Privacy-Oriented Financial Instrument Distribution Framework DAO

POFID DAO WHITE PAPER

POFID Framework White Paper

Privacy-Oriented Financial Instrument Distribution Framework & DAO v 1.0

Privacy-Oriented Financial Instrument Distribution Framework DAO

Abstract

Blockchain technology and cryptocurrency provide a more enriched monetary system with opportunities to secure opportunities in different global regions and markets. From the beginning, they have operated fully in a legal blind spot as they lack legal bodies and supervisory entities. This has made them experience a period of wild growth, resulting in cryptocurrencies led by Bitcoin that have rapidly achieved a globally widespread consensus. Afterwards, driven by interests, the market became affected by counterfeiting and scams. After learning painful investment lessons, the market constantly self-restricted its specifications, and with advances and improvements in the supervisory system, cryptocurrencies started to gradually become more standardized.

Libra's (Facebook's newly launched virtual cryptocurrency, Libra is a cryptocurrency that does not seek stability based on the US dollar exchange rate, but seeks relative stability based on purchasing power) emergence may be motivation for change. It could be the world's first cryptocurrency with legal acceptance and protection, and is a widely understood as a StableCoin. It was made with sufficiently large circulation conditions and covers different populations and regions. Moreover, it has made various countries' governments start to pay attention to the possibility of allowing StableCoin in their legal systems.

Libra is definitely not the only StableCoin that has received legal protection. In addition, even if Libra used a basket of low-fluctuation assets as its value's credit endorsement, it cannot confirm its purchasing power's absolute stability. In fact, no currency can have completely stable purchasing power because as long as the pledged asset backing up and corresponding to a currency is a limited asset endorsement, it will definitely be impacted by the stability of these assets.

Therefore, a diversified competitive monetary system is becoming part of the future.

In this POFID White Paper, we will briefly explain the significance of StableCoin for the global economic market, and focus more attention on the design and realization of POFID.

In summary, POFID is a blockchain technology-based framework that provides issuance and management of StableCoin technology and governance.

It is not a monetary system standard. POFID's value is intended to be for when any institution hopes to use cryptocurrency as an option for a universal stable currency, it can provide its convenience during actual operation, while also when formulating one's monetary system, it is possible to have a sufficiently flexible mechanism set as this system's operation guarantee. At the same time, as the POFID framework is becoming more widespread, it will also accumulate a relatively large amount of currency-related practical cases as historical experience for future research and examples.

POFID uses blockchain's technological characteristics to provide its issuance, circulation, and governance process of encrypted StableCoin with a higher level of credibility. 'Code is Law' ensures that most of its governance sector will not be unfair due to human interference. The difference between POFID and most of the market's cases is that it provides a privacy protection mechanism, supports a diversified StableCoin system, and is unlike many other solutions that are ultimately only intended to issue a cryptocurrency that one believes is more stable. Furthermore, POFID also supports many kinds of selected digital assets as StableCoin issuance endorsements that are compatible with multiple mainstream cryptocurrency assets including Bitcoin as asset endorsements issued for StableCoin.

Motivation for Encrypted StableCoin

Blockchain and StableCoin

Blockchain technology's derivative - cryptocurrency - has led to the emergence of a historically unprecedented practical opportunity for borderless free monetary theory. Blockchain technology provides cryptocurrency with a diversified trust mechanism during the issuance and circulation process. Due to its transparent operation mechanism, this type of asset has been able to obtain widespread consensus within a short period of time. In its circumstances of a short ten-year history, Bitcoin has a global consensus basis that enables it to be called a myth. It has also allowed the emerging technology of blockchain to receive widespread attention and exploration of its applications. It is already difficult to investigate whether Bitcoin created the blockchain or the blockchain created Bitcoin, but it is undoubtedly blockchain technology's characteristics that have enabled Bitcoin to achieve this type of high level of achievement in such a short period of time.

In many cryptocurrencies, StableCoin's (for the purpose of convenient description, this White Paper will refer to all StableCoin issued through POFID as SSC) POFID's current role appears to be a special form of existence. In the entire cryptocurrency community, it has a StableCoin with a certain level of influence whose proportion is extremely small, but it actually only has the two functions of a transaction medium and providing dealers' hedging mechanism, in which it plays an enormously important role.

