

# BakerDAO Litepaper

Every chain needs a decentralized stablecoin

BakerDAO, a decentralized stablecoin borrowing protocol, has been deployed on Binance Smart Chain (BSC), allows users to generate decentralized BAI by over collateralisation BNB, BUSD, ETH, and BTCT. BakerDAO includes borrow system, BAI liquidation pool, BAI stability pool, BAI repurchase pool, DAO pool, and BKR farming to achieve three ultimate goals: peg BAI at 1 USD, share revenue to BKR and BAI holders and build a prosperous multi-chain BAI ecosystem. So that users can use and hold BAI like BUSD, USDT, other than centralized stablecoin in the long run.

BakerDAO can be seen as MakerDAO + Curve. The decentralized stablecoin BAI is generated through the over-collateralization in the Borrow system. The BAI stability pool ensures that BAI is pegged to 1 USD and provides BAI liquidity. The revenue of the system is shared through the BAI liquidation pool and DAO pool. BKR farming gives benefits to BakerDAO participants, ecosystem partners, and external BKR and BAI liquidity providers. Ecosystem token are distributed to ecosystem partners for expanding the use scenarios and requirements of BAI. In addition, BakerDAO is non-custodial and completely decentralized. All processes are completed based on smart contracts on the BSC. No one has access to users' collateralized assets or the authority to issue BAI and BKR.

BAI, issued by BakerDAO Borrow, is a decentralized, unbiased, and collateral-backed stablecoin which is pegged to 1 USD. With very low volatility, users can hold BAI like BUSD, USDT and other centralized stablecoins. BAI is more secure, decentralized, and censorship-resistant than centralized stablecoin. The generation and flow of BAI are completed through smart contracts, can not be interfered with by anyone or any organization. In addition, BAI holders can also receive the revenue of the BakerDAO system and the rewards of BKR farming.

BKR is the decentralized governance token of BakerDAO. Holders can share the revenue of the BakerDAO system, and use BKR to initiate proposals and vote to perform governance on major events or development directions of BakerDAO. For example, they can modify parameters such as the stability fee rate and liquidation rate of collateral, and decide which new collateral can be supported.

## 1. Six Systems of BakerDAO

BakerDAO includes 6 systems, which is borrow system, BAI liquidation pool, BAI stability pool, DAO pool, BKR farming, and aggregation platform in order to achieve three ultimate goals: peg BAI to 1 USD, share revenue to BKR and BAI holders, and build a prosperous multi-chain BAI

ecosystem.



**Borrow System:** the core borrowing protocol of BakerDAO and the issuing system of decentralized stablecoin BAI. Users can mortgage BNB, BUSD, ETH, BTCB and other assets to generate BAI.

**BAI Liquidation Pool:** system revenue sharing pool. In order to encourage more users to hold BAI in a long term, the BAI liquidation pool is designed to allow users to stake BAI to receive liquidation revenue sharing and get LP to participate in BKR farming to receive much more interests than holding BUSD, USDT and other stablecoins.

**BAI Stability Pool:** also known as BAI hard pegging system, is designed to increase the liquidity of BAI and ensure its stability, when the BAI value deviates from 1 USD, users can arbitrage so that BAI is pegged to 1 USD. The pool allows users to trade BAI and other stablecoins with lower slippage and smoother curve. Initially, BAI, BUSD, and USDT are supported. The BAI stability pool is the foundation of the BAI ecosystem and an important guarantee for the stability and liquidity of BAI. In addition, rewards from BKR farming will encourage more users to provide liquidity to BAI stability pool.

**DAO Pool:** system revenue sharing pool. It is also called the BKR staking pool, is designed to better reflect the value of BKR, encourage more users to hold BKR in a long term, and contribute to the development of BakerDAO. We plan to share 40% of the borrow system revenue with BKR holders, and the remaining system revenue will be used to maintain the stability of the borrow system.

**BKR Farming:** BKR reward pool. It is designed to reward BAI holders, BakerDAO system participants, BKR liquidity providers, and BAI liquidity providers, encourage users to hold BAI instead of other stablecoins in a long term and further participate in the BakerDAO system, maximize the fair distribution of BKR, expand the BKR holders number, and guarantee the interests of BKR holders.

Aggregation Platform: considering the high complexity of BakerDAO and multiple associated systems, an aggregation platform will be designed to allow users to operate easily and maximize the benefits. Multi-actions can be performed with one click, such as borrowing BAI, staking BAI into the liquidation pool, BKR farming, receiving earnings and reinvesting.

