UNX Financial Protocol Whitepaper:
Release 1.0 (November 15, 2020)

Abstract:

UNX Pool is a group of synthetic yield farmers asset pairs built and tokenized on Ethereum. The goal of UNX is to provide decentralized, trustless, and non-KYC gated leveraged assets for providing Liquidity, Staking, Governance, Lending and Borrowing. UNX assets do not require fund re-balancing or any form of debt. This system enables unique benefits. Foremost there is no need for an individual counterparty greatly reducing counterparty risk. Assets always retain 100% liquidity. UNX supports assets, commodities, or indices that have public decentralized oracles. All fees generated from asset purchasing (minting) and selling (burning) are distributed to UNX holders who stake UNX tokens and liquidity providers.

1-1-0. UNIXDEFI

UNIXDEFI are ERC-20 tokens issued by UNX DAO. There is 100,000,000 total supply of UNIXDEFI. UNX and (DAI, ETH, USDT) can be staked in *Liquidity Reserve* to provide liquidity to UNXPool.

To incentivize UNX holders to stake UNX and DAIs in *Liquidity Reserve*, UNX token implements a reward system with a four-year duration. The rewards will be issued weekly.

1-1-1. **UNX PROTOCOL**

The UNX Protocol run on the Ethereum blockchain as a decentralized application. Designed by a disparate group of contributors, including developers within the UNX Group, its outside partners, and other persons and entities.

The UNX Protocol will be managed by people around the world who hold its token. Through a system of scientific governance involving Executive Voting and Governance Polling, UNX holders govern the Protocol and the financial risks of UNX to ensure its stability, transparency, and efficiency. UNX token locked in a voting contract equals vote right.

UNX is a decentralized, unbiased, Multi Asset-backed cryptocurrency, UNX will be held in cryptocurrency wallets or within platforms, and supported on Ethereum and other popular blockchains.

Users Farm UNX by depositing assets into UNX Vaults within the UNX Protocol. This is how UNX is entered into circulation and how users gain access to liquidity. Others can obtain UNX by buying it from brokers or exchanges, or simply by receiving it as a means of payment.

Once farmed, bought, or received, UNX can be used in the same manner as any other cryptocurrency: it can be sent to others, used as payments for goods and services, and even held as savings or lending through a feature of the UNX Protocol called the UNX Savings & Lending Pool (YSLP).

Every UNX in circulation will be directly backed by other assets, and all UNX transactions are publicly viewable on the Ethereum blockchain.

1-1-2. UNX Vaults (LIQUIDITY RESERVE)

All accepted assets can be leveraged to farm UNX in the UNX Protocol through smart contracts called UNX Vaults. Users can access the UNX Protocol through a number of different user interfaces (i.e., network access portals), and interfaces built by the community.

UNX proceeds from the Asset Auction go into the UNIXDEFI Bond, which serves as a buffer to overall supply that could result from future Asset Auctions and the accrual of the UNX Savings Rate.

If UNX proceeds from auctions and Stability Fee payments exceed the UNIXDEFI Bond limit (a number set by UNX Governance), they are sold through a Surplus Auction. During a Surplus Auction, bidders compete by bidding increasing amounts of UNX to receive a fixed amount of UNIXDEFI BOND. Once the Surplus Auction has ended, the UNX Protocol stores the UNIXDEFI BOND in the UNX Vault.

Liquidity Providers:

2-1-0. Staking/Farming to Provide Liquidity

UNX holders can become liquidity providers by staking their UNX and other approved asset together in UNX Pool. UNX's *Liquidity Reserve* is a multi-collateral-based fund that ensures the safety of the whole protocol since collaterals will not depreciate due to the drop of a single token.

UNX's liquidity providers can receive staking rewards and a portion of transaction fees, however, there are still potential losses involved.

At the launch of UNX, UNX offers generous staking rewards to incentivize UNX Holders to become liquidity providers as well as to encourage early adopters to join and improve the system. Staking Rewards have a duration of 4 years and rewards will

decrease over time. It is our goal to compensate Staking Rewards with transaction fees within 4 years.