It is fully reasonable to believe that StableCoin's position is not only its current status, as Libra's emergence may be a development opportunity for StableCoin, but if there was no Libra, there would also definitely be other StableCoins that would attempt to gain legal protection from some countries' governments. In case that a precedent would be started, many more countries' governments would permit attempts at this type of market behavior. This is because a single fiat currency is factual proof that when facing a severe financial crisis, there may be relatively large risk that results in significant challenges to its stability. During the 1997 financial

crisis that broke out in Asia, the fiat currency of several countries including Thailand, the Philippines, Indonesia, South Korea, Japan, etc. suffered from an enormous shock and successively experienced enormous devaluations. One of the major reasons for this was that these currencies' value was largely determined based on these countries' foreign exchange reserves. When the economy was in a period of rapid growth, risk often grows with it, banks give out more loans, while foreign exchange reserves become unable to withstand potential risk and guarantee a currency's stability. Moreover, in order to attract more investment, these countries' industrial layout is relatively unitary. As a result, their foreign exchange controls loosen, meaning that concentrated capital can easily overcome these countries' fiat currencies.

Under the prerequisite of being unable to interfere in the market environment, StableCoin has the opportunity to improve the market's risk of single fiat currency circulation in two aspects, which are to diversify the monetary system and provide more options for combined currency issuance credit endorsements.

Diversified Monetary System

The facts prove that a currency issuance mechanism with market competition will have more reliable public trust and longevity. Although fiat and coinage are protected due to laws enacted by the government, as a currency replacement suitable for use in specific regional markets (such as business rewards), its value is based on specific institutional credit, a basket of product portfolio value anchors, etc. as an alternative value endorsement. After many countries accept Bitcoin, this method will possibly result in opportunities in some regions for testing and promoting.

Using competitive control value stability is Friedrich August von Hayek's (Hayek's book *Denationalisation of Money* has an important treatment of this topic) important viewpoint regarding free monetary theory. If currency issuance institutions cannot ensure the stability of their issued currency, the market will quickly suppress their right of currency issuance (the currency it issues will not

continue to be circulated). These institutions are also incapable of using the currency they issue to strengthen the market, as in the case of the government. If these institutions' currency issuance asset endorsements or credit has the ability of being fully trusted by the market, and if the overall market environment does not undergo major changes, it definitely will do its utmost to ensure this currency's stability. In other words, it can have more opportunities to be accepted by the market and undergo circulation. Furthermore, in a situation where the entire market environment undergoes major changes, this kind of currency issuance mechanism that has a certain competitiveness happens to be capable of ensuring to the greatest extent possible that the entire market's currency value will not undergo a systematic and comprehensive collapse. This principle relates to hoarding rice during peacetime and rice becoming hard currency during wartime, which is an investment that ensures asset stability. In the same way, if examining currency from a product perspective (in fact, it is also this way), the logic is the same.

As universal currency's purchasing power becomes more stable, it will tend towards a barter economy's inflation level. In fact, the barter economy era's inflation level can be understood as basically near to zero because even if individual products rise in price due to market demand or supply costs undergo severe fluctuations, the impact on prices of other products is still extremely limited because everything can be exchanged.

In fact, currency's stability is not equivalent to its value being fixed, and laws do not need to anchor some currencies' values and products. However, when controversies arise in terms of currency value, ruling on the anchoring connection between its value and products are two completely different methods. The latter makes it so that when currencies are in a competitive environment, they can maintain their stability within a long period of time. The law permits this type of competitive environment, but at the same time, it can exercise its ruling right of value anchoring. This type of mechanism guarantees the stability of currency in the market.

Although we still have no way of determining exactly how many kinds of universal StableCoins exist on the market, it is concluded that this is the most beneficial situation for economic development. However, even if a singular monetary system has problems, and also has drawbacks produced throughout history, it happens that a diversified monetary system can largely compensate for or alleviate these phenomena. These types of attempts have appeared to be extremely necessary.

More Options for Portfolio Endorsements

Libra is Facebook's newly launched virtual cryptocurrency. It is designed as a cryptocurrency that does not seek stability based on the US dollar exchange rate, but seeks relative stability based on purchasing power. In its earliest prospectus, it chose a basket of several kinds of currencies (including US dollars, Euros, Japanese yen, British pounds, and Singapore dollars) and in some kinds of governance structures, it is supervised as a currency-issuing endorsement.

According to Libra, if it is these asset endorsements of a basket of currencies, and if Facebook can develop banking services, then it is actually a multinational bank that has a wide-ranging user base as well as the ability to issue currency. Institutions in alliances that join Facebook's Libra payment setting can use it to obtain more cross-border users, and Libra's goal is undoubtedly to be a better super-sovereign world currency. However, in case Libra expands, it is actually difficult to guarantee whether the Libra Association can consistently ensure Libra's stability and low inflation level. All monopolies that exist due to self-profit trends and with prerequisites of ensuring their competitive advantage may maximize their pursuit

of profits. As each of Libra's initial circulations produce a profit, currency-issuing institutions undoubtedly are motivated to encourage inflation.

