

Yield Guild Games (YGG)



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INTRODUCTION

Yield Guild Games (YGG) is a play-to-earn (P2E) gaming guild structured as a Decentralised Autonomous Organisation (DAO) which provides a platform for users to invest in non-fungible tokens (NFTs) in virtual worlds, blockchain-based games and emerging Metaverse ecosystems. YGG was built on the belief that digital economies will someday be substantially worth more than physical and tangible ones and they aim to capitalise on the \$2 billion dollar market of NFTs. As one the most successful guilds at the moment, it combines DeFi, NFTs and gaming to create a new model of employment that is fully guided by its participants.

YGG aims to create the world's largest, sustainable virtual economy by maximising utility, sharing revenue, and empowering users to create assets inside their metaverse — a collective term used for the elements that form a virtual world, including people and objects that form a virtual ecosystem. They hope to build a global community where players interested in P2E games interact with each other and compete to collect in-game rewards.

As part of the guild's investment portfolio and as their principal source of revenue, YGG manages a collection of game-related NFTs, digital assets and virtual land parcels which can be leveraged and implemented in-game by members to produce greater earnings for both themselves and YGG through a revenue-sharing model. For example, players in The Sandbox NFT game can sell or rent their land, Axie Infinity players can rent their Axies to other players (on a profit-sharing model), etc. NFT ownership gains from an increase in the economic worth of the in-game asset, reflected in the value of its NFT on the open market.

The game also contains a play-to-earn feature, where users receive native tokens for in-game activity. YGG's Assets Under Management (AUM) include gaming NFTs from P2E protocols such as Axie Infinity, League of Kingdoms, F1 Delta Time, Monkey Ball, The Sandbox, Illuvium, Star Atlas, Zed Run and many more. It is also very likely that YGG will actively look to expand and acquire more NFTs from up-and-coming, promising games in the future.

Background

The creation of YGG dates back to 2018 when gaming industry veteran, Gabby Dizon, started lending out his Axie NFTs to other Axie Infinity players who couldn't afford to buy them outright. By October 2020, it was clear that Axie had created an innovative employment model that could help players in the Philippines generate additional revenue sources while also enjoying the gameplay.

As a result, YGG was co-founded by Gabby Dizon, Beryl Li and Owl of Moistness in October of 2020 and its primary objective was to introduce as many people as possible to the play-to-earn revolution spearheaded by Axie Infinity, particularly in the South East Asian region.

Gabby Dizon is a part of the team that launched the Axie Infinity and Yearn Finance Communities. Beryl Li is an entrepreneur, an alumnus of Cambridge University who has also served as a president of the Cryptocurrency Society in 2016. She is also a co-founder at CapchainX and is a licensed financial consultant. Owl of Moistness is a blockchain developer who has built algorithms for many bots and NFTs, including Axie Infinity. Today, the Yield Guild Game team has grown to over 20 members, with Nolan Manalo as the head of the gaming operations.

As part of its initial project roadmap, some of YGG's goals include:

- Researching and investing in the most profitable and yield-bearing NFTs in the Metaverse ecosystem.
- Building a global, decentralised economy of P2E Gamers.
- Producing income by leveraging and renting out valuable in-game NFTs.
- Encouraging the development of a global gaming community through active participation in the guild.

Currently, the YGG guild is already one of the largest and most prominent of its kind, having registered almost 250,000 members across its social media platforms and expanded operations into a variety of P2E games.

How It Works

YGG's business model is based on producing real-world, monetary value by creating new virtual worlds and supporting the emerging digital economy through the buying and renting out of top-tier NFTs to players. The main source of income for the DAO platform comes from the ownership of YGG-owned NFT assets, although it's possible to rent them as well. Guild members use these assets, either their own or rented, as a trading currency to obtain in-game rewards, bringing the play-to-earn framework to life and fundamentally expanding its use cases. In-game assets such as virtual lands generate revenue through non-guild members, who rent said land for their economic activities. In-game NFT ownership has advantages for both the guild and players, as they equally benefit from the rise of the game's unique economic value which is reflected in the value of its NFTs on the open market. The dynamic and cyclical market structure revolves around the guild's primary economy as the price of NFTs is influenced by the economic value of in-game assets - the higher the price of the digital asset, the higher the NFT will sell on the open market.

While it is currently feasible to allow players to farm or rent NFT assets, the present ERC-721 token standard does not technically enable such functionalities. Consequently, the process for farming and renting NFTs still remains within a centralised and somewhat siloed environment. To tackle this, YGG has designed an in-house smart contract architecture to issue ownership tokens and create a database to monitor and track ownership and rental assets. This is a cost-effective solution as it does not require any gas fees to be implemented and, this way, users will receive native YGG tokens by renting YGG-owned NFTs and participating in active gaming guilds and these NFTs can come from other games. For instance, Axie NFTs taken from the YGG guild may be used to cultivate Smooth Love Potion (SLP) tokens within the game and the SLP earned during gameplay will be returned to the DAO, with the player receiving a predetermined share of YGG tokens for playing and participating in the DAO structure. To engage with the governance and other features, YGG tokens will be needed.

