

Arkadiko White Paper

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Arkadiko Protocol

1. Executive summary

Arkadiko is a decentralized, non-custodial liquidity protocol where users can collateralize their assets and mint a stablecoin called USDA. This enables depositors to gain increased liquidity in the form of a soft-pegged US Dollar stablecoin, while maintaining original asset exposure.

Utilising yield from PoX (Proof of Transfer), a STX-collateralized Vault that mints USDA creates a self-paying loan. Similar to MakerDAO, Arkadiko increases the capital efficiency of the STX asset by enabling it to be used in a collateralized debt position.

Next to the stablecoin, Arkadiko allows users to swap tokens in a trustless and permissionless manner. Users can deposit liquidity in tokens or add their own pairs to enable trading on tokens they have created themselves.

Arkadiko is built on the Stacks blockchain and is a first of its kind initiative to bootstrap a flourishing Stacks DeFi ecosystem. The ability of the Stacks blockchain to read native Bitcoin state makes it uniquely positioned to host DeFi on top of Bitcoin. Furthermore, the chain itself is secured by Bitcoin hashpower which is currently the most secure and infallible security mechanism in the world.

While a current custodial tokenized version of BTC exists on Stacks, first federated and eventually completely decentralized representation are in the works. The potential to use Bitcoin as a collateral asset in Clarity smart contracts on Stacks could position Arkadiko as key infrastructure in the layered future of Bitcoin.

2. Preliminary concepts

This section introduces a few important concepts to the novice reader. You are free to skip this section in case you are already familiar with these technical terms.

Stacks and Proof Of Transfer

Stacks is a Layer 1 blockchain that makes Bitcoin programmable, enabling decentralized apps and smart contracts that reuse Bitcoin's security and settle transactions on the Bitcoin blockchain.

Before Stacks, building new features on Bitcoin was a paradox. Bitcoin is secure because it's stable and resistant to change. It's secure because it has a very limited scripting language with a small attack surface, and limited space for transactions. Introducing new features to the Bitcoin core protocol is hard and not desirable as these features add complexity.

Stacks solves this with Proof of Transfer, microblocks, and Clarity. It is designed so that builders can benefit from Bitcoin's properties without modifying Bitcoin itself.

Proof of Transfer is a mining mechanism that provides a new take on consensus, allowing for a Proof of Work chain (in this case, Bitcoin) to be leveraged and extended in important new ways. All Stacks transactions settle on Bitcoin, and this enables Stacks transactions to benefit from Bitcoin's security. Every Bitcoin block, Stacks transactions are batched and hashed on the Bitcoin blockchain.

The Stacks Token (STX) is the native asset on the Stacks blockchain and used as fuel for transactions. All transactions, from executing Clarity contracts to creating digital assets, are paid for in STX.

Decentralized Finance

We define Decentralized Finance (DeFi) as the collection of smart contract protocols that provide financial services to crypto wallet entities.

Over the course of 2020 and 2021, we have seen rapid growth in DeFi on Ethereum. The success of these DeFi protocols has sparked similar initiatives on other layer 1 blockchains. Given that the Stacks blockchain can read Bitcoin state and react on events happening on the layer 1 Bitcoin blockchain, we believe that it holds potential to host a different DeFi ecosystem mainly focussed on the hard money properties of the Bitcoin asset.

Over the course of the coming years, we see many DeFi-protocols being built on top of Stacks. By laying a crucial foundation by building two essential DeFi-primitives, Arkadiko is primed to help accelerate the growth of Stacks.

Stablecoins

Stablecoins are cryptocurrencies with a fixed value that's usually pegged to a leading fiat currency like the U.S. dollar, a basket of fiat currencies or an exchange-traded commodity such as precious metals.

Stablecoins serve as a much-needed antidote to price volatility in the cryptocurrency markets and are collateralized by an underlying asset.

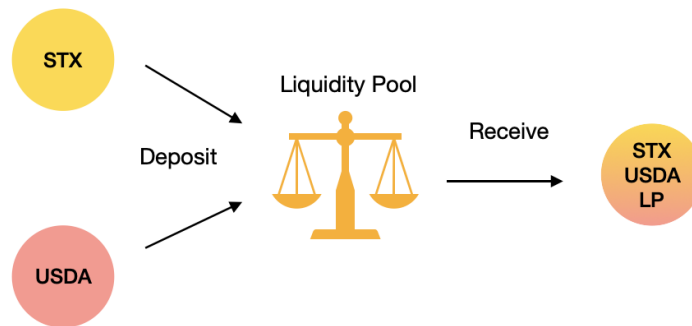
Broadly speaking, there are 4 types of stablecoins:

- Fiat-collateralized stablecoins, like USDT, USDC, BUSD and many others.
- Commodity-collateralized stablecoins, like DigixGlobal (a "gold" token).
- Crypto-collateralized stablecoins, such as MakerDAO's Dai token.
- Non-collateralized stablecoins, which rely on a Seigniorage Shares system and algorithm mechanism to keep their peg.