At the same time, even if Libra can enhance support for types of fiat currency asset pledges, Libra is still insufficiently flexible in terms of asset endorsements. It is difficult to imagine that in the future, Libra can support Bitcoin as Libra's issuing asset endorsement, and in case this really happens, regarding Bitcoin, this will undoubtedly create an enormous crisis because Libra will control a large amount of Bitcoin that would be large enough to regulate Bitcoin's price.

Cryptocurrency's Inherent Characteristics

As the technology behind cryptocurrency, blockchain has many natural advantages, including the reliability created by multi-node consensus ledgers, the nonfalsifiability of blockchain data, the safety of node-to-node payment, as well as the ability to use smart contracts to implement pre-payment nonfalsifiable business logic (ensures that all of the business logic you know about before payment will not be revised during payment). In addition, it includes SSC's different digital assets, within which it is possible to use a smart contract to process business logic-based digital assets. The preceding advantages happen to be the drawbacks of a centralized monetary system.
As blockchain technology has already become widespread, this section will not continue to discuss it in detail.

Overview of POFID

1- POFID

The POFID framework is mainly comprised of several parts, including a currency management contract, governance framework contrast and a POFID platform incentive system based on platform currency PFID.

Currency Management Contract (CMC)

A series of smart contracts have constructed SSC issuance and management suite, and these contracts have asset pledge and currency issuance, buyback, monitor fluctuations in collateral value, cross-chain components (with support for digital assets such as Bitcoin that are on the public chain, which can also be used as collateral), payment and clearing systems, etc.

Although POFID's currency management's smart contract function includes all of the basic factors of a monetary system, it does not define specific parameters. When any kind of SSC uses these contracts to build, they can freely define its parameters, such as categories of pledged assets or details of clearing conditions. Moreover, this function provides support for the preceding functions' most basic components. At the same time, it strives to fulfill lower coupling between components. When any kind of SSC is issued, it can use similar object oriented programming to inherit these base components' method in order to complete this new SSC's issuance management mechanism.

When inheriting all of the characteristics of SSC that are included in the new contract constructed by these contracts, SSC uses extremely transparent methods to check or display, and these often embody its competitiveness. Its specific display forms are categorized as governance frameworks.

SSC Contract Governance Framework

The previously mentioned any kind of SSC's issuance and management includes an entire CMC. During the construction process of these CMCs, it does not only define important indexes and parameters of the monetary system, but it is also equivalent to formulating an entire governance framework about this SSC.

These governance frameworks are divided into three levels: command, contract, and decision-making.

Command governance refers to SSC governance being realized through CMC configurations. When CMC is constructed, it can define CMC's default parameters and the realized governance includes: access privileges for CMC issuance and clearing permissions, CMC-related internal variables (can adjust supported asset category, quantity limit, risk control parameters, pledge rate, and buyback anchor value, etc.

Contract governance includes each deployment, implementation, and revision of access privileges that comprises the SSC system.

Decision-making governance refers to a decision-making system provided by POFID to governors of SSC to use for making governing decisions.

These three levels of governance modules can be invoked together.

PFID Incentive System

PFID can be understood as a scoring system for each of the member roles for the POFID platform, participating in POFID's ecosystem usage, governance, and obtaining incentives.

Holding PFID is a necessary condition for using some of the POFID platform's core functions. At the same time, it is also an important incentive for participating in the POFID platform's ecosystem. As for the POFID platform's overall income distribution's income certificates, the latter part of this document will have a more complete explanation of POFID's overall governance structure.

2- POFID's Advantageous Characteristics

SCC Issued Based on POFID Has A Good Privacy Protection Mechanism

SSC's underlying level of public chain technology is based on zero-knowledge proof privacy protection, supports Turing completeness' smart contracts, and can support data privacy protection strategies in the following situations:

a) Account asset privacy, assets in encrypted accounts, and accounts in the POFID system are unable to use blockchain browsers or other public methods to query. Only those who have an account's private key or query a private key can obtain the account's asset information.
b) Transaction privacy, transaction or payment information sent between accounts. In the same way, it is not possible to do public queries, as only those who have both parties' account private key or query a private key can know the transaction's content.
c) Smart contracts' input and output privacy assets, including CMC's (Currency Management Contract) inherent smart contract, which can selectively process privacy protection of input and output assets or data with other conditions.

