



oUSD Litepaper - Credit Currency of OPNX

oUSD is currently in development, we are sharing this litepaper as an overview of our current plans to the \$OX community, reflecting our commitment to always build in public. Any/all aspects of oUSD may change before final deployment.

oUSD is creation of an on-platform credit currency which functions as the margin and PNL (profit and loss) currency for all futures contracts on OPNX. This addresses 3 clear problems in the crypto space and aims to solve them with a unique approach to credit, margin, and collateralized lending:

1. Lenders do not want to trust platforms with crypto backed loans
2. Exchanges and lending platforms do not want to facilitate this activity, because it regularly leads to insolvency (~90% of these platforms went bankrupt in the last crypto cycle)
3. Traders want portfolio margin, i.e. to be able to use non-stablecoins (BTC, ETH, OX, etc) as collateral for their derivative trades. This was FTX's most popular feature and, in our view, likely resulted in the vast majority of their volume.

The solution is oUSD.

oUSD provides traders a credit/lending facility against their assets without being constrained by the amount of stablecoins provided by lenders or risking the exchange's solvency in the process.

Phase 1 oUSD (launching soon)

Creation:

- Users can buy unlimited oUSD 1:1 with USDT from the protocol
- Users looking to trade futures with non-stablecoin collateral (BTC, ETH, OX, etc) can do so, with PNL paid (or debited) in oUSD. Users who have a negative oUSD balance will pay an interest rate, determined by OX Herd stakers (on an ox.opnx.com governance forum). This will result in creation of positive (and corresponding negative) oUSD balances. Profitable traders can cash out via selling oUSD in oUSDT/USDT markets or redeeming from oUSD. Loss making traders can repay negative oUSD balances by buying oUSD on oUSDT/USDT markets or buying from the oUSD protocol.

Redemption:

- 100% of the USDT controlled by oUSD will be made available for 1:1 oUSD:USDT redemption on the basis of:
 - 50% will be pro rata across all holders of futures positions on the exchange
 - 50% will be pro rata to users based on their average volume * average Open Interest over the last 7 days (rolling).



- oUSD is not guaranteed to be redeemable for 1 USDT at all times. Instead the market mechanisms are to enable participants who believe in its capitalization to help provide liquidity and cash out when redemption quota of USDT becomes available once again.
- USDT made available for redemptions will be sourced A) from people who buy oUSD from the protocol and B) from collateral liquidations of users with negative oUSD balances.

Interest paid by negative oUSD holders:

- Initially 100% of the interest paid by negative oUSD holders will be burned, reducing the supply of oUSD.

Phase 2 of oUSD

On-chain Collateral + Off-chain Matching:

- Users will be able to deposit EVM compatible assets (ETH, ERC20s, L2 etc) to smart contracts instead of directly to the exchange and have their collateral value be reflected on OPNX. They will receive/pay PNL in oUSD and their collateral will only be touched in the event of a liquidation. In doing so users could be bankruptcy remote, as the platform would not touch their funds directly.

oUSD Vault:

- Users will be able to stake oUSD in a vault to earn 50% of the interest paid by negative oUSD holders as well as earning from collateral liquidations on the OPNX exchange, taking on the risk that they end up having their oUSD converted into the spot assets that are being liquidated (BTC, ETH, OX, etc). If the vault is partially converted into these spot assets, it will offer them out on the orderbook at a range of higher prices. The exact automated liquidation strategy around these collateral liquidations will be determined by the Herd with heavy feedback from OPNX's risk team.