

2PI Whitepaper

2PI is a two sided decentralized transactional platform, connecting Fintechs with DeFi via single dAPIs.

Abstract

In 2020-21 two key financial systemic moves managed to confluence. Firstly, the rise of Decentralized Finance protocols, created a massive liquidity inflow into the crypto space, plus the ascent of lending and saving markets, which emerged by the proliferation of liquidity provided on a decentralized basis. This took a Zero to One whole industry to more than \$89bn(1) Total Value Locked in less than a year. We are witnessing a rapid growth of innovation potentially not seen ever in history, which is basically the creation of the internet money rails, all implemented via blockchains.

Secondly, the monetary and fiscal policy experiments run by central governments are leaving the regular person with either no access to credit, or with negative interest rates for saving financial products, plus the world is at skyrocketing levels of leverage accumulation (2). Fintechs are finding hard ways to create products that can cope with this, as well as some of them are making rapid moves to integrate crypto as in their product portfolios. However, they have to attempt this market via centralized mechanisms due to regulation and little or zero knowledge of the DeFi landscape.

DeFi is extremely difficult to navigate, plus the non-compliance perspective of this space leaves regular FinTechs on the sidelines. The amount of paths to get into DeFi leaves this only for the “experts” in the field.

2PI understands the complexities of the fintech/ecommerce companies to leverage the opportunities in the DeFi space in terms of investing and credit markets. Difficulties mainly in terms of UX/UI, compliance and protocols risks.

This is why we aim to take this complexity out of the system, and connect via decentralized APIs any FinTech treasury with decentralized Savings or decentralized Credit products made on the DeFi space, and steered via a decentralized community.

We see 2PI as a two sided decentralized transactional platform, connecting Fintechs with DeFi via single dAPIs. A solution made from developer for developers.

This two side platform is distributed in two “layers”:

1. Fintech Layer: providing a single point dAPI (a decentralized Application Programming Interface) which connects Fintech/Ecommerce players providing them the opportunity to make use of Investment and Credit products as well as build on top for their users
2. DeFi Layer: acting as a community driven with a set of products in which token holders become active participant via 1) staking incentive mechanisms 2) active direction and improvement participation via voting mechanism, 3) participation

on vault strategies and credit products via 2PI grants programs, 4) providing insurance mechanisms for the legacy and defi players

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Introduction

This document describes the role of the 2PI token in the 2PI Protocol as well as in the dAPI ecosystem. It highlights the entities that will be in active use of the token, the benefit of using the network, the architecture of the ecosystem, and the backbone in the form of data infrastructure.

Furthermore, the document describes contract design, and makes proposals on how the governance structure is envisioned at first sight to work in the future. From the Monetary policy perspective (Tokenomics), the ecosystem includes the Fees Structure, Reward and Staking mechanisms.

The last chapter is focused on the Token Metrics, the allocation of the number of tokens to certain groups in the ecosystem together with the rationale and further description.

All the info in the examples hereunder are preliminary data. The purpose of this document is to present the ecosystem, the token utility, as well as the motivation for network participants in the value exchange. The exact numbers and strategies will be developed at a later stage through collaboration with individuals from across the ethereum network.

As presented in our Genesis 2PI will become a two sided platform via the creation of decentralized APIs which will allow Fintech/E-commerce firms to connect and utilize DeFi (dSavings, dCredits) products steered and run by a decentralized organization.

We believe in a Blockchain Finance Future run by open-global networks. A world in which DeFi will become the backbone of every financial transaction, and in which the end user will simply benefit from more efficiency driven by the Internet's new system.

It is therefore our mission to become this infrastructure enabler for future developers.

Design

The principle of our tokenomics model is led by governance mechanism systems which in its roots aims to incentivize participation and become fully decentralized in the future via the token structure.

As a two sided platform structure our ecosystem is led by two layers, the DeFi and FinTech channeled via decentralized APIs. This ecosystem will be driven by the principles of decentralization as its core.

We understand that some areas of this ecosystem will be born with some centralization aspects which should be decentralized in the medium-long term.

Therefore the ecosystem in itself is run by a governance mechanism which is decentralized at its core.

Specifications

The 2PI Protocol, which will be defined by the wider ecosystem, will be composed of interactions between different counterparts; transactions between users, investors, issuers, developers, and others, all of them executed in a secure and decentralized manner.