Although the preceding privacy protection mechanism is necessary in terms of most monetary systems, no user is willing to expose their assets on the public network. However, in fact, existing blockchain-based systems' StableCoins (including DAI on Ethereum) basically do not have this kind of privacy protection mechanism. The only privacy-related aspect is only reliant on the inequality of blockchain accounts and natural persons' information to protect asset privacy. This

means that if it does not spontaneously operate KYC, it can actually use asset circulation chain and rely on accounts with KYC that have already been exposed to follow up on relevant unexposed account information that may be hidden behind corresponding natural persons, while POFID does not have any of these types of problems.

Can Issue Different Kinds of SSC

POFID is an entire StableCoin management framework, and based on POFID, it is possible to issue any kind of StableCoin (SSC), including existing StableCoins such as USDT and DAI, which are all only a kind of StableCoin. Furthermore, they have their own kinds of issuance mechanisms, while POFID cannot be compatible with existing StableCoins' technology and governance systems, but can also support diversified types of currencies while being suitable for formulating different StableCoin standard systems.

Users Can Use POFID, A Customized and More Flexible Currency Risk Control Mechanism

Currency management contracts provide diversified risk control strategies. In issuance contracts, support for transparent auditing of assets can clearly see time limits, price, and other statuses for pledged assets. Moreover, it can publish its pledge rate and warning threshold, as well as its buyback parameters, etc. Risk control management will be introduced in more detail in a later section.

Can Digitize More Complex Non-Homogenous Assets and Participate in Currency-Issued Pledge Endorsements

In the POFID framework, it will support the following several kinds of asset categories:

1- Indigenous Cryptocurrency Assets

As long as issuing institutions are willing, Bitcoin, Ethereum, and other digital assets can all be indigenous cryptocurrency assets, and regardless of whether an

endorsed cryptocurrency has enough stability, this is an issue that the issuing institution and user who is willing to hold this type of SSC must consider. It is also up to corresponding risk control contract mechanisms and clearing systems to protect the stability of SSC's value.

2- Digital Fiat Assets

For asset endorsements resembling those behind Libra, after any kind or multiple kinds of fiat currency assets are digitized, they can issue 1:1 digital assets. The physical fiat currency assets behind these digital assets can implement supervisory duties through an institution such as a bank. However, these corresponding fiat currency assets can be arbitrarily combined as any kind of SSC's asset endorsement. Compared with Libra, after these fiat currencies are digitized, the pledge process and on-chain status can be displayed and trusted through a more transparent method.

3- Non-Homogenous Digitized Assets

This will be POFID's strongest area, and speaking from the perspective of monetary economics, this is not innovation. In fact, currently, the corresponding asset behind many countries' fiat currency issuance is in the form of national debt. However, currency itself does not have time limits, but assets like creditors' rights actually have time limits. After these expire, what usually happens is that it is necessary to revoke the corresponding currency and destroy it. However, it is often not like that, which results in the risk of inflation.

The smart contract technology that POFID uses in its underlying level supports enriched and structured forms of data representation. As a result, it can support digitized expression of non-homogenous assets such as creditors' rights, commercial paper, etc, so this also enables SSC's issuance backing to correspond to more enriched asset categories. Actually, although this type of asset may have definite limitations at a certain time's universal withdrawal, it is not necessarily an unreliable asset, such as national debt that represents government credit.

Can Package Different Digital Portfolios as the Same SSC-Issued Endorsement

All of the previously mentioned asset categories can be arbitrarily combined as any kind of or multiple kinds of SSC's pledge combination. Furthermore, one kind of SSC also can serve as another kind of SSC's asset pledge as long as it has a market that is holding demand.

StableCoin's Asset Endorsement is Compatible With Existing Mainstream Cryptocurrency

The difference between POFID and most other StableCoin is that its underlying level's cross-chain technology and strong oracle machine function can enable other on-chain mainstream assets to also be able to use cross-chain locking of asset pledges as SSC's issuance endorsement.

3- Digital Asset Pledge Contract

DMW (Decentralized Mortgage Warehouse): Refers to decentralized pledged debt position

After assets are digitized into on-chain assets, they can use DMW contract to pledge assets into DMW, while also generating this DMW's corresponding SSC (which is POFID's issued StableCoin).

When customers pour assets into a DMW container and issue SSC, it only freezes this part of the assets' right of dominion in DMW, and the user-issued SSC can also be freely allocated. However, it is only after the user repays SSC that they can get back their pledged assets. Effective CDP is all over-collateralized, implying that collateral's value is higher than that of debt.

POFID provides technological components for building DMW, and each DMW can only accept one kind of portfolio category.

