



Covalent Query Token Utility

D A T A F O R W E B 3

Covalent provides the industry-leading **Unified API** bringing visibility to billions of Web3 data points.

Developers use Covalent to build exciting multi-chain applications like crypto wallets, NFT galleries, and investor dashboard tools utilizing data from 15+ blockchains. Covalent is trusted by a community of 15,000+ developers and 500+ applications including Ox, Zerion, Rainbow Wallet, Bitski and many others.

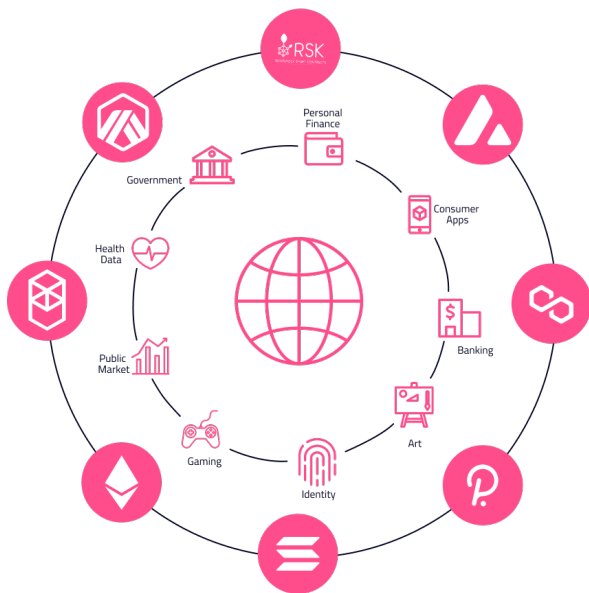
Last updated: 07 December 2021

Introduction

What began as a hackathon project in 2017, Covalent is now the leading indexing and querying solution to access blockchain data. Currently, the **Unified Covalent API** indexes 15+ blockchains and tens of thousands of developers across 500+ projects who come to Covalent for their data needs. DeFi protocols, such as Ox and Zerion, use the Covalent API to pull real-time, granular blockchain data. NFT projects such as Bitski, ChainGuardians, and Ethermon use the Covalent API to power novel features. Even in DAOs, the Covalent API is harnessed to aid in making informed decisions, facilitating governance, and allowing individuals to invest, consume, and participate in the DAO revolution.

Summer of 2020 was pivotal in the trajectory of Covalent - when we decided to make the Unified API a public good. After two years of product development, reaching product-market fit, and being one of the few companies to be profitable, we embarked on an exciting and progressive decentralization journey.

The Covalent Network moves the platform beyond a centralized blockchain data API, enabling token holders and developers to engage with the network in new ways. Furthermore, the network is giving partners the ability to run replicated versions of the Covalent database, turning organized, queryable blockchain data into a public service good. Our ethos, 'One API, One Billion Possibilities' remains exactly the same, just decentralized.



"Broader Web3 adoption requires great application UX and performant access to backend data, but these have historically been constrained by what the direct node RPCs are able to offer. Covalent's unique approach not only delivers performance but also access to an enriched multi-chain data set via their unified API. It's a great fit for Moonbeam developers looking to create next-generation multi-chain applications."



Derek Yoo

C E O

Purestake / Moonbeam Network

Reliable, high-quality data is vital to building performant DeFi applications. With Covalent's data on Avalanche, developers building on the platform will be able to build and launch applications faster than ever"



John Wu

P R E S I D E N T

Ava Labs

CQT : The Lifeblood of the Data Middleware Layer

Over the past couple of years, Covalent has achieved significant traction and growth, establishing product-market fit for the centralized unified Covalent API. In Web3, as more base layers and scaling solutions come into production alongside a greater number of applications, the need for a data infrastructure layer that reliably offers deep, granular, and historical blockchain data is becoming increasingly more important.