2PI ecosystem is maintained at first by the DeFi Layer, and then by the dAPI Layer. These two main layers of the ecosystem will blend as one.

2PI tokens in principle will have different incentive mechanisms via the utilization of the DeFi and then the dAPI layers.

2PI is a governance token distributed to 2PI users that fulfill active participation on the protocol. 2PI is not, and not intended to be, a medium of exchange accepted by the public (or a section of the public) as payment for goods or services or for the discharge of debt; nor is it designed or intended to be used by any person as payment for any goods or services whatsoever that are provided outside of the 2PI protocol. 2PI does not in any way represent any shareholding, participation, right, title, or interest in the entities developing the 2PI protocol and/or 2PI, any distributor of 2PI or sale platform, sale partner or exchange, their respective affiliates, or any other company, enterprise or undertaking, nor will 2PI entitle token holders to any promise of fees, dividends, revenue, profits or investment returns, and are not intended to constitute securities in any relevant jurisdiction.

2PI may only be utilized on the 2PI protocol, and ownership of 2PI carries no rights, express or implied, other than the right to use 2PI as a means to enable usage of and interaction within the 2PI protocol.

2PI also functions as the economic incentive to encourage users to contribute and maintain the ecosystem on the 2PI protocol, thereby creating a win-win system where every participant is fairly incentivized for its efforts.

2PI is an integral and indispensable part of the 2PI protocol, because, without 2PI, there would be no incentive for users to expend resources to participate in activities or provide services for the benefit of the entire ecosystem on the 2PI protocol.

The use of the 2PI token is to help decentralize how we operate. In this regard, the use-cases of the token are not for speculation but rather to influence user behaviour within our protocol. Ecosystem participation and incentive mechanisms are described below.

For all the vaults deployed over Polygon and any other L2 solution in the future, 2PI has its native governance token 2PI at its core which will be used as a governance mechanism,

distributed via grants for innovation mechanism, as well as gas for the dAPI interactions and potentially to secure the protocol in the future.

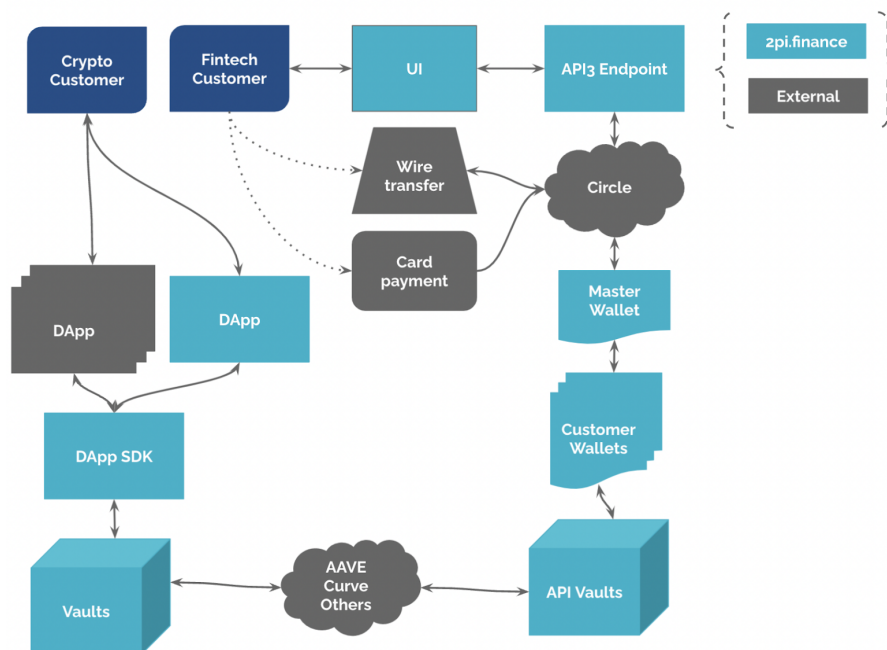
The 2PI DeFi Layer

The DeFi layer consists of all the products built on top of the DeFi protocols that will be used to provide services to the non crypto world moving forward. The first product is a Yield product, which will interact as a “Savings Account” acts today in any financial institution (Banks, Fintechs), by providing interest on their deposits via a safe, secure and decentralized manner.