One complete DMW container's definition must include at least the following factors:

Supported asset categories: Each kind of asset must be a name that is independent and has a unique tag, such as Ethereum's ETH and SERO's SERO. When building a SSC's DMW, it is necessary to assign this SSC to a category that supports asset pledges and combined methods.

Pledge cap: The maximum quantity for pledged assets. When this quantity is exceeded, a new SSC will not be issued. This mechanism is mainly used as a threshold control on issue quantity to avoid inflation due to an excessively high issuance quantity.

A permit allowing acceptance of buybacks: A system can be used to generate a buyback authorization, which includes a quota. When accounts are holding this authorization, they can initiate a buyback of DMW, and while they are entering SSC1 from DMW, after DMW is destroyed, its corresponding ASS1 assets are released to the user who initiated the buyback. When the system is at the default setting, it will not generate buyback authorizations. At this point, only users who asset pledges in DMW can initiate buybacks.

DMW containers' usage privileges: When DMW is built, it must define the list of accounts with privileges to participate in this DMW governance and also each corresponding access privilege, including four kinds of access privileges: revisions, asset viewing, warehousing, and clearing.

Call contract whitelist: When contracts are being constructed, POFID permits them to define all of the address lists that are permitted for them to invoke, and this address list can be adjusted by using the predefined governance mechanism.

SLC tag: When any kind of DMW is constructed, you can choose to have a decentralized institution SLC (POFID platform clearing governance committee) to

decide whether this part of assets will have guaranteed minimum disposal (when triggering DMW clearing, auction mechanism will still be unable to reach an asset bid that at least exceeds an amount high enough to fulfill buyback requirements. At this time, SLC will handle tagged DMW assets and complete buyback actions, while SLC's specific operation mechanism will be introduced in a later section).

Case 1: DMW Lifecycle Example

1- To construct a DMW1 container for a kind of SSC, define a cross-border purchasing business' one-month maturity period and 1 million-Euro accounts receivable digital asset (ASS1) as a unique supported asset category. This asset's smallest unit is 1, its precision is 0, it represents 1 Euro of maturity equity, it imposes a cap of 1 million Euros, does not permit secondary public offerings, and when circulation amount is 0, DMW1 is directly destroyed.

2- Generating 1 million new StableCoins SCC1 for ASS1's holders, and choosing to generate a buyback authorization.

3- Holders use 990 thousand Euros to sell this 1 million SCC1, and provide the buyer with a buyback authorization with a corresponding quota.

4- The buyer pays SCC1 to DMW1, and obtains control rights of the pledged ASS1, DMW1 initiates destruction of all SCC1's commands, and completes self-destruction.

4- Mechanism with Value Stability

Although the competitive currency market already contributes to currency stability, in order to prevent systematic overall market risk, it is still necessary to use previously arranged mechanisms to ensure the value stability of all issued currency. This requires solving two core problems, which are: restrictions on currency issuance amount and demand for holding currency, as well as fluctuations in pledged asset value and buyback strategies.

What needs to be repeatedly reiterated in this White Paper is that POFID is a technological framework that builds an entire StableCoin system. As a result, our job will not provide an in-depth definition of these two mechanisms' specific parameter definitions (other than DEMO, within which there are some default parameters). Moreover, it only defines the mechanism's corresponding product modules, and is intended to provide convenience for institutions that identify and actually need these mechanisms to guarantee that their StableCoins have better market competitiveness.

The Relationship Between Currency Issuance Amount and Demand for Holding Currency

In terms of stability, existing StableCoin systems generally only pay attention to the value stability of pledged assets, but rarely consider the supply-demand relationship of the issued StableCoin market, especially in terms of those kinds of credit-oriented currency with a relatively low value pledge rate. In addition, during secondary public offerings, they often also only consider current or short-term growth demand, and also rarely or are unwilling to pay attention to the relationship between demand growth in different historical cycles, buyback trends, and issuance amount. This violates the original intention of using cryptocurrency as StableCoins, even though this currency has a stronger 'principle' and is trusted by the market.

POFID targets these numerical values that may influence value stability (inflation), provides multidimensional monitoring, and permits linking the numerical values that these monitor modules acquire with CMC, enabling CMC's preset strategies to come into effect, and possibly based on changes in these numerical values, initiating actions such as controls, warnings, and clearing and other multiple actions regarding secondary public offerings for currency.

Fluctuations in Pledged Asset Value and Buyback Strategies

1) Possible Factors of Value Fluctuations

Including the previously mentioned pledged asset stability and supply-demand relationship, under the prerequisite of guaranteeing payment and asset privacy, governance institutions can obtain global data about currency's circulation to observe trend changes, build models of supply-demand relationships, and forecast future fluctuation, which can produce the most beneficial governance decision-making for currency stability.

