**Proposed Solar Finance Tokenomics Model**

**Token Names:**

1. **Solar Finance Token (SFI)** - Main utility token
2. **Solar Finance Governance (SFG)** - Governance token

**Total Supply:**

* **SFI**: 1,000,000,000 tokens
* **SFG**: 10,000,000 tokens

**Description**

Solar Finance employs a dual-token model with SFI as the utility token and SFG as the governance token. This structure allows for specialization in utility and ensures decentralized governance through distributed control.

**SFI Token Distribution**

1. **Community and User Rewards: 35%**
   * **Description**: These tokens are earmarked to incentivize and grow the user base through staking rewards, providing liquidity, and other promotional activities.
2. **Team and Advisors: 20%**
   * **Description**: Allocated to the project team and advisors for long-term commitment to the project. These tokens usually come with a vesting period.
3. **Reserve Fund: 10%**
   * **Description**: A pool of tokens that serve as a financial safety net for the ecosystem, used for unforeseen circumstances or emergencies.
4. **Partnerships: 10%**
   * **Description**: Reserved to incentivize strategic partnerships that bring long-term value to the platform.
5. **Marketing: 5%**
   * **Description**: For brand building and attracting users through various marketing channels.
6. **Development & R&D: 5%**
   * **Description**: For future research and technological advancements of the Solar Finance platform.

**SFG Token Distribution**

1. **Existing SFI Stakers: 40%**
   * **Description**: Rewards for loyal platform users who have been staking SFI tokens.
2. **Governance Rewards Pool: 30%**
   * **Description**: Earned over time by community members for active participation in governance activities such as voting and proposal submission.
3. **Team and Advisors: 15%**
   * **Description**: Ensures long-term alignment of interests with governance, usually vested over a certain period.
4. **Reserve: 10%**
   * **Description**: A pool of tokens meant to tackle governance-related emergencies or unforeseen scenarios.
5. **Partnerships and Collaborations: 5%**
   * **Description**: For securing partnerships that will enhance the governance of Solar Finance.

**Utility of SFI and SFG**

**SFI Utility:**

1. **Lending and Borrowing**: SFI can be supplied to earn supply APY and used as collateral to take loans.
2. **Staking**: Staking SFI in the staking module allows users to share a portion of the revenue generated by Solar Finance.
3. **Safety Module**: SFI can also be staked in a safety module to provide an additional security layer to the lending protocol.

**SFG Utility:**

1. **Governance Proposals**: SFG token holders can propose changes to the Solar Finance system.
2. **Voting**: SFG token holders have the voting power to decide upgrades, feature integrations, and more.

**Incentive Mechanisms for SFI and SFG**

**SFI Incentive Mechanisms:**

1. **Staking Rewards**: Earn APY by staking SFI tokens.
2. **Liquidity Mining**: Providing liquidity earns additional SFI tokens.

**SFG Incentive Mechanisms:**

1. **Proposal Rewards**: Earn SFG tokens by submitting proposals that gain community approval.
2. **Voting Participation**: Earn SFG tokens by actively participating in governance voting.

**Tokenomics Table for SFI and SFG**

| **Token Type** | **Section** | **Allocation** | **Description** |
| --- | --- | --- | --- |
| SFI | Community and User Rewards | 35% | Incentivize and grow user base |
| SFI | Team and Advisors | 20% | Long-term commitment to the project |
| SFI | Reserve Fund | 10% | Safety net for the ecosystem |
| SFI | Partnerships | 10% | Incentivize partnerships |
| SFI | Marketing | 5% | Brand building and user attraction |
| SFI | Development & R&D | 5% | Future developments and research |
| SFG | Existing SFI Stakers | 40% | Reward loyal platform users |
| SFG | Governance Rewards Pool | 30% | Incentivize active governance |
| SFG | Team and Advisors | 15% | Governance alignment |
| SFG | Reserve | 10% | Governance safety net |
| SFG | Partnerships | 5% | Governance partnerships |

**Deflationary Mechanisms for Solar Finance For SFI (Solar Finance Token)**

**1. Token Burn**

* **Description**: A percentage of SFI tokens used in transactions will be burned, effectively reducing the overall supply.
* **Implementation**: A 0.2% fee could be applied to each transaction, with those tokens being burned automatically.

**2. Buy-back and Burn**

* **Description**: Periodically, Solar Finance could use a portion of its revenue to buy back SFI tokens from the open market and then burn them.
* **Implementation**: Allocate 10% of quarterly revenue for the buy-back and subsequent burn of SFI tokens.

**3. Reward Halving**

* **Description**: Similar to the Bitcoin model, the staking and liquidity mining rewards could be halved at fixed intervals.
* **Implementation**: Halve staking rewards every year to reduce the number of new SFI tokens entering circulation.

**For SFG (Solar Finance Governance)**

**1. Governance Lock-up**

* **Description**: To participate in governance, SFG holders must lock their tokens, reducing the circulating supply.
* **Implementation**: Implement a system where tokens are locked for a minimum of 30 days to participate in governance activities.

**2. Fee Redistribution**

* **Description**: A portion of the transaction fees generated within the platform could be redistributed to SFG holders.
* **Implementation**: 0.1% of all transaction fees could be redistributed to SFG holders who have their tokens locked.

**3. Vesting Schedule**

* **Description**: Impose a longer vesting schedule for team and advisor tokens.
* **Implementation**: Extend the vesting period for team and advisors to 4 years with a 1-year cliff, reducing market sell-off risks.

**Additional Notes**

1. **Emergency Mechanism**: Implement a governance proposal option to temporarily stop any of the deflationary mechanisms in the case of extreme market conditions.
2. **Community Involvement**: Allow the community to vote on adjusting deflationary mechanisms, ensuring the system remains flexible and adaptable.