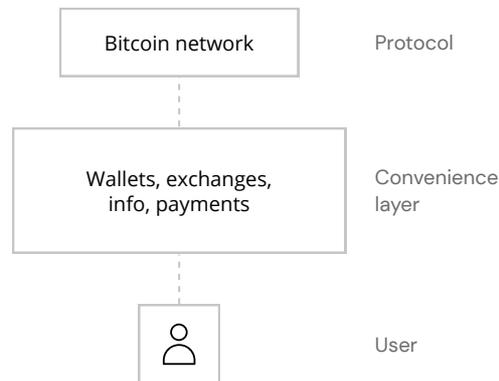
✓ End user advantages	✗ End user disadvantages
Decentralised	User pays full contract deployment fee + gas
Disintermediated	Required technical knowledge
	Requires manually finding trade counterparty

Interacting with OH via clients

Extrapolating from DeFi developments in recent months, we expect most of OH transactions to be initiated via third party clients. This convenience layer is independent of OH and is likely to include a variety of solutions, which will be dictated by the market. We expect a spectrum from simple front end clients (think Uniswap) to feature rich custodial systems (think Binance) – each with their unique trade-offs.

The role of OH client systems

Ultimately the success of the OH standard will be dictated by market adoption and liquidity. As a consequence, the objective is to incentivise the development of said convenience layer, in order to reduce interaction rigidities and facilitate usage.

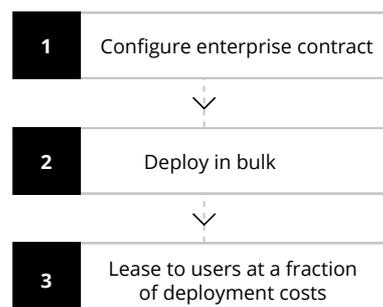


Client side innovators require sustainable business models

Business models reliant on governance or transaction token issuance are inherently unstable, since the success of the product is just one of many factors driving the token value. Many prudent innovators will shun such ventures, not only due to performance instability, but also due to regulatory uncertainty and overhead.

SCaaS – Smart Contract as a Service

Openhedge introduces a new framework to commercially incentivise client side innovation, that also is compatible with decentralised systems and doesn't rely on token driven business models. In addition to the individual contract, OH is releasing a configurable enterprise edition, which will be made available for prospective innovators.



② How it works

- ✓ Innovator configures and deploys OH enterprise contracts in bulk, with themselves as the owner address
- ✓ The innovator can independently decide on the mechanism by which the contracts are assigned to their users – this can either be done via a centralised system or a distributed one (as an example: suppose the innovator decides to ask for a fee to be sent to a centralised wallet, in ETH. Alternatively, this can be regulated by a smart contract.)
- ✓ When a user pays the “contract rent” fee to the innovator, the innovator assigns the contract usage rights to the user’s address, and for the duration of the OH transaction, can not intervene (apart from potential gas coverage)
- ✓ For the user, once the innovator assigns an OH contract to their address, the user faces no innovator counterparty risk – the transaction is continued in a decentralised way
- ✓ At the end of the transaction lifecycle, the OH contract terms are voided, and it can be reassigned by the innovator to other users

⚠ **IMPORTANT:** this model almost entirely hedges the risk of fraudulent activity by the innovator. The user risk is limited to stolen contract rent fees, which are unlikely to exceed a fraction of total contract deployment cost.

👤 The end user benefit

Renting an OH contract instead of deploying a personal one mimics the unit economics of buying a movie ticket, versus setting up a personal movie theatre. While some will find it optimal to deploy personal OH contracts, most will prefer paying a fraction of the deployment costs in the form of a fee.

✓ End user advantages	✗ End user disadvantages
Reduced prices	Potential privacy considerations
Simplified user experience	Intermediated transaction
Reduced counterparty search costs	