To be eligible for selection by the DAO, play-to-earn games must fulfil three conditions. The games must have a:

- Virtual economy with a native token;
- Play-to-earn functionality with a reward system for players who are rewarded with native tokens for in-game participation;
- Virtual land-based economy which can be collected/acquired.

YGG's main architecture consists of the following components working in conjunction:

1. **YGG Treasury:** The YGG Treasury is responsible for the management of YGG's assets to maximise value returned to the DAO over time. The Treasury performs economic activities such as the purchase of assets in the form of cryptocurrency,

virtual assets in the metaverse such as land plots, Simple Agreements For Future Tokens (SAFTs), in-game tokens, as well as innovative NFTs that can benefit the development of the GameFi sphere overall. The Treasury is also in charge of managing locked, unvested and undistributed tokens to all guild members and to any affiliated third parties.

The Treasury also provides guidance in events that involve debt, interest payments and acquisition of assets, including any buybacks and future fundraising rounds. It also performs all major financial operations such as accounting, audits, reporting and tax.

The Treasury's assets are currently managed by the three co-founders via a multi-signature Gnosis wallet, with two out of three Trezor wallet signatures required to validate transactions.

2. **YGG Vaults:** Unlike traditional DeFi platforms where tokens are staked to accrue yield at a fixed interest rate or allocated to a liquidity pool to earn a share of the collected revenue, YGG tokens can be staked into a number of different YGG Vaults. Each Vault represents the token rewards derived from either one or all of the guild's revenue sources. For instance, one Vault could be specifically for the revenue from the breeding and sales of Axie NFTs, while another could be for the distribution of revenue acquired from NFT rentals. The token rewards generated from gameplay or NFT lending are distributed to guild members according to:

- The portion of tokens staked by each guild member.
- The amount of revenue generated by the source assigned to the Vault.

This means that YGG Vaults give YGG holders the opportunity to invest in the success of specific components of the guild's revenue stream. This could appeal to investors, as it allows YGG holders who want exposure to revenue from programs such as the DAO's Axie breeding program or the soon to be announced Monkey Ball NFT rental program to stake their YGG tokens in a Vault built specifically for that purpose.

There are also plans to develop a YGG Vault representing a collection of all yield-generating activities, known as the YGG 'Super Index Vault', which will include returns in the form of rewards derived from subscriptions, merchandise, NFT rentals, Treasury performances and an Index of all SubDAOs.

3. **SubDAOs:** A SubDAO is a part of the YGG DAO ecosystem which is customised to focus on the specific activities and assets of a particular game. This enables users to put their game assets to play, and increase their collective yield generated from gameplay. For instance, there is a SubDAO dedicated exclusively to Axie Infinity

players, another to League of Kingdoms, another to Zed Run, one to Monkey Ball, Illuvium, The Sandbox, Star Atlas, etc.

Furthermore, token holders within a SubDAO become 'citizens' of the particular game that the SubDAO is associated with, playing and working together to increase their collective yield generated from gameplay. In addition to this, players within a SubDAO can use assets owned by the main DAO Treasury to better equip and strengthen their in-game characters, thus furthering their potential for greater income while also increasing the quality of their gameplay.

While the primary objective of a DAO structure is to automate the functions of an organisation, SubDAOs can inherently streamline this automation process by compartmentalising it into highly-specialised fractions, boosting the effectiveness of the DAO's native architecture as a whole. SubDAO participation is also motivated by a series of incentives provided by the guild, such as greater DAO contributions dedicated to highly-performant players from a specific SubDAO. This means that the better the SubDAO members perform, the more they can contribute to the overall DAO and, thus, the greater they are rewarded for their contributions.

In addition to the game-specific SubDAOs, YGG is expanding its functionality through the development of regional, DAO-affiliated, geographical partner entities such as the YGG South East Asian SubDAO, or YGG SEA.

- **Regional SubDAOs: YGG SEA**

YGG SEA is designed to expand and bring play-to-earn experiences to the vast global gaming community, starting with South East Asia. YGG SEA was created to capture South East Asia's emerging P2E market and gaming activities and, according to YGG SEA's documentation, the South East Asian region currently offers greater return opportunities compared to other areas primarily because of its large community of gamers and play-to-earn enthusiasts, making it the perfect environment for a localised SubDAO structure.

Countries such as Indonesia, Thailand, Vietnam and Malaysia have an unprecedented young working population that has traditionally lacked spending power due to regional politico-economic instabilities and in 2021, due to the pandemic. However, with the huge financial opportunities offered by P2E, the recorded penetration of play-to-earn ecosystems in the area is currently among the highest and most significant. Therefore, according to its Roadmap, YGG SEA will initially focus on Indonesia, Vietnam, Singapore and Thailand in Phase 1 before eventually implementing its subsequent Phases of expansion throughout all of South East Asia.

