BitF: A Democratic, Treasury Backed, Proof-of-Stake Bitcoin

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August, 04, 2018

Abstract

BitF (BITF) is a project inspired by the Bitcoin blockchain. The BitF blockchain uses much of the original Bitcoin source with some modifications. It eliminates excessive power consumption associated with mining in favor of proof-of-stake. It has become apparent that almost all cryptocurrencies are extremely volatile. Many coins have launched and failed simply because they ran out of money and support. Its difficult to determine the worth of an asset that produces no revenue and has no assets. Through POS rewards BitF will be able to grow a it's treasury. BitF will buy a basket of currencies providing BitF with a tangible reserve that can be used to inject capital into BitF. When all the coins have been minted - BitF will continue to grow the treasury stake indefinitely through the collection of masternode transaction fees. Throughout the year, masternode participants will be able to vote on how the treasury operates - including the injection of capital through buybacks can occur regardless of market conditions - as long as there is consensus amongst the masternodes. Access to treasury capital will act as a stabilizing force. The goal of BitF is to provide stability and liquidity to asset holders by establishing a Treasury that will operate without a central banker but through masternode consensus. BitF will distribute control of its entire stake to masternode operators who will carry out the financial decisions voted on by all masternode operators. All BitF company coins will be under the control

of masternode Trustees. BitF is a POS coin with a business model that ensures the long term viability of the project. Through the use of POS rewards - BitF LLC will build a treasury of stable assets. Stakeholder will be rewarded for supporting the project through Proof-Of-Stake rewards. Users transacting in BitF can feel confident knowing that there are resources available to keep the project viable and provide liquidity to the market as determined thorough masternode votes which are transparently recorded on our blockchain.

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1. Introduction

Satoshi Nakamoto's contribution to the world was nothing short of genius. His code allowed for the peer-to-peer transfer of wealth in a secure, direct fashion. Wherever there is an internet connection there is the possibility to securely transfer value using Bitcoin.

Bitcoin does not have any economic controls other than the baked-in inflation mechanism that will continue until 21m coins are minted.

BitF is a digital asset backed by its own treasury. This treasury is created through POS rewards and position rebalancing.

POS rewards are paid out to every masternode and stakeholder of BitF. BitF use its POS rewards to buy assets that can later be used to inject capital through masternode consensus.

BitF will purchase a basket of stable coins and precious metal pegs to act as a reserve. BitF masternode operators will have the ability to vote on how these funds are distributed with a yearly budget as well as a quarterly vote on whether or not to inject capital back into the BitF through buybacks at market value.

2. What is Bitcoin and Mining?

Bitcoin is a ledger that is distributed through a large global network of "nodes". The ledger is a record of every coin and every transaction ever made with Bitcoin. When someone initiates a transfer of Bitcoin - each "node" on the network has the task of verifying transactions. When a

number of nodes have verified the transaction it gets written to the permanent ledger and the transaction is complete. Having a global network of nodes with copies of the Bitcoin ledger is what makes the network secure.

With Bitcoin, the verified transactions are added to a block that is produced every few minutes through a process called mining. Nodes on the Bitcoin global network compete to add blocks to the ledger by solving a complex math problem. The computer who solves the problem first gets the block and receives a block reward for doing so. Once Bitcoin reaches it max supply of 21m coins there will be no more block reward and miners will survive on transaction fees alone to keep the network going.

Solving the complex math codes has led to record power consumption by miniers. Mining is expensive and it has a measurable detrimental effect on the environment. The power required to mine has increased over the years to the point where Bitcoin now uses more power than some countries.

3. Eliminating Mining For Proof-Of-Stake

Technology has advanced since Bitcoin was released in 2009. It is no secret that Bitcoin is a major consumer of electricity. Until the 21m coins are minted, data centres around the world generate heat and use copious amounts of power attempting to solve blocks and gain more coins. This mining expedition is obviously a short term exercise until all the coins are minted, but in the meantime, Bitcoin's carbon footprint remains less than impressive.

Proof-of-stake is more economical way to mint coins than mining. Rather than using complex computing power to mine, new coins that are minted are distributed to the masternodes that run the network and to everyone who holds BitF proportionately. POS ensures everyone has a chance to participate and increase their holding without the negative environmental impact of mining.

A masternode is a server run by someone who believes in the BitF project enough that they are willing to put up "collateral". Masternodes process transactions, vote on budgets and host copies of the blockchain. They are paid a portion of POS rewards to offset server costs as well as provide incentive to participate in keeping the BitF network stable. Masternodes are required to put up collateral which is currently set at 5000 coins in order to run a node. Anyone can operate a node using our Linux or Windows software which is available on Github.

The POS reward system pays out 75% of the block reward to masternodes and 25% to anyone holding the coin. This ensures a secure network with lots of nodes and a fair reward to everyone who stakes BitF before the 25m coins are distributed.

4. The Reward Structure

The typical cryptocurrency or digital asset is valued entirely based on the merits of the project. This has lead to intense volatility. The industry has responded with the invention of stable coins and par tokens. Stable coins are excellent instruments but they lack the upside crypto provides. These smart “pegs” provide a break from volatility without the need to involve traditional finance.

Our reward model involves another layer of sophistication than simply being a POS coin. BitF will use POS rewards to establish and grow a treasury. BitF masternodes will decide on budgetary issues including capital injection through BitF buybacks.