## 2. Five Guarantees Make BAI Pegged to 1 USD

BakerDAO guarantees that BAI is pegged to 1 USD through five systems: over collateralization, liquidation module, BAI stability pool, BAI liquidation pool, and BAI repurchase pool. Over-collateralization means that every BAI is backed by collateral which is worth more than 1 USD. The liquidation module is designed to guarantee the over-collateralization rate through liquidation when the collateral value falls. The BAI liquidation pool is a liquidation contract of liquidation module, which is responsible for liquidation and ensure the system has no deficit. The BAI stability pool uses lower slippage and fees to trade among BAI, USDT and BUSD, which can ensure the stability and liquidity of BAI. The BAI repurchase pool will enable the repurchase of BAI with BKR when BAI reaches a certain price.



## 3. Benefits of Holding BAI

As a decentralized stablecoin, BAI has the same stability and convenience as centralized stablecoins such as BUSD and USDT. Users can obtain BAI by exchanging with other assets. And holding BAI in a long term can avoid the risk of assets depreciation. Moreover, users can exchange BAI with BNB, ETH, BTCB, BUSD, USDT and other assets at any time, and the price of BAI is always kept at 1 USD with the mentioned five guarantees. The exchange of BUSD and USDT with BAI is done in the BAI stability pool provided by the BakerDAO system with low slippage and transaction fee. The exchange of other assets with BAI can be done in decentralized exchanges(DEX). BAI stability pool and DEX liquidity providers will be rewarded through BKR farming. In addition, BAI is safer, decentralized, and censorship-resistant, and holders can also receive the revenue sharing

from the BakerDAO system and the rewards of BKR farming. Moreover, BakerDAO will cooperate with more partners, such as decentralized stablecoin exchanges, decentralized lending platforms, NFT platforms, etc. to build more application and profitability scenarios for BAI.

With completely risk-free and loss-free profits, the use of BAI will become a leader of single token staking. BakerDAO provides a method that yields much higher profit than BUSD, USDT and other decentralized stablecoins. This is definitely a great reward for BAI holders, which can help increase the awareness of BAI and expand the base of BAI holders, making BAI a decentralized stablecoin used by everyone.



#### 4. Revenue Sharing

BakerDAO system's revenue consist of three types: Borrow system stability fee, Borrow system liquidation income, and BAI stability pool trasaction fee. The borrow system stability fee is the annual interest for borrowing BAI, the liquidation income is to ensure the stability of borrow system, and the trasaction fee is the transaction fee of the BAI stability pool.



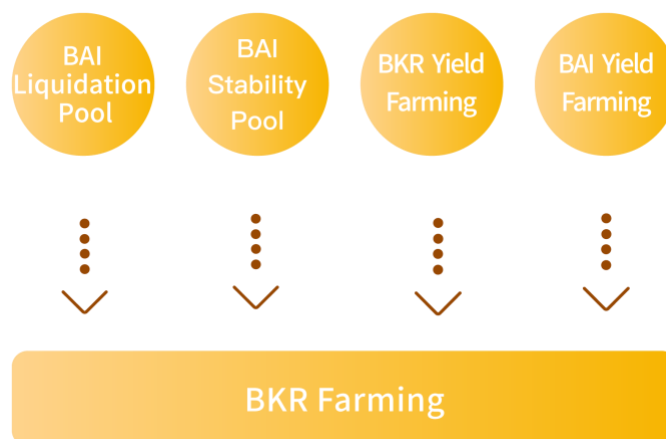
To better guarantee the interests of BAI holders and BKR holders, we will share the revenue with them, by putting revenue into the BAI liquidation pool and DAO pool, using revenue to buy back BKR to encourage everyone to hold BAI and BKR for a long term. Part of the revenue will be

allocated to the BakerDAO team to maintain system stability and operate project. The specific revenue distribution method is as follows:

Distribution	Stability Fee	Liquidation Income	Transaction Fee
BAI Liquidation Pool	--	50%	--
DAO Pool	40%	--	--
BAI Stability Pool	--	--	50%
BKR Repurchase	--	30%	30%
Team	--	20%	20%

## 5. BKR Farming

BKR farming is designed to reward BakerDAO system participants, BKR and BAI supporters. BakerDAO systems such as the BAI liquidation pool, DAO pool, and BAI stability pool, as well as BKR and BAI liquidity providers will be rewarded to encourage users to further participate in BakerDAO, hold BAI in a long term, maximize the fair distribution of BKR, expand the BAI and BKR holder base, and guarantee the interests of BKR holders. In the future, BakerDAO will be deployed on multiple chains, and BKR farming will be launched on multiple chains at the same time.