The YGG SEA SubDAO comprises a team of Local Operations Experts with deep networks in the South East Asian gaming sphere, and members associated with gaming production giants such as Electronic Arts, Unity, Axie Infinity and Yield Guild Games. Furthermore, they aim to establish multi-country local operations and translation houses, hire regional community managers, set up localised strategic and marketing partnerships as well as tech integrations to ensure efficient fiat on and off ramps, and ultimately create a geographical ancillary entity to Yield Guild's Main DAO ecosystem. The SubDAO is spearheaded by Evan Splytma, Brain Lu, Richie Jiaravanon, Josh Ho and Irene Umar.

The YGGSEA SubDAO Token

Just like YGG, YGG SEA will also implement its own SubDAO native token, called YGGSEA, to allow members to vote in governance proposals, ecosystem reward allocations, local strategic partnerships, LP staking and more. The YGGSEA token has a maximum supply of 1 billion tokens and will derive its value from a combination of these economic principles:

- i. A regional economic index tracking the cumulative yield generated by the SubDAO Treasury's in-game NFTs allocated to local gaming communities.
- ii. The fair value of the NFTs within the YGG SEA SubDAO portfolio.
- iii. A multiple of the SubDAO's social growth and user base.

To date, YGGSEA has raised \$15 million to fund its growth from top-tier VCs in the blockchain space, including Crypto.com Capital, YGG, Infinity Ventures Crypto, Animoca Brands, MindWork Ventures and DCG, among others.

The \$YGG Token

YGG is the native token of the platform and is used in the following functions:

- **Yield farming:** Users can provide liquidity to LPs on other DEXs to earn liquidity mining rewards (i.e. SushiSwap) and a share of the DEX transaction fees.
- **Staking:** Users can stake YGG tokens into the YGG vault, in return receive token rewards from games in the vault. Depending on how the vault is constructed, token rewards can vary from YGG tokens to ETH or stablecoins.
- **Governance:** YGG token holders will be able to vote and participate in governance proposals for the YGG DAO.
- **Transaction fees:** Users can use YGG tokens to pay for services on the network.

YGG will also be used for funding the DAO Treasury, rewarding P2E gamers as well as Yield Guild's advisory team. There is a total supply of 1 billion YGG tokens with a current circulating supply of about 87.9 million tokens. The token distribution is as follows: 45% to support the YGG community, 13% kept in the treasury, 24.9% for YGG investors, 15% for the founders of YGG, and 1.85% for YGG advisors.

YGG held its Initial DEX Offering (IDO) on July 27th 2021 at MISO by SushiSwap. The offering saw YGG raise roughly \$12.5 million, with the token sale distributing 25 million tokens via a Dutch auction at a price of roughly \$0.50 per token. Disappointed investors criticised the sale after 32 wallets exhausted the allocation in just 31 seconds, even though YGG's Discord exceeded 47k members at the time. A single address was also able to acquire 4.5 million YGG tokens (18% of the tokens available in the offering). However, onlookers speculated that this address could have been a liquidity pool. As a result of this and in order to quench any suspicions about possible whale activity, YGG co-founder Gabby Dizon publicly announced that the 32 wallets did not belong to a group of individual whales, but to a different group of investors personally dedicated to the project's long-term vision.

Positives

- If YGG continues to onboard top-tier games which become successes in the long-run, then the future looks promising for YGG token holders.
- The rental offerings that YGG offers are unique and one-of-a-kind in the sense that not many NFT or gaming NFT platforms provide this type of feature.
- In addition to the ongoing development of the YGG Vaults, holders may also be attracted to deposit their assets into these Vaults to earn additional staking rewards from the YGG ecosystem as a whole, benefiting both the token holders and YGG.
- Given the eruption of the GameFi market in 2021, the revenue from P2E games is only expected to grow in the long-term. Thus, assuming that YGG is poised to become the ultimate, go-to gaming guild in the space for players and investors to earn rewards, it is possible that YGG's market and ecosystem value will appreciate over time.

Negatives

- The token allocation at their IDO was exhausted by 32 wallets despite the number of members on YGG's Discord, leading to suspicions of whale activity. However, these suspicions have been refuted by the co-founder, Gabby Dizon.
- YGG is currently trading above the \$5 mark and is down more than 50% from its all-time-high of \$11.50 which it hit in November of 2021.

Exchanges Where You Can Buy YGG Tokens

- Binance
- DigiFinex
- SushiSwap
- Crypto.com
- AAX
- KuCoin
- Huobi Global
- Uniswap v3
- OKEx
- Gate.io
- Upbit
- BitMart
- Poloniex
- ZT
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