Decentralized Exchanges

A decentralised exchange (DEX) allows a user to trade a pair of tokens trustless and in a decentralised manner. The most popular DEXes implement a so-called automated market maker.

On AMM-based decentralized exchanges, the traditional order book is replaced by liquidity pools that are pre-funded on-chain for both assets of the trading pair. The liquidity is provided by other users who are able to earn rewards and trading fees on their liquidity deposits (which facilitate swaps), based on the percentage of the liquidity pool that they provide. Liquidity Providers receive an LP-token which represents their share of the pool and can be used in other protocols as collateral or to collect rewards on behalf of the LP.



3. Protocol overview

Introduction

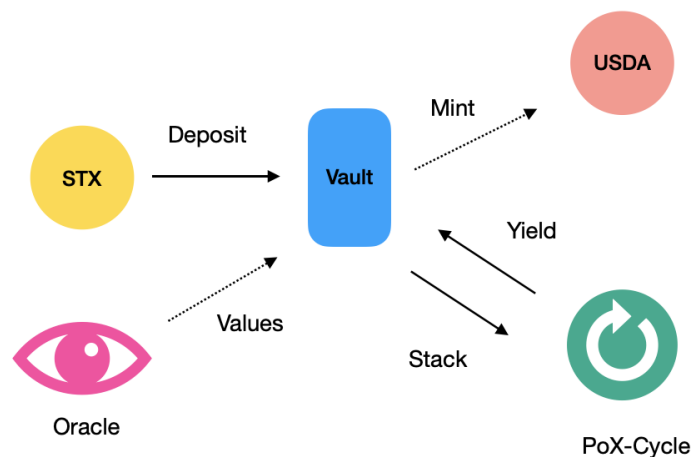
Given the lack of DeFi activity on the Stacks blockchain, Arkadiko is positioning itself to provide several DeFi primitives to the ecosystem. In the initial phase, the main focus will be on attracting liquidity and improving capital efficiency of existing assets.

There is currently no decentralized stablecoin on the Stacks blockchain. Arkadiko started with the goal of changing that by providing a decentralized, crypto asset-backed stablecoin based on the STX token. By depositing STX tokens in a Vault, a user is able to mint USDA, short for USD Arkadiko. USDA is an over-collateralized stablecoin which means it always has more asset value backing it than there is outstanding supply. USDA is minted into existence out of thin air, which is fine as there are always sufficient assets that are locked up to cover the minted value. The only way to unlock these assets again is by repaying the debt to the protocol.

USDA will enable users access to extra liquidity while improving on the status quo situation of holding STX and stacking it. Actually, Arkadiko is using the STX tokens in the Vaults to ‘Stack’ in the PoX-mechanism. This Stacking feature rewards users with a yield in Bitcoin, which the Arkadiko protocol distributes fairly (pro rata) to its Vault owners.

This creates a situation where your cost of borrowing USDA is negative. The yield on your collateral is outperforming the interest (called the stability fee) you pay on your mints. Arkadiko Vaults are a great way for STX holders to participate in DeFi on Stacks. They get immediate access to a chunk of liquidity in the form of USDA, which they can then use in other DeFi protocols as a stable asset.

Other builders on Stacks will integrate USDA as their stablecoin of choice thanks to its flexible and decentralised nature. Similar to how DAI has gained widespread usage in Ethereum DeFi.



Arkadiko Vaults

A Stacks wallet user is able to interact with the Arkadiko protocol to open a Vault. He can then add collateral to his Vault, resulting in an amount of borrowing power based on the value of his collateral in the Vault.

Based on this borrowing power and collateral value, the user can create a debt in USDA. As compensation for this debt, he receives a token called USDA, soft-pegged to 1 USD.

We define the collateralization ratio of a vault as $\frac{VaultValue}{DebtValue}$.

When the collateralization ratio of a Vault dips below a certain threshold, the Vault's collateral is available for auction.

Arkadiko Auctions

The auction mechanism of the Arkadiko Protocol enables the system to liquidate vaults. When a Vault dips below its pre-set Liquidation Ratio, it can be liquidated by any participant in the protocol. At the point of liquidation, the Arkadiko Protocol takes the liquidated Vault collateral and subsequently sells it using an internal market-based auction mechanism. This is called an Arkadiko Collateral Auction.

In an Arkadiko Collateral Auction, vault collateral (e.g. STX tokens) are sold off in lots of 1000 USDA in order to recover some of the bad debt that is living in the system. It is called bad debt since it is no longer considered overcollateralized in the protocol.