BKR farming consists of LBAI farming, SBAI farming, BKR liquidity farming, and BAI liquidity farming. LBAI farming is designed to reward participants of BAI liquidation pool (i.e., long-term BAI holders), SBAI farming to reward participants of BAI stability pool (i.e., BAI liquidity providers), BKR liquidity farming to reward external BKR liquidity providers, and BAI liquidity farming to reward external BAI liquidity providers. The detailed distribution method is shown in the table below.

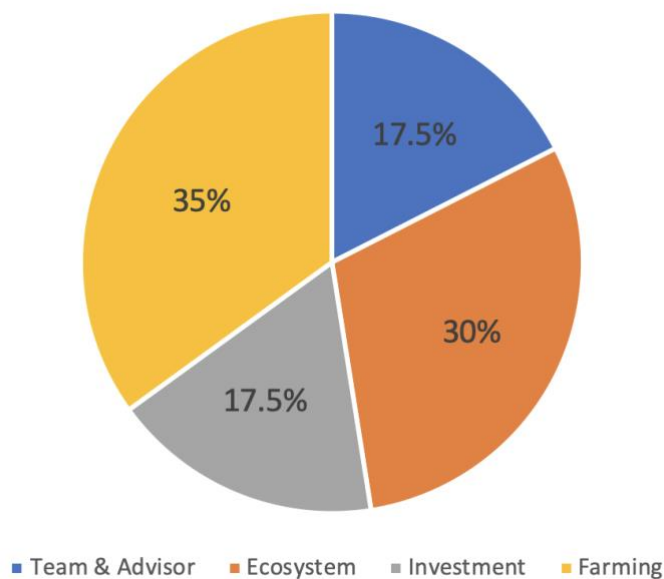
Distribution	Farming on BSC	Farming on other Chains
Rewards to BakerDAO Participants(BAI Liquidation Pool, DAO Pool, etc.)	40%	40%
BAI Liquidity	5%	5%
BKR Liquidity	5%	5%

## 6. Token Economic Model

The total issuance of BakerDAO's governance token, BKR, is 1,000,000, 35% of which will be distributed in a fair manner: farming, to reward participants who contribute to the system. And 30% will be rewarded to the ecosystem. The specific distribution method is as follows:

Distribution	Percentage	Note
Team & Advisor	17.5%	Linear release for 2 years
Ecosystem	30%	Support for ecosystems building
Investment	17.5%	Linear release for half year
Farming	35%	Distributed to system participants

BakerDAO Economic Model



The team will receive 17.5% of the tokens, which will be released linearly in two years, to

support the building of BakerDAO's technology, operations, branding and other teams.

The ecosystem will take 30%. As we all know, BAI ecosystem is an important symbol of BakerDAO's development progress. So BakerDAO reserves 30% of BKR to support the ecosystems building. For example, this portion can be released to support BKR farming of ecosystem projects' token. Similarly, the ecosystem projects need to airdrop a certain percentage of tokens to BKR holders as rewards for above support. The ecosystem projects planned by BakerDAO include decentralized stablecoin exchanges, decentralized lending platform, NFT platform, etc. The ecosystem will grow with the development of BakerDAO, and continue to promote the demand for BAI.

The proportion for investment is 17.5%, as the team believes that with a strong financial foundation, we can build products and BAI ecosystem more quickly. Therefore, the team will have more contact with the capitals. Unfunded BKR tokens after two years will be transferred into the farming part and distributed to system participants.

The proportion for farming is 35%. In addition to the early rewards of external BKR and BAI liquidity, it is more important to provide rewards for BakerDAO systems such as the BAI liquidation pool, DAO pool, and BAI stability pool, to encourage more users to hold BAI, participate in the BakerDAO system and maximize the fair distribution of BKR.

## **7. BAI Ecosystem**

The core function of BakerDAO is to issue the decentralized stablecoin BAI, and the core measurement is the amount of generated BAI. BAI ecosystem is an important part to drive the generation of BAI, besides the BakerDAO systems such as BAI liquidation pool, BAI stability pool and BKR farming. Therefore, the team will focus on establishing a big BAI ecosystem.

Currently, the types of ecosystems planned by BakerDAO include decentralized stablecoin exchanges, decentralized lending platforms, NFT platforms. The system will reserve 30% of BKR to the ecosystem, which will be mainly used for cooperation with the three types of ecosystem projects to expand the BAI application scenarios and greatly boost the demand of using BAI.

