USDFI Working Paper

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Abstract

USDFI represents a new advancement in the field of decentralized finance (DeFi) by offering the first live implementation of a foundational universal DeFi banking protocol powering a truly decentralized currency. The protocol is designed to provide a one-stop solution for all DeFi needs by bringing the entire DeFi experience under one roof. The non-custodial stablecoin USDFI drives a comprehensive decentralized finance stack and is collateralized by the revenues generated from its liquidity and lending operations. These revenues are held in a protocol-owned on-chain treasury, with proof of reserves to ensure the stability of the system.

The design of USDFI incorporates a low time preference approach, which means that in the short-term, the stablecoin may experience significant price instability and limited user confidence. However, the protocol incorporates various buffers and stability mechanisms to mitigate these risks. One of the key stability mechanisms is the protocol's role as a buyer and automated market maker of last resort for the USDFI stablecoin. The revenues generated by the protocol are used to buy back unlimited amounts of USDFI at a higher price, in perpetuity, until price stability is restored. Over time, this interdependency between user confidence and stability mechanisms will drive a price equilibrium and maintain price stability for USDFI.

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Furthermore, the USDFI protocol has been designed with scalability in mind and does not require USD-linked collateral. This enables the protocol to adapt to changing market conditions and scale as needed to meet the demands of its cryptoeconomy.

In conclusion, USDFI represents a major step forward in the development of decentralized finance by providing a universal DeFi banking solution that brings the entire DeFi experience under one roof. The protocol's low time preference approach, stability mechanisms, and unlimited scalability make it a compelling solution for anyone looking for a stablecoin that is truly decentralized and does not rely on traditional collateral.

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Introduction

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