The USDA received from the Collateral Auction is used to cover the Vault's outstanding obligations, including payment of the Liquidation Penalty. The Liquidation Penalty is a fee that is paid by Vault owners when their Vaults are liquidated. This penalty is given as a discount to the buyers (liquidators) of the collateral in an auction. It exists to penalize risky borrowers and to incentivize liquidators to step in and rescue the unhealthy Vault. The liquidation penalty fee can be changed by DIKO voters in governance per specific Vault collateral type.

If enough USDA is bid in the Collateral Auction to fully cover the Vault obligations plus the Liquidation Penalty, that auction closes and any leftover collateral is returned to the original Vault owner.

If the Collateral Auction does not raise enough USDA to cover the Vault's outstanding obligation, the deficit is converted into Protocol debt. Protocol debt is covered by the USDA in the Arkadiko Buffer. If there is not enough USDA in the Buffer, the Protocol triggers a Debt Auction. During a

Debt Auction, DIKO is minted by the system (increasing the amount of DIKO in circulation), and then sold to bidders for USDA.

USDA proceeds from the Collateral Auction go into the Arkadiko Buffer, which serves as a buffer against an increase of DIKO overall supply that could result from future uncovered Collateral Auctions.

Arkadiko Swap

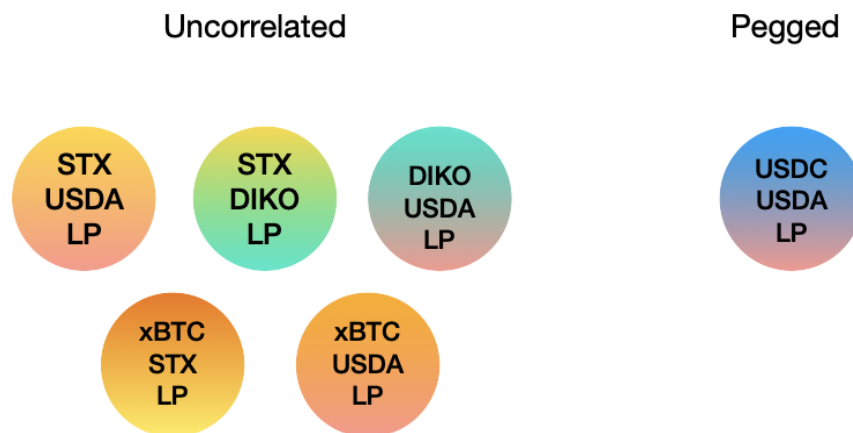
Arkadiko Swap provides basic token swapping functionality for assets on the Stacks blockchain. Employing the model of an AMM (Automated Market Maker), Arkadiko Swap lets users provide liquidity to its liquidity pools and rewards them with trading fees.

Arkadiko Swap works for uncorrelated assets such as STX and BTC but also targets pegged swaps such as stablecoins. The recently announced presence of USDC, a centralized asset-backed stablecoin, will enable liquidity pools made up of USDA and USDC, giving users the option to swap in and out of the Stacks DeFi ecosystem and improving stability and peg of USDA.

Arkadiko Swap is permissionless in that anyone can add a pair of tokens to create a liquidity pool. Anyone is able to provide liquidity to such pools and the initial pricing of the two assets is decided by the first provider of liquidity to a pair.

Arkadiko Swap allows users to earn rewards by providing liquidity to pools and collecting trading fees. On top of regular trading fees, the DIKO Governance token is given as a liquidity mining reward for liquidity providers, greatly increasing the yield and profitability of the capital supplied.

An overview of the liquidity pools we are planning to add and incentivize:

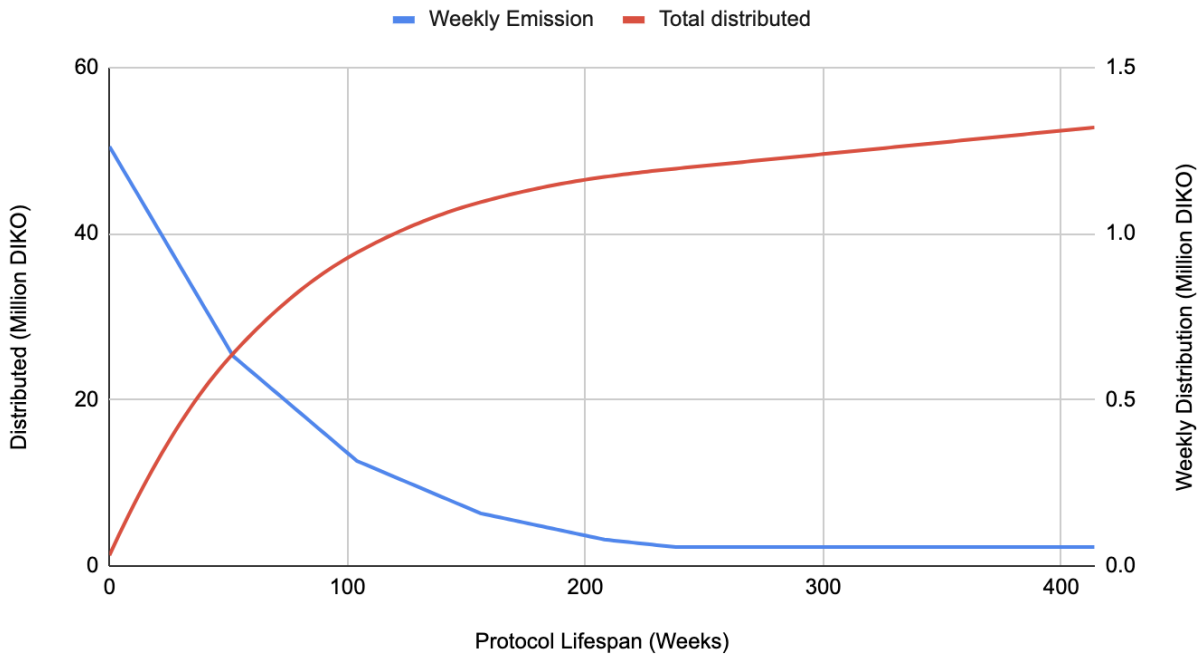


Arkadiko Staking

For Arkadiko to perform its core function as a liquidity protocol, users would need to be incentivised to contribute as liquidity providers and stake their digital assets into the decentralised pools to provide the necessary liquidity to support swaps and transactions. As compensation for opportunity costs, these liquidity providers which help to promote adoption of Arkadiko by staking or including assets to liquidity pools in exchange for LP tokens would be rewarded with DIKO tokens (i.e. "mining" on Arkadiko), according to each user's relative contribution after various adjustment and correction parameters.

Arkadiko releases a pre-set amount of DIKO rewards every two weeks, the length of a proof of transfer cycle. Initially, the rate at which new DIKO is generated by the protocol is very high. Every two weeks, the amount of DIKO released decreases by 2%. By distributing DIKO in this manner, it ensures that the governance token will be distributed primarily to key network contributors and allow them to have a say in protocol parameters.

Total emissions



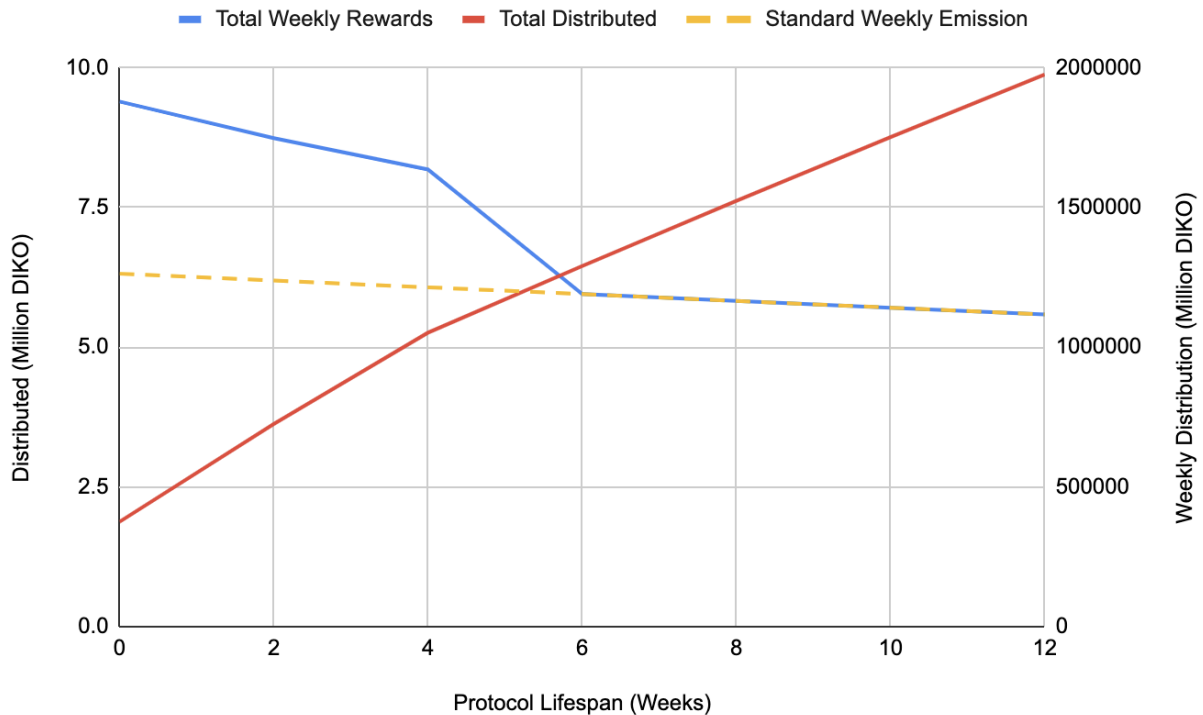
After the initial five years, the protocol targets a 2% yearly inflation rate.