Users of this first pillar of the ecosystem will be able to obtain the 2PI governance token via different mechanisms, mainly via Liquidity Mining and Airdrop programs, that aim to run for a period of 2 years, and provide different incentive mechanisms such as voting via staking.

Token holders will have active participation in governance, development, improvements, and lead the objective to become a full stack provider of DeFi applications to the legacy world.

Quick overview of both layers architectures

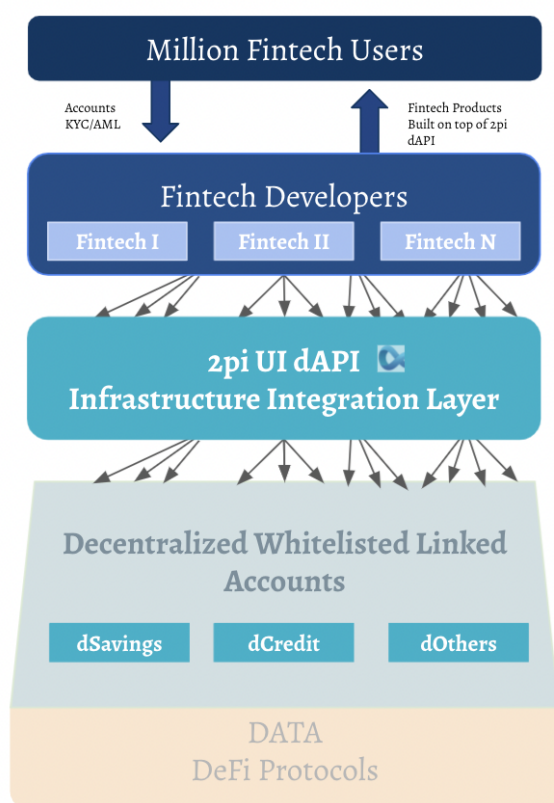


The 2PI dAPI Layer

With less than 1 million wallets on the Polygon side chain, and 175m Metamask wallet operating on top of the Ethereum blockchain, it is more than evident that the main task is to bring non-crypto users to this world, without the hassle of having to navigate all the UX/UI of the crypto ecosystem.

Even though we understand that the dAPI has certain limitations and levels of centralization, we aim to drive this via the community towards a completely decentralized model which interacts between both worlds on a partnership structure with centralized ecosystem players. Therefore we aim to create incentive mechanisms for non-crypto users, to drive this forward.

An overview of the dAPI layer:



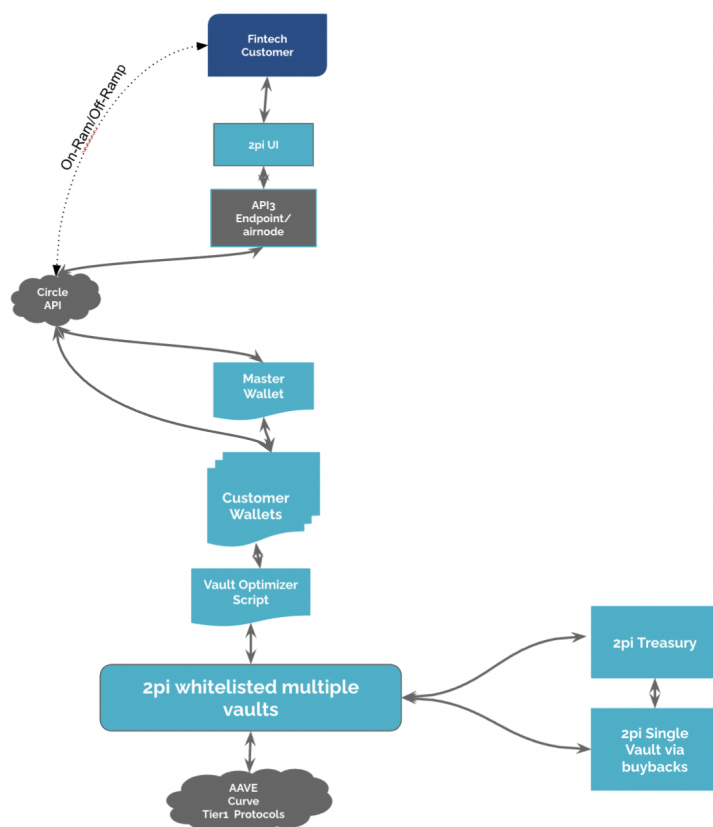
Fintech players will be able to connect their treasury via dAPI or built on top of it and earn yield as a Savings Account in stablecoins. 2PI Savings Accounts Convert their U.S. Dollars to

USDC via an on-ramp|off-ramp partner, and supplies them to the 2PI Protocol to generate secure, and always the highest-yield interest.