2) How to Monitor Value Fluctuations

When building a SSC's CMC, you can define value monitoring of all of the asset categories supported by the corresponding DMW, CMC includes customized oracle machine (allows the blockchain system to use a decentralized governance method to interact with centralized systems' data), and provides modules to synthesize the data acquired by these oracle machines to construct a flexible risk control system.

3) Passive Pre-Clearing Intervention Mechanism

All CMCs must include a clearing mechanism, including active clearing and passive clearing, and like Case 1, it is a kind of active seeking for a clearing result. Passive clearing mechanism is mainly used to ensure that when DMW pledged assets exhibit severe market fluctuations, in order to guarantee SCC's stability, the settings force these circulating SSCs to initiate a buyback (which may involve some compensation), and be destroyed to ensure that the pledged asset value can still maintain SSC's value stability.

When pledged assets' value fluctuations are monitored and trigger a warning, the intervention mechanism is turned on, and permits the issuer to increase the asset pledge, or actively buys back SSC and destroys it. This fulfills the promise made to the user who is willing to hold StableCoins regarding this currency's stability during the completion of issuance.

4) Buyback Clearing

When any kind of SSC's value is being monitored by the system, it triggers the intervention mechanism before the clearing warning. However, when the intervention action is unable to fulfill the arranged additional pledge or buyback objective within the stipulated time limit, it will trigger buyback clearing as a mechanism to maintain value stability's guaranteed minimum.
PFID clearing governance DAO (a distributed governance institution, abbreviated as SLC) and a pledged assets auction mechanism is a dual guarantee that plays a role during this stage.

When clearing occurs, if this part of the assets can use oracle machine to acquire the price, SLC handles the assets and buys back SSC according to arranged regulations. Otherwise, the POFID platform will start its automatic auction method, and use several default universal assets (POFID's global risk control governance committee maintains these asset lists), enabling assets that are unable to acquire a bid to also be able to clear and use other universal assets that SSC holders are willing to accept for a buyback.

If auction mechanism is still unable to acquire a bid, then SLC disposable-tagged DMW assets can still be disposed by SLC at the guaranteed minimum. Therefore, SLC tags have the final guarantee for SSC's value stability.

5- POFID's Overall Governance Structure

5.1 Underlying Technology Governance

All of the POFID framework V1.0 plan's R&D work is based on the underlying SERO public chain. POFID's initial establishment team completed all of the work involved with V1.0, and V1.0's later versions will contribute to the opening up of technology in global developer communities. Technology governance's decision-making work will be completed by twelve technology knights of the round table. They have an election once every six months, and the first-ranking knight will have two votes when they make decisions.

5.2 DMW Governance

Digitization of assets by using blockchain technology is an irreversible trend, and it can be predicted that new asset categories will constantly appear on the POFID platform as DMW collateral, and POFID's compatibility with assets is also one of its most important characteristics.

The POFID platform is preset with some DMW-standard containers, including support for BTC, SERO, and other assets. It can easily inherit these containers constructed by DMW itself, and can use the same method to support these assets. When new asset categories need to be integrated into the POFID system, governors of DMW will observe and actively add these asset categories' Demo into the DMW warehouse.

Governors of DMW definitely do not exist only to observe the world's new digital assets and maintain DMW warehouses, as they need to provide their own evaluation of these assets, inform governors of risk control of these assets' sources, and help them build value supervision systems related to these assets.

At the same time, governors of DMW also need to use technology methods and knowledge related to monetary economics to evaluate all of the platform's current DMW operations situations that are still operational, conduct preliminary asset risk evaluations, remind governors of risk control of the possible risks, and produce periodic economic reports of the POFID platform's overall DMW status.

5.3 Supervision and Risk Control Governance

A Value Watcher (VW) is constructed by governors of risk control, is in the POFID platform, and conducts value supervision of pledged asset categories in DMW and warnings' smart contract warehouses.

Governors of risk control on the POFID platform are not responsible for specific asset values in DMW, but for different asset categories' values. They use the method of constructing VW contracts to monitor the platform's value fluctuations and to evaluate risks.

The evaluation foundation behind triggers for clearing interventions in CMC and clearing buyback mechanisms' operation mechanism is largely based on these VW in the platform.

Therefore, governors of risk control are mainly responsible for designing the fairest method to evaluate an asset's value fluctuations.

5.4 Clearing Governance SLC

DMW will set the pre-clearing intervention mechanism's condition parameters, at which time the clearing governance committee (SLC) will not immediately play a role, but needs to pay close attention to and constantly prepare intervention. After pre-clearing intervention fails, clearing auction's initiation is an automatic process, but SLC needs to ensure the fairness of each community auction process because each clearing involves asset reallocation.