Initially, several pools on Arkadiko Swap will be incentivized by providing rewards for staking the Liquidity Provider tokens. Which pools receive rewards and the weight of these pools is decided by governance. The idea is to incentivize liquidity so it maximally benefits the protocol and its token holders.

Initial Emission Weights



For the first 6 weeks, Arkadiko runs a special liquidity mining event to attract liquidity. Total emissions considering this launch event are as follows:



4. DIKO Governance Token

The native digital cryptographically-secured token of Arkadiko (ticker symbol **DIKO**) is a transferable representation of attributed governance and utility functions specified in the protocol/code of Arkadiko, and which is designed to be used solely as an interoperable utility token on the platform.

In order to promote decentralised community governance for the network, DIKO would allow holders to propose and vote on on-chain governance proposals to determine future features and/or parameters of Arkadiko, with voting weight calculated in proportion to the tokens staked (the right to vote is restricted solely to voting on features of Arkadiko; it does not entitle DIKO holders to vote on the operation and management of the Company, its affiliates, or their assets or the disposition of such assets to token holders, and does not constitute any equity interest in any of these entities or any collective investment scheme, and the arrangement is not intended to be any form of joint venture or partnership). Subject to compliance in accordance with all applicable laws, the protocol aims to evolve to a DAO-structure where token holders take all of the decisions related to Arkadiko.

DIKO also provides the economic incentives which will be distributed to encourage users to contribute to and participate in the ecosystem on Arkadiko, thereby creating a win-win system where every participant is fairly compensated for its efforts. DIKO is an integral and indispensable part of Arkadiko, because without DIKO, there would be no incentive for users to expend resources to participate in activities or provide services for the benefit of the entire ecosystem on Arkadiko. Given that additional DIKO will be awarded to a user based only on its actual usage, activity and contribution on Arkadiko, users of Arkadiko and/or holders of DIKO which did not actively participate will not receive any DIKO incentives.

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Half of the DIKO supply is distributed as ecosystem incentives over the coming five years through liquidity mining programs. This method of distribution is both fair and useful as it incentivizes good behaviour and growth.

21% of the supply is reserved for the core team, with conservative vesting schedules starting with a 6 month cliff and then unlocking monthly for the next 4 years.

The remaining 29% is owned by the Arkadiko foundation, a separate entity representing the future DAO. These tokens are theoretically unlocked, and will be distributed to support ecosystem activities (as guided by governance).

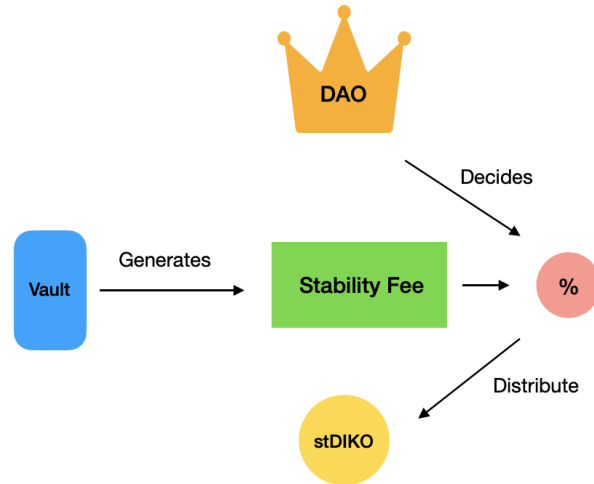
DIKO holders have the option to stake their DIKO which converts their DIKO to stDIKO for the duration of the stake. They can always convert back and reclaim their original DIKO. stDIKO gives you a voting weight that can be used to vote on governance proposals.

The Security Module serves as a backstop to the protocol. Should a hack or exploit ever create 'bad debt' then up to 30% of DIKO tokens staked in the Security Module can be taken to be sold to cover this loss. Staking DIKO in the Security Module comes with the risk of losing up to 30% of your DIKO. In a way, stDIKO holders are providing a type of insurance against protocol losses. The decision to sell DIKO tokens from the Security Module is made through Governance, ensuring that the process follows the same consensus mechanism present throughout the protocol.