This enables fintech to access crypto interest rates while abstracting away operational complexities including cybersecurity, compliance, insurance, private key management, fiat-to-crypto conversion, and interest rate volatility via dAPIs.

2PI allow Fintech to extract value via generating yields on their Treasuries and build solutions for their clients via the 2PI dAPIs

2PI dAPI Architecture sample:



2PI dAPI vaults will have “whitelisted addresses only” for future “compliance requirements”, and be separate from the DeFi listed vaults.

There will be listed a set of vaults i.e. over AAVE, and a script will automate the process for highest yield fund allocation.

Performance fee will be allocated to 2PI Treasury in order to be used for dAPI3 and/or any other utilized dAPP gas transactions, plus aimed at token optimization.

As a governance token, 2PI dAPI vault strategies in the future will be able to actively participate via providing strategies as well as create decentralized credit products. This will be incentivized via grants programs run from the 2PI treasury.

The vault optimizer script will operate and allocate the funds of the dAPI users to the best performer vault strategies automatically.

This allows the 2PI protocol to pursue token optimization and maintain the level of decentralization which will allow it to evolve further.

The 2PI future DAO

At 2PI we understand that in the medium-long term 2PI should be governed via a future DAO. This is the one that has led the creation of the 2PI tokens, its initial structure, and governance mechanism should keep in mind the long term evolution of the main mission, which is the idea of bridging the two worlds.

Principles such as the unbanked in this world should be at the core of the foundation, we believe that DeFi can easily provide access to billions in this world which are being left behind by financial institutions. This could be done in many formats, however we envision this model via developers which is the dAPI interaction that can be achieved. Innovation will be stimulated via this decentralized manner, and our two sided platform protocol foundation is driven by this concept.

We foresee a token governance distribution following the illustrated path: At first the tokens will be held by the DeFi community, investors and founders, and then once the dAPI holders start to enter the space we foresee a distribution relevance be rump up into both areas, making the whole ecosystem more sustainable and balanced.

Ecosystem Participants

We believe each layer of the ecosystem will have different players which will blend in the end.

In the case of the DeFi layer, the first protocol which is the yield maximizer, will have the following network of participants described below.

The protocol itself needs to incentivize the active participation of its token holders. One of the concepts we aim to implement is the long term staking programs, aiming to provide voting power and boosting mechanisms to token holders.

1 -3 or 4 years staking programs which incentivize the users to be in constant involvement on the direction of 2pi are all aimed to move towards a full decentralization of the protocol itself, a community drive approach that participates and leads or actively participates in the development process of 2pi.

2PI DeFi Layer, network participants

Holders & Users	Desired behavior
<ul style="list-style-type: none"> • Investors • Individuals • Founders • Advisors • Developers 	<ul style="list-style-type: none"> • Invest in the protocol and generate usage via sharing mechanism and others • Actively participate in ecosystem development by taking part in staking and voting on the governance process • Provide demand for services available on the platform and actively participate on the growth of the protocol and the potential upgrade for further applications • Actively create products for the dAPI layer via grants programs • Secure the protocol via insurance mechanisms which incentivize staking models

In order to encourage the long term perspective of these participants we have designed a model that pursues this long term perspective. Starting with:

Airdrop distribution:

We aim to have a series of “Tranches” with the goal for token distributions to be done at different times. Therefore we will create different contracts with different expiry times performed via the UMA KPI Option mechanism.

This will make each option not fundable with the other. The KPIs will focus on aiming long term view, and those will be:

1. TVL Options: options will pay out in 3 tranches, ie \$10M, \$100M, \$200M TVLs
2. Market Cap (fully diluted): options will pay out in tranches once different Market Cap of 2PI token achieves. To align this the founders and investors SuperToken distribution model will be streaming to the vaults as well
3. Number of users: options will pay out in tranches once we achieve 2k, 9.5k, 12k users. We will have a referral program to push this as well
4. Number of transactions: options will pay out based on the amount of transactions made by the users in tranches

Minor adjustments could be implemented before the token is launched. And it will be properly communicated.