The Covalent Query Token (CQT) is an essential component of the decentralized network. CQT is the native token of the network wherein all settlements are denominated in this currency. CQT's functions can be broadly broken down into the following:

Staking & Infrastructure:

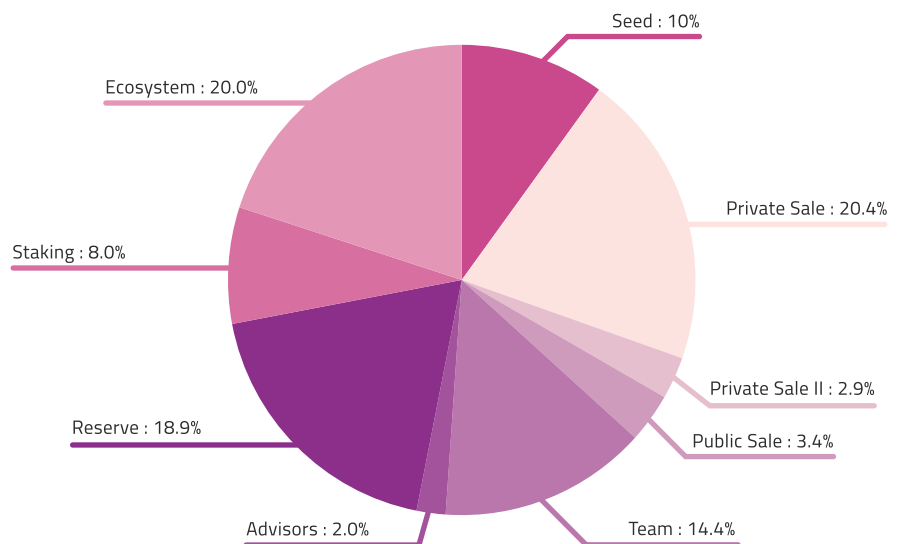
Node operators, who first have to meet the minimum staking requirement to become such, are compensated in CQT for honestly fulfilling their roles (or role), and performing work on the network like validating data requests, indexing blockchain data, and responding to queries. Furthermore, token holders who wish to contribute to securing the network but do not wish to run node infrastructure, can delegate to a validator and earn staking rewards in CQT.

Governance:

Those who hold CQT and have a vested interest in the network will be able to vote using CQT for on-chain proposals put forward by the community.

