

This post outlines a partnership proposal by Trident Digital Group to facilitate the use of USDP within the Maker ecosystem by paying a marketing fee for the continued use of USDP in the PSM and increase of the PSM-PAX-A Max Debt Ceiling to 120mm DAI. It is a revision of the initial proposal posted on 30th June to increase the ceiling to 500mm DAI.

About Trident Digital Group

Trident Digital Group is a recently established specialist digital asset advisory firm who provide solutions both on and off chain for institutional clients. Trident will help rebuild market liquidity by i) connecting borrowers and lenders via our secured non custodial lending platform which minimises centralised counterparty risk and iii) assisting various issuers in to grow the TVL of their tokens.

Paxos has engaged Trident to help support USDP adoption via a number of initiatives including working with a range of DeFi protocols.

About Paxos

Both Paxos (the issuer of USDP) and USDP are regulated and supervised by the New York Department of Financial Services (NYDFS), a prudential regulator:

- USDP is fully backed 1:1 by cash and debt instruments expressly guaranteed by the full faith and credit of the United States Government (e.g. US Treasuries), including reverse repurchase agreements collateralized by such debt instruments, or money-market funds composed of such debt instruments.
- As USDP is regulated by NYDFS rather as an MSB it must be backed only by cash & cash equivalents
- All reserves are fully segregated from corporate assets, specifically for the benefit of token holders, and are held bankruptcy remote pursuant to the New York Banking Law, which is not the case for all other major centralised stablecoins
- The regulatory framework that Paxos adheres to can be found here: [Industry Letter - June 8, 2022: Guidance on the Issuance of U.S. Dollar-Backed Stablecoins | Department of Financial Services](#)
- Monthly reserve examination reports from a leading independent third-party accounting firm & portfolio composition reports are available here: [Pax Dollar \(USDP\) Transparency Reports - Paxos](#)
- Paxos' current banking partners can be found here: [FDIC Pass Through Insurance Disclosures - Paxos](#)

If the demand for DAI were to quickly drop and threaten the peg then we are confident that Paxos would be able to support the resulting USDP redemptions necessary to maintain the peg without issue as:

- Paxos' reserve portfolio is highly liquid and able to support significant volumes of redemption activity. In December 2022, Paxos facilitated in excess of USD 3.2bn of BUSD redemptions in less than 24-hours
- Paxos allows for stablecoin creation and redemption 24/7/365 (including weekends & holidays) and leverages a banking network that has instantaneous 24/7 bank transfer functionality, enabling both parties to move funds around the clock, irrespective of formal banking hours

Some useful links:

[USDP - Paxos

](<https://paxos.com/usdp/>)

[<https://424565.fs1.hubspotusercontent-na1.net/hubfs/424565/USDP-White-Paper.pdf> 1

](<https://424565.fs1.hubspotusercontent-na1.net/hubfs/424565/USDP-White-Paper.pdf>)*[Pax Dollar (USDP) Transparency Reports - Paxos

](<https://paxos.com/usdp-transparency/>)*<https://etherscan.io/token/0x8e870d67f660d95d5be530380d0ec0bd388289e1?a=0x7bbd8ca5e413bca521c2c80d8d1908616894cf21>

Proposal

Trident proposes to pay a one-time fee and then ongoing fixed rate to MakerDAO on the notional of USDP in the PSM-PAX-A according to the following terms:

A one time fee of USDP 3,250K will be paid to compensate MakerDAO for the balance maintained in the PSM between April and August provided that the following conditions are completed before 22nd Sep 2023: i) approval of this governance proposal, ii) re-inclusion of USDP in MIP104#7-2-1-3 and iii) increase of the PSM-PAX-A Max Debt Ceiling to at least 120mm DAI

Then starting immediately from completion of these conditions, Trident will make an ongoing monthly payment as follows:

- 2.25% paid monthly in arrears on the notional of USDP in the PSM-PAX-A upto \$120mm
- 3.0% paid monthly in arrears on the notional of USDP in the PSM above \$120mm. This is incremental so for example if the total notional is \$150mm then the 3.0% rate would be paid on \$30mm.
- Notional calculated as the average over actual period with daily observations at 3pm ET
- Act/360 holiday calendar applied
- Trident may terminate the arrangement with 1 days' notice including mid observation period, in which case a partial payment shall be made corresponding to the final month
- Trident may adjust the rate on a monthly basis

All payments to be reported to Steakhouse Financial and Block Analitica in advance and made on chain via MakerDAO's RwaSwapInputConduit contract (amended to support USDP) within 15 days by Trident's UK subsidiary with the exact address to be confirmed by Dewiz if and when the proposal is accepted.

If approved, we see the implementation steps as follows:

- Re-inclusion of USDP into the Stability Scope assuming the following is passed [MIP102c2-SP13: MIP Amendment Subproposal - #5 by rune](#)
- Sign a non-binding arrangement with the RWA Foundation ([MIP58: RWA Foundations](#)) which has been established by MakerDAO for the purpose of contracting with legal entities and to align incentives
- Trident is happy to face the RWA Foundation in principle and will work with Steakhouse Financial to put the operational processes in place

Benefits for MakerDAO

The fixed rate of 2.25% APY applied to an illustrative notional of USD 120mm would drive USD 2.7mm in additional annual revenue for MakerDAO

The SVB banking crisis demonstrated the need for MakerDAO to diversify its exposure away from a single stablecoin and avoid potential existential threats to DAI; USDP supports this objective by providing a highly regulated platform supported by US treasuries held in a bankruptcy-remote vehicle for the benefit of token holders.

Contact Details:

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