Clearing allocation mechanism is defined in DMW, and when users purchase a kind of SSC, this represents that they already know the following information:
1. SSC's asset endorsement composition.
2. SSC's DMW clearing method, and whether or not it has SLC's final disposal tag.
3. For SSC in DMW, what kind of method is being used to evaluate asset value.
4. When clearing occurs, after disposing of the part of the asset value that exceeds the StableCoin value, its proportion is used to compensate the part of SSC's held value that is bought back.

As a result, SLC needs to use a public and fair method to supervise the clearing auction process and finally may intervene in the implementation of clearing.

5.5 Mint Cost and Seigniorage (RS)

In the fiat currency system, seigniorage's intention refers to the difference between the cost for currency minting authorities to mint and circulate money and its actual purchasing power. In an era of credit-based currency, fiat currency's form has diversified (with the US dollar as an example, as it even includes coins, banknotes, bank reserves, and demand deposits). Regardless of the situation, the nature of seigniorage originates from interest margin.

More than 97% of circulating currency is created through loans by commercial banks, and in the United States, this number is 95%. In the same way, in terms of finances, SSC's issuance and circulation should add loans to its asset entry on its balance sheet's asset side (future borrowers should return the principal and interest based on the arranged timetable). At the same time, a demand deposits entry with an equal quota (distributed to the borrower) should be added to the liabilities side. The difference between these two entries, when subtracting other mint and circulation cost, is the method for calculating seigniorage.

From a demand perspective, the POFID platform has created new possibilities. In reality, almost all mainstream textbooks about money, banking, and financial markets describe banks as 'financial intermediaries that on one hand absorb savings and on the other hand distribute loans'. In fact, banks have created most of the currency in circulation. As a result, a large portion of seigniorage's profits belongs to banks, which at least is how it is in the United States.

If the main focus of minting is defined as institutions or individuals that own minted endorsed assets, then POFID's pioneering work lies in the ability to make this focus more diverse, while in the same way, seigniorage's allocation also needs to be more reasonable. In POFID, it is defined as the currency issuer mainly being responsible for formulating the main focus of minting, and allocation rights tacitly being granted to issuers, but this can also be arbitrarily set as one or multiple digital accounts.

One aspect is particularly important, which is that SSC is a method of collecting seigniorage, as POFID collects SSC as seigniorage and allocates a part of its profits to PFID holders, and the other part is bought back from the market as PFID and destroyed.

Methods of collecting seigniorage mainly use each of POFID's governance DAO-defined annualized objectives as a standard. Furthermore, methods for paying seigniorage are set based on when currency is issued, and the numbers required for payment are automatically calculated in different periods. DMW cannot be released before an outstanding RS payment. The following abstracts minting actions as the most simplified method to explain mint cost and seigniorage (RS) as well as how to express when minting occurs.

Case 2: RS Payment

We add RS mechanism on the basis of Case 1 to see how it plays its role.
Suppose that POFID's current RS fee benchmark is an annualized rate of 8%.
1- DMW container includes a cross-border purchasing business' one-month maturity period and 1 million-Euro accounts receivable digital asset (ASS1), which represents 1 Euro of maturity equity, imposes a cap of 1 million Euros, and does not permit secondary public offerings. ASS1 holders' options include (the following numbers are only examples):
a) One-time RS payment at issuance, the system gives a one-time payment estimation of 5%, so he needs to pay 50,000 SSC1.
b) Monthly RS payment after issuance, and each time he needs to pay 0.5%, which is 5,000 SSC1.
c) He can choose a one-time RS payment with a 1-year maturity period before a final repayment, and must first pay 8% SSC1.
d) All SSC will have a public estimated consideration with PFID, and according to this consideration, he can choose to pay the same value of PFID as RS.
It is necessary to emphasize here that all RS late fees must be paid using PFID method, while the usage of PFID will be further described in a later section.

6- PFID-Oriented Market

POFID's underlying level uses blockchain technology. However, its core objective is not digital currency production, but is an essential currency scenario for financial and everyday economic operations.

In everyday monetary systems, POFID's system at least can optimize two aspects. One of these is increasing the availability of the market's options for competitive currencies, and the other is that the StableCoins in POFID's system have exceptional advantages in terms of their convenience and ease of payment and settlement. Foreign exchange settlement is currently one of currency's restrictions in global circulation efficiency, and to a certain extent, slows down economic development. POFID can quickly complete point-to-point payment without regional limitations, uses any kind of mutually agreed currency, especially for some transnational enterprises such as Samsung Group, Facebook, Walmart, etc., is fully equipped to issue a 'borderless' StableCoin using its own products or other assets as endorsements, and makes both payment parties willing to use this kind of currency. POFID regards this type of organization as a good choice. Besides these aspects, its uses in prediction markets and gaming economics means that this type of StableCoin also has unlimited potential.