BitF will transparently show current holdings on its website which will help establish a value for the asset. The treasury will be run democratically through the masternode system allowing stakeholders to decide on budgetary measures.

The combination of scarcity and a treasury reserve make BitF unique and ensures its long term viability.

5. BitF Structure

BitF is the Bitcoin based asset with a democratic treasury. Masternode operators will have control over the use of treasury funds - decisions will be made based by the participation of node operators. The BitF stake belongs to the coin itself. The stake enables the establishment of a Treasury as well as adding additional scarcity as BitF can never sell off its stake.

Initial Budget
USD-T 100%

The initially Treasury stake will be invested in USD-T until the masternodes approve a new budget which will be voted on in the first three months after listing on exchange.

POS rewards will be allocated so 80% will be directly invested in the treasury. 15% of the reward will remain as part of the company stake and 5% will go toward operational and development costs.

6. Masternode System

The masternode system is a democratic system that requires a user to stake at least 5000 coins in order to run a node on our network. As an owner of the node they are entitled to rewards for

the cost of their time and energy. This system is different than the original Bitcoin codebase as it allows for participation by committed stakeholders rather than miners ensuring a more stable network.

BitF will be creating a repository on its site for Masternode operators to post proposals for changes. These proposals will be voted on every quarter when the budget is voted on. There is no ability to vote for sections of a proposal - so it is up to the masternode operator to consult with other operators via discord or other means to ensure that their proposal will be accepted as is.

As we enhance our codebase masternodes will have the ability to reject or accept changes - or propose their own. Running a masternode on the BitF network can be done with an inexpensive VPS server. Through running your own node you can submit proposals and vote on changes to the economy and the project.

Regardless of what happens in the crypto world - our masternode operators will have the option to vote to buy back coins ,increase volume and increase scarcity. Masternodes represent an investment in the project and through democratically managing the reserve they are able to make decisions in the best interest of the platform and all BitF holders.

BitF is a unique digital asset in the sense that it has mandated itself to create a community run treasury. By having masternodes participate in voting - the treasury will operate democratically without need for a central banker.

6. How is BitF Distributed?

BitF is built on a Bitcoin base which means that it is a scarcity coin - there is a limited supply of 25m BitF. No other coins will ever exist.

There are 17.5m coins that are yet to be discovered - these coins will be distributed via POS rewards to masternodes and anyone who holds the coin until the total 25m have been minted.

7.5m was premined to help secure a stake for the company, its founders, future incentives for the company, and the first coins to fund the market. The company stake belongs to the BitF who will use its stake to derive POS rewards and build a treasury reserve. Masternode operators will have the option to use treasury funds to inject capital into BitF- increasing BitF scarcity and providing liquidity.

Distribution is as follows:
BitF LLC 4m
Founder 1m
Co-founder 1m
Sold at market 1m
Development Bounties 500k

7. Trusteeship

BitF needs access to exchanges and other currencies in order to build a treasury. As a result a trustee is required to open accounts and buy and sell from the “ownership” stake.

Masternodes decide on budgetary matters while the trustee merely executes the transactions.

The initial trusteeship is managed by the BitF founders requiring multiple signatures to move funds.

Trustees will be appointed based on the number of nodes they operate. The biggest operators will have the most control over the voting since they have the largest stake. It's in their interest to carry out the will of the masternode operators to further the project.

A roadmap outlining the technical operation of the trusteeship and how we can ensure the integrity of the coins stake will be released in the first few months of operation. This Roadmap will be voted on by masternode operators in the within the first 12 months of operation.

There are few guiding principles for trusteeship we’ve already established:

- No trustee should control more than 10% of the ownership stake
- Trustees must be accessible in Discord and must be able to respond quickly or risk losing the responsibility.
- No single trustee can control their share on their on. All trustee’s will act as a multisignature on other trustees shares. This system ensures that no single user can move funds.
- Every year an administrator will be elected out of the trustee pool to facilitate the transfer of trusteeship and ensure the viability and integrity of BitF. The activities of the administrator will outlined in the future roadmap that will be voted on but will largely deal with onboarding more trustees and replacing those who are removed by vote, shrinking their masternode stake or buy quitting.
- A governance agreement containing this information and any additional information that is voted on will be established and maintained on our chain, other chains and our website.

8. Conclusion

As BitF grows so will the Treasury and its ability to enact change. Through the creation of a treasury we are able to build up a reserve that will be used to back to buy BitF based on the discretion of masternode operators and enacted by trustees who facilitate the trade.

We are attempting to create a currency in the same way that currencies have been created in the past - by having a reserve than can be used to inject capital into BitF. Unlike a traditional bank with a central banker - the BitF treasury and holdings will be handled and managed democratically by the community. There is no central banker and no incorporated company - BitF is to be governed democratically by masternodes and decisions will be carried out by trustees selected from this group - who will act on behalf of BitF to facilitate any decisions that require the BitF stake to be decreased or increased.

We are entering an age where people are beginning to look for hybrid digital assets that can provide some traditional predictability along with the long term upside and security of using a crypto. Our solution is a plausible one. We will use the rewards to build a Treasury so we can buy back BitF when nodes agree - increasing volume and reducing supply. Our goal is to create a steadily growing asset that works both for the investor and the consumer as a store of value and transactionally.

BitF is a project that takes the spirit of Bitcoin but adds the sophistication of a Treasury. BitF through the participation of the community will build up a reserve that will be used to increase scarcity, increase volume and increase transactions.