

Revolutionizing Fiat Currency Trading with Automated Market Maker

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Ideation

We configure a utility token (named DUMMY Token) to have *connectors* that link itself to all other tokenized fiat currencies in the network. These connectors hold reserve balances of different currencies, thus establishing a relationship between DUMMY Token and fiat currencies. For example, DUMMY has a single connector to EURO, which holds a balance of EURO.

We program a *built-in liquidity mechanism* that ensure DUMMY is continuously convertible for fiat currencies. In addition, the design of the mechanism distincts from traditional uniswap with a liquidity protection. This allows profits that would otherwise be captured by arbitrageurs to instead captured by LPs.

1 Mechanics

Buyers use fiat currency to purchase a DUMMY Token by sending them to the token's contract, which then adds them to its connector balance and in return issues new DUMMY Tokens, which are automatically sent back to the buyer. As a result, the connector balance of the tokenized fiat currency has increased, as has the Dummy Token's supply. If sellers send DUMMY Tokens to their contracts instead, the reverse will be done, which will burn those DUMMY Tokens and withdraw corresponding amount of fiat currencies.

1.1 Price Relation

Consider distinct tokenized fiat currencies X and Y in a network. Since DUMMY is linked to X, we have:

$$P_X = \frac{bal_D}{bal_X} \times \frac{w_X}{w_D} \quad (1)$$

where,

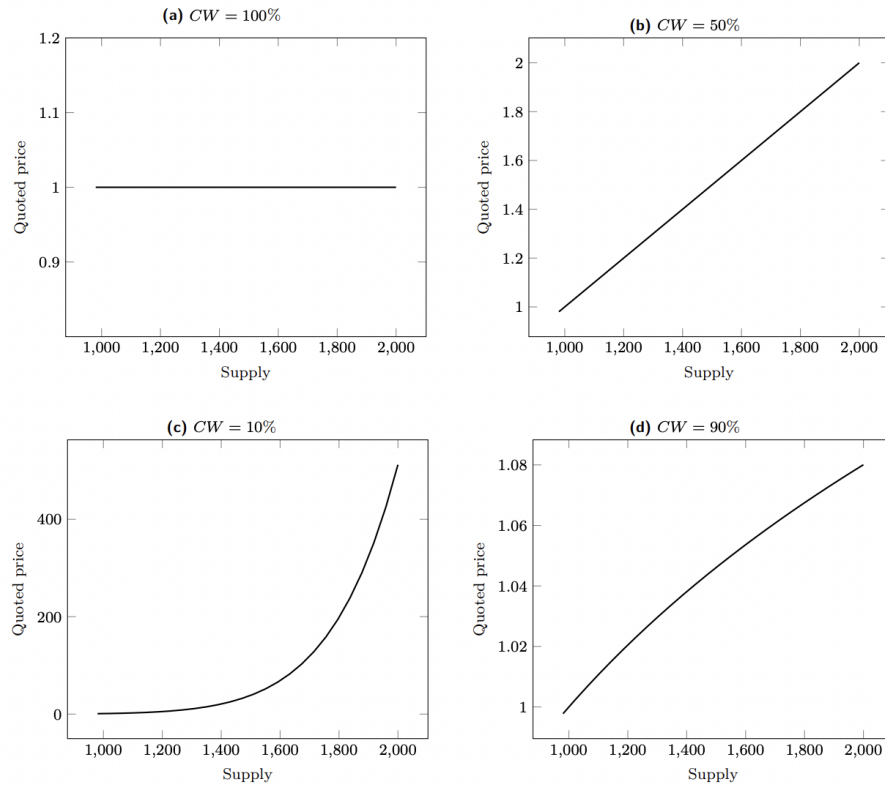
P_X = price of X (DUMMY per X);

bal_D = balance of DUMMY;
 bal_X = balance of X;
 w_D = weight of DUMMY;
 w_X = weight of X;

Similarly, DUMMY is linked to Y. We can mathematically induce the price of X (Y per X).

1.2 Price Sensitivity

Price sensitivity varies with different weights attributed.



2 Governance

The governance of the DUMMY token is designed to give its holders a say in the management of the AMM pool and the direction of the network. Holders of DUMMY tokens will have the ability to vote on proposals that affect the

network and the liquidity pool, such as changes to the connector weights, the addition or removal of tokens from the pool, or changes to the fee structure.

The voting power of each DUMMY token holder will be proportional to the number of tokens they hold, so the more tokens a holder has, the more influence they will have in the decision-making process. This is aimed at incentivizing long-term holders who are committed to the success of the network.

In addition to voting rights, DUMMY token holders will be able to participate in the network's single staking mechanism, which will allow them to earn rewards in DUMMY tokens by providing liquidity to the pool. These rewards will be funded by the trading fees generated by the pool and will incentivize holders to keep their tokens staked and engaged in the network.

Overall, the governance of DUMMY is aimed at creating a decentralized platform that is responsive to the needs and interests of its community, while also incentivizing participation and engagement in the network.