Although POFID is an open-source framework for currency management, it actually is also a securitization tool. As a result, POFID may be very useful in the finance field and the following scenarios:
Borrowing and lending: In supply chain finance, margin trading, hedge funds, including some other financial derivatives such as options and valuation adjustment mechanism contracts, etc. It is a good choice to use POFID as a technological framework to complete transactions involving the realization of assets and settlements.
Cross-border transactions and remittance: It is possible to effectively increase currency stability (at least there will be more options), and it is also possible to enhance efficiency while reducing transaction cost.

Traceability of assets: Charities, non-profit organizations and governmental departments can use POFID to develop transparent and traceable asset management systems, as well as strengthen its public trust.

Business rewards: Encouraging consumption's business rewards system is a method that large enterprises commonly use, but rewards' issuance guidelines often lack public trust. Rewards issuance's endorsement is also like this, and there is almost no mechanism that can reassure consumers that these rewards will not depreciate or even have increased usage limitations. Using POFID's system can effectively develop a 'good' rewards system.

7- PFID Platform Tokens

Core Functions

PFID has a very important role for the POFID's platform governance, and it can be understood as decentralized platform equity. However, it is also possible to make each holding of PFID and participant in the POFID platform's governance flexible as well as accurately match rights and duties.

Governance Access Privileges

First, regarding platform governance roles, held PFID is an income certificate, and is also a threshold to governance access privileges. These governance roles have been successively explained in previous sections, and include governors of underlying technology, DMW, risk control, SLC, and other distributed governance institutions or individual members. It must be emphasized that for governors of the POFID system, these roles use blockchain accounts on the POFID platform as a unique marker.

Related to the POFID platform's global decision-making (such as seigniorage (RS) collection methods), governors use the governance voting system included on this platform to make decisions, and elections for governance roles are also completed using a similar method. Specific and different roles such as whether the previously mentioned SLC is willing to conduct a revealed clearing and buyback for a DWM

asset, or needs a formulated governor to complete decision-making, are all modularized and integrated in the POFID governance framework.

In terms of different governance roles, it is necessary to hold a certain amount of PFID before being able to maintain this role. While these PFID are serving in a governance role, they are entrusted to manage based on the contract. This can allow the governors to ensure a fairer kind of credit guarantee, and when encountering some trust problems, these PFID may act as a part of the punishment mechanism to be deducted and destroyed.

Output Incentives

However, at the same time, as the platform's ecosystem and timeline develops, those in governance roles obtain new outputs of PFID's part as a reward. This part is a reward for governors and will be solidified in PFID output to maintain PFID's platform governance as well as to encourage more capable people to participate in governing the platform.

Global Assets

Furthermore, PFID is also the POFID platform's default global universal asset, and in some scenarios, when it is necessary between all circulating SSC to use a universal asset for consideration, PFID will take on this role, such as paying the previously mentioned penalty for violating regulations.

Dividend Certificate

Finally, there is also the most core value, as PFID holders share seigniorage profits based on their PFID holding amount. However, each time before obtaining seigniorage profits, PFID will lock the warehouse for a period of time unless you give up this time's seigniorage profits.

Issuance Mechanism

PFID has a total output of 10 million units. It is set with a twenty-year overall output cycle that includes a part which solidifies as the governors' quota proportion outputs gradually over twenty years. Its specific allocation mechanism is as follows:

	Quantity	Proportion	Output Time
Underlying Technology Governance	600000	6%	20 years
DMW (Asset Mortgage Warehouse) Governance	300000	3%	20 years
Risk Control Governance	1500000	15%	20 years
SLC (Clearing Governance Committee)	1000000	10%	20 years
Early-stage Investment Firm	1500000	15%	1-2 years
Holder Staking	5100000	51%	20 years

8- How to Participate in POFID

POFID's Official Website: http://www.pofid.com
Twitter:https://twitter.com/pofiddao
Facebook: https://www.facebook.com/pg/pofiddao/
Telegram:https://t.me/pofid
Reddit:https://www.reddit.com/user/pofiddao
Medium: https://medium.com/@pofiddao
POFID YouTube Channel: https://www.youtube.com/channel/UCXD6E6W9pthg-VyQ2rk9YtQ?