The decentralized stablecoin exchanges are the foundation of BAI ecosystem and important guarantee for the stability and liquidity of BAI. The BAI stability pool in BakerDAO is a decentralized stablecoin exchange that enables the exchange of three stablecoins: BUSD, USDT, and BAI. As an important system to stabilize BAI price and provide BAI liquidity, it is also rewarded by BKR farming. In addition, the team will look for and cooperate with external decentralized stablecoin exchanges and provide BKR rewards to ensure the stability and liquidity of BAI with greater efforts.

Decentralized lending platform is an important ecosystem for the use of BAI. Similar to BUSD,

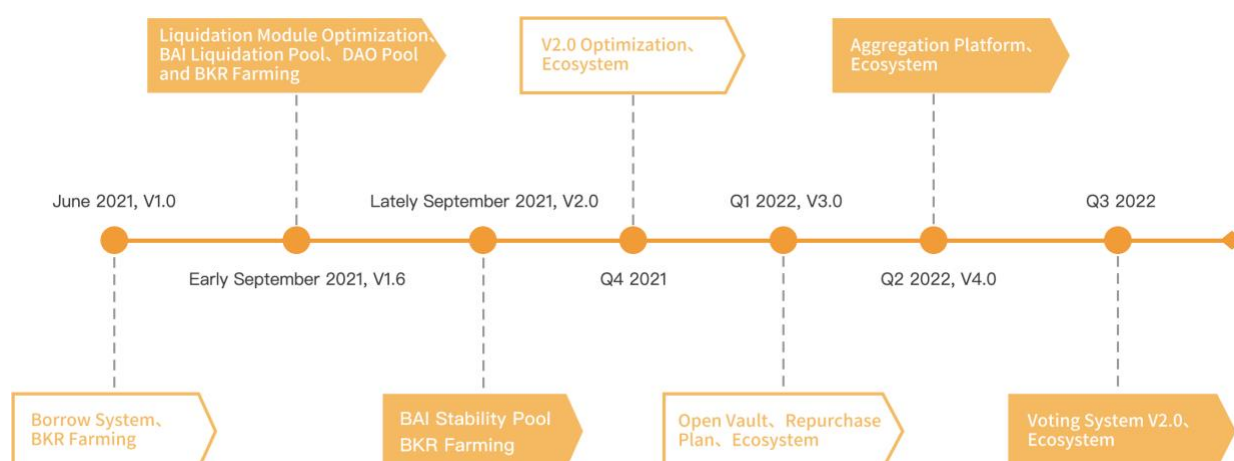
USDT and other stablecoins, BAI needs to cooperate with decentralized lending platform to encourage them to support BAI lending and expand the use scenarios of BAI, ensuring the interests of BAI holders.

NFT platform, which is a difference between BAI and MakerDAO DAI, is the important field in order to find the big growth point of demand for BAI in the trend of emerging cryptocurrencies, and could integrate BAI into the public demand. For example, we will explore the value system of NFT, stake NFT to generate BAI, and solve the long-existing liquidity problem in NFT field. We will also expand the use scenarios of BAI and support the NFT trading platform to accept BAI to buy NFT. At the same time, BakerDAO will release NFT collections together with global designers to use NFT in BakerDAO's internal systems, greatly expand the use scenarios of BAI, BKR and NFT collections, and increase their value.

We believe that after the team focuses on promoting the building of the above three ecosystems, the demand for BAI will definitely be greatly stimulated, and recognized by more platforms and users. A huge BAI ecosystem will be established, and the issuance of BAI will surely have a certain weight in the stablecoin market.

## 8. BakerDAO Roadmap

In the future, BakerDAO will implement and launch the above six systems, and actively build the BakerDAO ecosystem to achieve the three ultimate goals: peg BAI to 1 USD, return profits to BKR holders, and build a prosperous multi-chain BAI ecosystem. So that users can use and hold BAI like BUSD, USDT, other than centralized stablecoin in the long run. The detailed roadmap is shown in the figure:



By now, MakerDAO on Ethereum is the most complex and largest decentralized application in the DeFi world. At present, the issuance of MakerDAO's stablecoin DAI has exceeded 6 billion USD, all issued through the over-collateralization of assets, and the price is pegged to 1 USD. The market



value of the governance token MKR has also climbed up to nearly 3 billion USD. By the innovative products and economic model, the high efficiency and the low gas cost of the BSC, BakerDAO has huge potential market and will definitely reproduce the glory of MakerDAO, become a giant decentralized stablecoin project on BSC and will be also a strong competitor of MakerDAO. Meanwhile, BAI will become a decentralized stablecoin asset that everyone is willing to hold.

More information please refer to: <https://www.bakerfi.com/>.