2-1-1. UNX Holders Provide Their UNX and (DAI,USDT,ETH) to Balancer Fund

UNX holders must first stake their UNX and an equivalent value of DAIs in *Balancer Fund* in order to earn *FundTokens*, and as the percentage of the rewards and transaction fees is according to the amount of token staked.

Balancer Fund is a multi-collateral fund based on Balancer Protocol that allows traders to invest multiple assets based on the weight of each asset.

2-1-2. UNX Holders Would Get Staking Rewards and a Portion of Transaction Fees after Farming

At the end of each farming, stakers can collect transaction fee sharing and Staking Rewards via Smart Contract API or Strike UI.

The amount of transaction fee sharing shall be proportionate to all Stakers according to their share of *FundTokens* in *Liquidity Reserve*.

Staking Rewards will be proportionate to all Stakers according to the total share of *FundTokens* in *Liquidity Reserve*. Staking Rewards can be claimed 6 months after issued.

2-2-0. UNX Savings & Lending Rate

UNX Savings & Lending Rate (UNTS) allows any UNX holder to earn automatically and natively by locking their asset into the UNTS contract in the UNX Protocol. It can be accessed via the Save portal or through gateways into the UNX Protocol.

The UNTS is a global system parameter that determines the amount UNX holders earn on their asset over time. When the market price of UNX deviates from the Target Price due to changing market dynamics, UNX holders can mitigate the price instability by voting to modify the UNTS accordingly:

Initially, adjustment of the UNTS will depend on a quarterly process, whereby UNX holders first evaluate and discuss public market data and proprietary data provided by market participants, and then vote on whether an adjustment is necessary or not. The long-term plan includes implementation of the UNTS Adjustment Module, an Instant Access Module that directly controls both the UNTS and the Base Rate. This module allows for easy adjustment of the UNTS (within strict size and frequency boundaries set by UNX holders). The motivation behind this plan is to enable nimble responses

to rapidly changing market conditions, and to avoid overuse of the standard governance process of Executive Voting and Governance Polling.

3-1-0. Governance Plan

For Improvement Proposals:

https://unixdefi.com/ will be the main place to propose and discuss the pros and cons of new ideas in the foreseeable future.

For Governance

Team members of the UNX Protocol will make most of the decisions in the early timeframe until we have an on-chain governance portal ready for all the UNX holders. That being said, we'll take the community's feedback into consideration before making any decision, and we'll share our rationale behind a decision in this forum as well.

Use of the UNIXDEFI in UNX POOL Governance

UNIXDEFI—the governance token of the UNX Protocol—allows those who hold it to vote on changes to the UNX Protocol. Note that anyone, not only UNX holders, can submit proposals for vote.

Any voter-approved modifications to the governance variables of the Protocol will likely not take effect immediately in the future; rather, they could be delayed by as much as 24 hours if voters choose to activate the Governance Security Order (GSO). The delay would give UNX holders the opportunity to protect the system, if necessary, against a malicious governance proposal (e.g., a proposal that alters Asset parameters contrary to established monetary policies or that allows for security mechanisms to be disabled) by triggering a Shutdown.

Polling and Executive Voting

In practice, the UNX Pool Governance process includes proposal polling and Executive Voting. Proposal polling is conducted to establish a rough consensus of community sentiment before any Executive Votes are cast. This helps to ensure that governance decisions are considered thoughtfully and reached by consensus prior to the voting process itself. Executive Voting is held to approve (or not) changes to the

state of the system. An example of an Executive Vote could be a vote to ratify Risk Parameters for a newly accepted collateral type.

At a technical level, smart contracts manage each type of vote. A Proposal Contract is a smart contract with one or more valid governance actions programmed into it. It can only be executed once. When executed, it immediately applies its changes to the internal governance variables of the UNX Protocol. After execution, the Proposal Contract cannot be reused.

Any Ethereum Address can deploy valid Proposal Contracts. UNIXDEFI holders can then cast approval votes for the proposal that they want to elect as the Active Proposal. The Ethereum address that has the highest number of approval votes is elected as the Active Proposal. The Active Proposal is empowered to gain administrative access to the internal governance variables of the UNX Protocol, and then modify them.