Liquidity Mining Distribution

In order to make the token distribution a long term mechanism model, we have designed a model which aims to set the token distribution per blocks (in Polygon i.e. each 2.1secs), distributed in a period of 2 years with lockups per year to incentive long term. This will be distributed per vaults, leveraging the wider ecosystem to drive growth and invest in the token pushing for further developments.

We believe the industry is at a tipping point, particularly on looking for more stable long term investments, and beyond the pump and dump models we have seen throughout the DeFi 2020 summer. And our Liquidity Mining proposal is 100% in line with this long term perspective.

Vesting Mechanism for Founders and Investors via SuperToken (Superfluid (3)) mechanisms

Aiming to align all the incentives, we have decided to go ahead with the SuperToken from Superfluid and build up a streaming mechanism for token distribution which will avoid the pump/dump mechanisms that happens on a normal fixed vesting period. With the SuperToken we will aim to offer the possibilities of those tokens also once streamed, to be redirected to the 2PI vaults generating yield and lock-up periods via staking for longer

term.

Vesting mechanisms will be done in 2 years for founders (with a portion released at the end of Y1) with lockups distributed in the same periods and at the end of Year 1 for early backers. In both mechanisms the token will be incentivized to be streamed to the 2PI Vault in order to incentivise long term perspective and generate compounding returns for token holders.

2PI DeFi Layer, network participants

Holders & Users	Desired behavior
<ul style="list-style-type: none"> • Fintech (devs) • Ecommerce (dev) • Users of our users 	<ul style="list-style-type: none"> • Invest their Fintech treasuries to generate return on their Cash Flows • Build products on top for their users connecting directly via the 2PI dAPIs • Utilize future decentralized credit products and build upon it • Create products using the 2PI SuperToken streaming functions (salaries per second) instead of once a month

In order to encourage the long term perspective of these participants we have designed a model that pursues this long term perspective.

Moving forward

As we said, our plan is to make a full stack end-to-end two sided platform to act as a bridge between the traditional financial system and the crypto ecosystem.

dAPI and beyond

Our dAPI will be the final first step on this journey. The main goal is: be an entry point for traditional financial applications, such as e-commerce, fintech and any other player searching for a simple, secure, predictable and direct connection to the decentralized finance space looking at first to make use of high yield savings accounts.

Running the needed infrastructure will have transaction costs associated, therefore our challenge is to make this requirement as smooth and accessible as possible. To deal with this the 2PI tokens could potentially become our main and only “gas” currency that interacts with other dAPI players such as API3. This is part of the potential roadmap. As an example, each dAPI call will cost some amount of 2PI tokens. Then this tokens will be covering the following costs:

- Infrastructure.
- Oracles.
- Other providers.
- Treasury / Token Optimization (to be determined, the main goal will be to maintain and increase the value and utility of the token).

Development

After the initial launch, all community driven development will be done via grants using Treasury funds. The community will propose the change, the pre-DAO Council will make the funds available and whichever completes the feature will be rewarded.

Insurance

We must provide as much security as possible to our users. One last line of defense will be

insurance. In principle the idea is that the cost of this could be covered from an insurance pool, which in turn will be used as collateral. All DAO members should stake there in order to have votes. Another option is to provide the user access directly to insurance protocols such as Nexus.

This will align incentives, since all DAO decisions will be made taking this into account. If some risky move is ahead, it is probable that lots of members will reject it.

Conclusion

In order to create a future blockchain Finance backbone in which all financial transactions will run on top, different actors in the ecosystem will have to build solutions to make this happen.

The challenge of building complete decentralized APIs is a huge task. Building decentralized interoperability models will make the finance blockchain-based infrastructure possible and long term sustainable.

Providing frictionless access to millions of Fintech users to DeFi products such as dSavings and dCredit products, and creating the interoperability for the DeFi users to participate in this global challenge is definitely a paradigm shift. We see 2PI as an active player in the development of this blockchain financial ecosystem.

This whitepaper serves as a general outline of the protocol architecture and technology behind the 2PI protocol and technology decisions may change in the future.

- (1) DefiPulse: <https://defipulse.com/>
- (2) Chart: Debt-to-GDP Continues to Rise Around the World:
<https://www.visualcapitalist.com/debt-to-gdp-continues-to-rise-around-world/>
- (3) SuperToken:
<https://medium.com/superfluid-blog/superfluid-streams-5cc5141dd8a7>