By participating in the Security Module by staking stDIKO, a user will be able to receive its fair share of proportionate protocol rewards. These rewards are automatically compounded through a relative price increase of stDIKO vs DIKO. When unstaking, users receive more DIKO than they initially staked, representing the accumulated yield and rewards:

$$\frac{\textit{stDIKO}}{\textit{DIKO}} = \frac{\textit{DIKO staked} + \textit{Rewards accumulated}}{\textit{DIKO staked}}$$

stDIKO is constructed so that it can receive yield from multiple sources. At protocol launch, stDIKO receives rewards from standard protocol emissions. One of the main sources of protocol revenue comes in the form of the stability fee on USDA loans. We have included the option for the Arkadiko DAO to route a percentage of these stability fees to the stDIKO reward pools, effectively adding another source of yield for stakers in the Security Module.



In particular, it is highlighted that DIKO: (a) does not have any tangible or physical manifestation, and does not have any intrinsic value (nor does any person make any representation or give any commitment as to its value); (b) is non-refundable and cannot be exchanged for cash (or its equivalent value in any other digital asset) or any payment obligation by the Company, the Distributor or any of their respective affiliates; (c) does not represent or confer on the token holder any right of any form with respect to the Company, the Distributor (or any of their respective affiliates), or its revenues or assets, including without limitation any right to receive future dividends, revenue, shares, ownership right or stake, share or security, any voting, distribution, redemption, liquidation, proprietary (including all forms of intellectual property or licence rights), right to receive accounts, financial statements or other financial data, the right to requisition or participate in shareholder meetings, the right to nominate a director, or other financial or legal rights or equivalent rights, or intellectual property rights or any other form of participation in or relating to Arkadiko, the Company, the Distributor and/or their service providers; (d) is not intended to represent any rights under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss; (e) is not intended to be a representation of money (including electronic money), security, commodity, bond, debt instrument, unit in a collective investment scheme or any other kind of financial instrument or investment; (f) is not a loan to the Company, the Distributor or any of their respective affiliates, is not intended to represent a debt owed by the Company, the Distributor or any of their respective affiliates, and there is no expectation of profit; and (g) does not provide the token holder with any ownership or other interest in the Company, the Distributor or any of their respective affiliates.

Notwithstanding the DIKO distribution, users have no economic or legal right over or beneficial interest in the assets of the Company, the Distributor, or any of their affiliates after the token distribution.

5. Governance

The Arkadiko protocol is structured to evolve towards a Decentralized Autonomous Organization (DAO) in a legally compliant manner. Arkadiko is open-source and is managed by people all around the world who hold its governance token DIKO. Through a system of scientific governance which involves Executive Voting and Governance Polling, DIKO holders can participate in management of the Arkadiko protocol. They also assist to manage the stability and transparency of USDA, Arkadiko's stablecoin.

Voting in Governance is proportional to the weight of staked DIKO tokens in the Governance module. A minimum of 1% of total circulating staked DIKO is needed to create an AIP (Arkadiko Improvement Proposal). An AIP can be of two types: normal or critical. A normal proposal needs a quorum of at least 66% to be accepted.

Examples of Governance are deciding which future features to add to the protocol or optimizing existing parameters by proposing a parameter change.

The DIKO token—the governance token of the Arkadiko Protocol—allows those who hold it to vote on changes to the Arkadiko Protocol. Note that you need to hold at least 1% of the DIKO supply to submit a governance proposal.

DIKO Holder Responsibilities

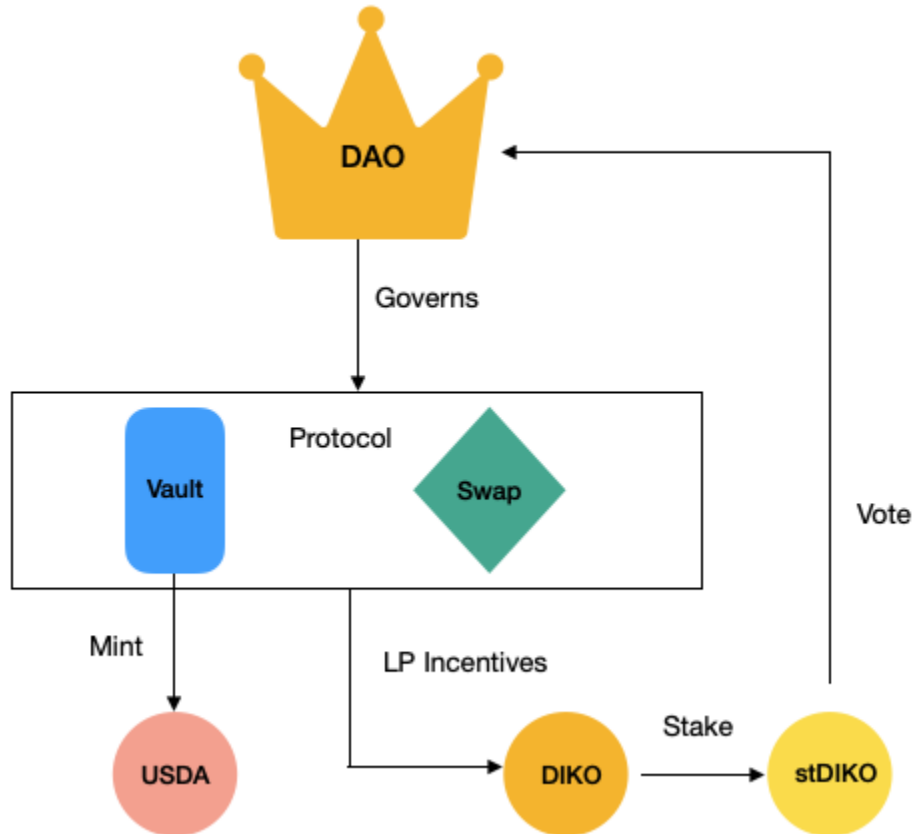
DIKO holders can vote to do the following:

- Add a new collateral asset type with a unique set of Risk Parameters.
- Change the Risk Parameters of one or more existing collateral asset types, or add new Risk Parameters to one or more existing collateral asset types.
- Add a new smart contract to upgrade the system
- Trigger Emergency Shutdown

It is the community members which would maintain and drive development of Arkadiko, so DIKO token incentives would need to be distributed to compensate them for their time, expertise and effort. Only users who have participated in submission of proposals, commenting, reviewing and/or voting will be entitled to receive DIKO token governance rewards.

6. Protocol components

This section discusses the different components that make up Arkadiko. It also describes the types of dynamics that are in play when designing and governing a decentralized protocol.



Arkadiko Vaults

All of the following collateral type parameters can be governed by the Arkadiko Protocol Governance module (see Governance section).

Collateral Types

A Vault is also defined by the asset it can contain. Currently, only STX is used as collateral. We will add other assets in the future, the most obvious one being a wrapped or tokenized Bitcoin. Native Stacks tokens representing key protocols within the ecosystem can also be considered.

Vault Parameters

Next to the asset accepted by the Vault, there are other parameters to consider.

Stability Fee

The Stability Fee is expressed in a percentage and is the total cost of borrowing for a Vault. A Stability Fee of 1% means that any debt you create will increase by 1% over the period of one year. This percentage is added continuously over time to your debt. Think of the Stability Fee as yearly interest on your USDA loan.

Collateralization Ratio

The collateralization ratio of a vault collateral type indicates up to which level you can mint USDA vs your collateral. For example, a collateralization ratio of 250% means you can have a loan to value of about 25%. In other words, for every \$4 in collateral a user locks up, they can mint \$1 in USDA.

Liquidation Ratio

Arkadiko Vaults work by over-collateralizing your STX tokens. This means there will always be more value locked within Vaults than there exists USDA debt. If your collateral decreases in price, the ratio between the value of your collateral and your debt decreases. It is key for the protocol to manage this ratio to ensure that Vaults remain over-collateralized at all times.

Each Vault has set a liquidation ratio parameter. When $\langle \text{Vault Value} \rangle / \langle \text{Debt Value} \rangle$ dips below the set liquidation ratio, the Vault becomes eligible for Auction. In short, this means that external Liquidators can come in and buy the collateral in your Vault at a discount, removing both your debt and the collateral from your possession. You will keep the minted USDA but your Vault and its debt are gone.

It is an absolute necessity for everyone interacting with Arkadiko and creating Vaults that they closely monitor the Collateralization Ratio of their Vaults. We advise a 200%+ ratio at all times, to be safe during periods of high market volatility. Improving the health of your Vault can be done by 1) depositing additional collateral into the Vault, increasing $\langle \text{Vault Value} \rangle$ or 2) repaying some of your USDA debt, decreasing $\langle \text{Debt Value} \rangle$.

Liquidation Penalty

This parameter comes into play when a Vault has been tagged for Auction and is liquidated by an external Liquidator. The Liquidation Penalty, currently set at 10% for STX vaults, is the loss of value you experience when a Liquidator needs to step in to clear your debt. This is also the discount at which the Liquidator is able to buy the collateral in the unhealthy Vault.

Liquidation Price

The Liquidation Price listed on a collateralized Vault signals the price at which the Vault gets tagged for Auction.

Max Debt

This is the total amount of USDA that can be minted for a certain collateral type type.

Automated Market Maker

The Arkadiko Swap is a decentralised exchange (DEX) that functions through what is called an automated market maker. Users can swap tokens in a permissionless way.