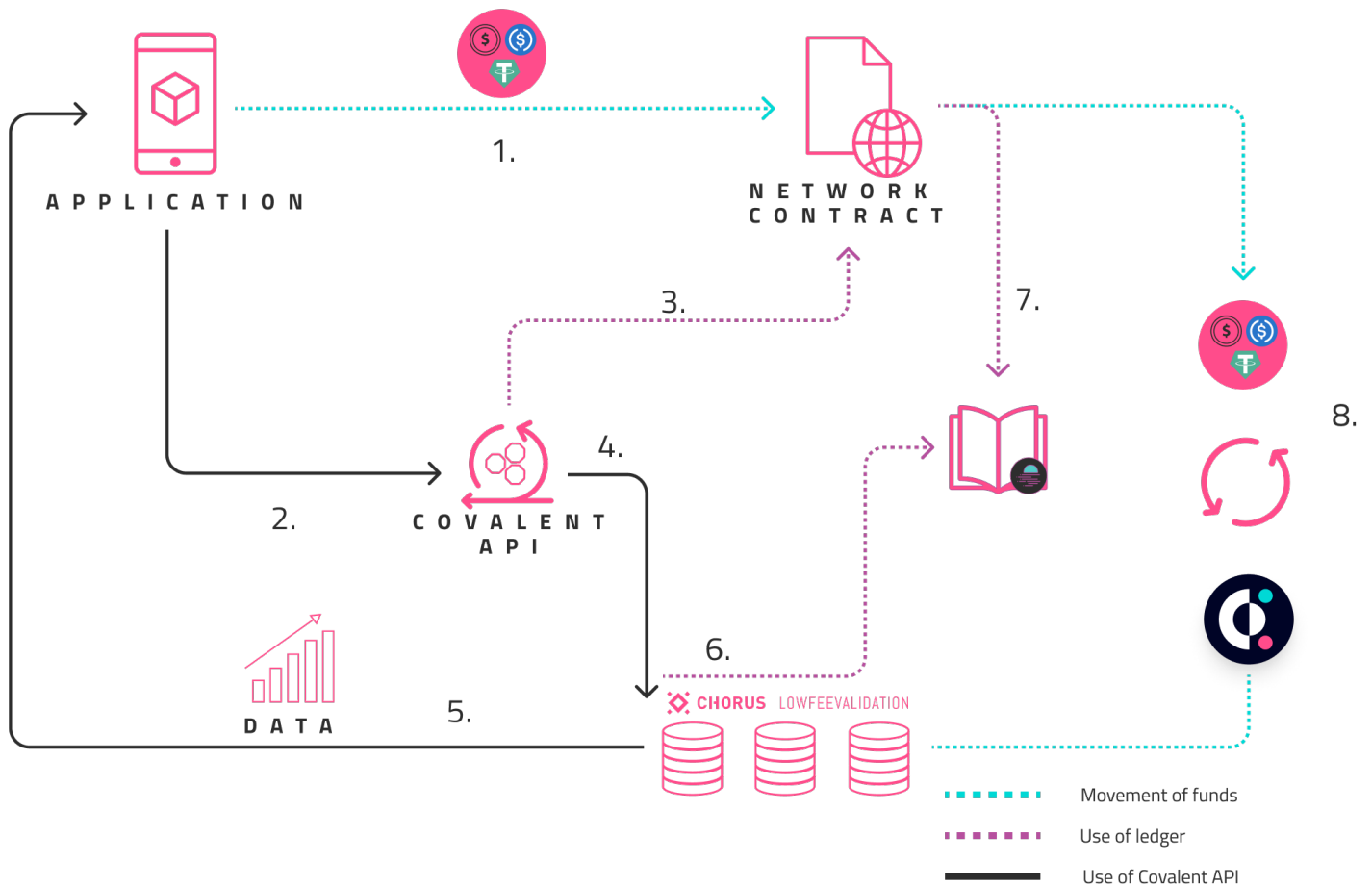
C Q T A L L O C A T I O N

1 billion CQT was minted at the genesis and will be distributed over the course of 4 years.



CQT Operating in the Covalent Network

CQT is not a payment token but is rather a means of settlement. When the network is fully operational, there will be a fee to call the API. When an API call is made, they will pay in a US denominated stablecoin such as USDC. The contract will then perform a market buy of CQT by using this USDC. A portion of the CQT is then distributed to the wallets of node operators as a reward for answering the API query.



1. The application/developer loads their deposit account with stablecoin assets into the network smart contract.
2. The application queries the Covalent API.
3. A check is made to verify that there are sufficient funds in the deposit account before sending the respective query request to validators.
4. The query is sent to the validator to fulfill the request.
5. The desired data is sent back to the application.

6. An entry is made on the Moonbeam ledger with the amount of data that is being consumed, and which validator(s) are fulfilling the request and their cost.
7. The balances between the network contract, CQT and the work performed are reconciled.
8. The USD funds are drawn down from the developer's deposit account and swapped for CQT via a market buy mechanism and settled against a validator's outstanding balance.

There are three primary reasons why the API is priced in a stable currency like USD:

- Stablecoins are the most highly adopted and liquid tokens in the Web3 ecosystem.
- Enterprise customers do not want to hold a token that is susceptible to volatility on their balance sheets.
- It makes measuring the expense of using the Covalent API easier to budget and forecast.

Mechanisms Designed by Governance

There are two sides to the Covalent Network; the supply side, which is made up of indexed blockchains and their respective data as well as the demand side, which consists of the developers, analysts and multiple protocols using the Covalent API.

The mechanism in which the demand side interacts with CQT is discussed above whereby a market buy of CQT will occur each time an API call is made. However, as the adoption of the network increases once live and governance becomes more prominent, it is anticipated further mechanisms will also be designed and implemented. These may include using any ERC20 token to pay for an API call or paying for an API call using CQT for a reduced rate.

Staking on the Covalent Network

Staking will be an essential feature of the Covalent Network. Any node operator of the network will firstly have to stake a minimum amount of CQT in order to become one, no matter the role. This is to ensure the data being captured, provided, and queried by nodes is honest and trustworthy. If it is not, slashing of the parties staked CQT will occur.

Staking Rewards

As a reward for servicing the network, node operators and anyone who chooses to delegate their CQT stand to earn CQT through the automatic on-chain settlement. It is forecasted that APR will range from 10-15% annually, in line with industry benchmarks. And while a cool-down period of 28 days exists for unstaking delegated CQT, rewards can be redeemed immediately.



One unified API. One billion possibilities.

