NOTE

NOTE is the unit of account on Canto. NOTE is an over-collateralized currency backed by stablecoins and RWAs, with a value perpetually rebalanced toward 1 through an algorithmic interest rate policy. It is:

- Over-collateralized
- Capital efficient
- Fully decentralized
- Automated
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NOTE cannot be created – it must be borrowed from the Accountant, a smart contract that implements the algorithmic interest rate policy, via the Canto Lending Market (CLM).

All interest charged by the Accountant is earmarked for funding public goods. It is held in the Community Treasury and controlled by Canto governance.

Over-collateralization

NOTE is a fully immutable ERC-20 token backed by collateral lent to the CLM. It can can only be borrowed by users who post select collateral assets.

At this time, eligible collateral assets are short-term US treasury bill tokens USYC, fBILL, and ifBILL:

Token Issuer USYC Hashnote fBILL FortunaFi ifBILL FortunaFi For every NOTE in circulation, there is more than 1 USD worth of collateral held by the CLM.

Maintaining NOTE Price Stability

Since NOTE cannot be created, only borrowed, the Accountant contract utilizes interest rates to manage the circulating supply of NOTE, and by proxy, its price. The interest rate on NOTE automatically adjusts up or down every 6 hours based on a TWAP of the market price of NOTE.

Aiming to provide a public utility, the algorithm responsible for adjusting this interest rate is designed to change the interest rate in order to promote a less volatile value as opposed to maximizing revenue.

If NOTE is trading under 1, the interest rate is raised to strengthen the incentive for buying NOTE on secondary markets and lending it to the CLM. If NOTE is trading over a dollar, the interest rate is lowered to make borrowing NOTE from the CLM and selling it on secondary markets more attractive.

For launch, each interest epoch will be 6 hours and the rate will adjust by 0.25 (the adjustor coefficient) of the difference between the price of NOTE and 1.00.

NOTE Interest Rate Formula:

$$newInterestRate = max(0,(1 - price(NOTE)) * AdjusterCoefficient + priorInterestRate)$$

newInterestRate = max(0,(1 - price (NOTE))*Adjuster Coefficient+ priorInterestRate)

$$newInterestRate$$

$$= max(0,$$

$$(1$$

$$- price(NOTE))$$

$$* AdjusterCoefficient$$

$$+ priorInterestRate)$$ Example:

- Current Interest Rate: 4%
- NOTE average price over the last 6 hours: 1.04
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$$newInterestRate = max(0,(1 - 1.04) * 0.25 + 4\%) = 3\%$$ newInterestRate = max(0,(1-1.04)*0.25+4\%) = 3\%

$$newInterestRate$$

$$= max(0,$$

$$(1$$

$$- 1.04)$$

* 0.25

+ 4%)

= 3% If NOTE is trading above 1, the interest rate is lowered to weaken the NOTE price. If NOTE is trading below 1, the interest rate is raised to strengthen the NOTE price.

cNOTE

cNOTE is the deposit token received when supplying NOTE , Canto's native unit of account, to the Canto Lending Market .

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