The Arkadiko DEX consists of many liquidity pools that represent different trading pairs, like STX/USDA. Instead of matching buyers and sellers in an orderbook, these liquidity pools act as an automated market maker.

An Arkadiko liquidity pool is a smart contract that holds reserves of two (or more) tokens and allows anyone to deposit and withdraw funds from them, but only according to very specific rules.

One such rule is the constant product formula $x * y = k$, where x and y are the reserves of two tokens, A and B. In order to withdraw some amount of token A, one must deposit a proportional amount of token B to maintain the constant k before fees.

Any user can add liquidity to an existing pool or list a completely new pair, e.g. MyDogToken/STX. If a person adds the MyDogToken/STX pair, people will be able to trade this new pair permissionless. As a reward for adding liquidity, a liquidity provider gets 25 basis points of each trade. Five (5) basis points go to the protocol as revenue. This means that a commission of 30 basis points will be taken on each trade.

When providing liquidity, the protocol mints so-called Liquidity Pool tokens. These tokens represent the amount of liquidity that a user puts in a pool. The LP tokens can be reused in other protocols or could even be added as a collateral type in the Arkadiko Vaults.

7. Risks

There are several risks inherent to the Arkadiko Protocol. They include but are not necessarily limited to the following:

- Smart Contract Risk

Arkadiko uses smart contracts written in Clarity, so like with any other DeFi protocol there are chances of smart contract bugs and exploits. This might result in loss of funds in the worst case to bugs that can easily be fixed in the best case.

- Liquidation Risk

As with any lending application, liquidations might happen. Liquidations may occur when the value of STX drops to a predetermined price point. Basically, the collateral isn't enough to cover a vault's debt anymore. The liquidation price will be shown before opening an Arkadiko vault. The price of STX will be fetched from the Arkadiko on-chain oracle.

When your vault gets liquidated, an auction will be started to sell off your STX collateral in exchange for the amount of USDA that was minted on the vault, plus a penalty.

The above risk is mitigated by the fact that STX are stacked in PoX and thus are interest bearing. This will help your collateralization level to stay stable through minor price changes.

- Price Stability Risk

The target price of USDA is \$1 but since Arkadiko mints a decentralised stablecoin that is overcollateralized through crypto assets, we cannot guarantee a soft peg to \$1. When a lot of USDA is sold on the market, the peg might temporarily break. We incentivize the community to work with us to arbitrage the differences (above or below \$1) away.

- Slippage Risk

In Arkadiko Swap (DEX AMM), slippage might be higher than expected when liquidity in the pools is thin. We warn users ahead of the trade for high slippage and do not execute trades if slippage exceeds above 0.4%. However, users can adjust this and users with little experience might accidentally end up exposing themselves to more slippage than desired.

- Oracle Risk

The Arkadiko Oracles are currently not very decentralised. They are essentially a simple smart contract that contains the price of STX and other assets, coming from the real world and are updated every 30 minutes. The price of the oracle on-chain might be outdated or wrong. This

could result in wrong decisions made by the protocol, such as vault liquidations that should not happen.

8. Adoption & Use Cases

A cryptocurrency with price stability serves as an important medium of exchange for many decentralized applications. As such, the potential market for USDA is at least as large as the entire decentralized blockchain industry. But the promise of USDA extends well beyond that into other industries.

The following is a non-exhaustive list of current and immediate markets for the USDA stablecoin:

- Working capital, hedging, and collateralized leverage. Arkadiko Vaults allow for permissionless trading by users, who can use the USDA generated against Vault collateral for working capital. To date, there have been numerous instances where Vault owners use their USDA to buy additional STX (same asset as their collateral), thereby creating a leveraged but fully collateralized position.
- Merchant receipts, cross-border transactions, and remittances. Foreign exchange volatility mitigation and a lack of intermediaries mean the transaction costs of international trade are significantly reduced when using USDA.
- Charities and NGOs when using transparent distributed ledger technology.
- Gaming. For blockchain game developers, USDA is the currency of choice. With USDA, game developers integrate not only a currency, but also an entire economy. The composability of USDA allows games to create new player behavior schemes based around decentralized finance.
- Prediction markets. Using a volatile cryptocurrency when making an unrelated prediction only increases one's risk when placing the bet. Long-term bets become especially infeasible if the bettor must also gamble on the future price of the volatile asset used to place the bet. That said, the USDA stablecoin would be a natural choice for use in prediction markets.

There are many more use cases and possibilities with our stablecoin, but these are some just to name a few.

9. Conclusion

The Arkadiko Protocol allows users to mint USDA, a stable store of value that lives entirely on the blockchain. It also allows users to swap tokens in a permissionless way on the Arkadiko Swap product. USDA is a decentralized stablecoin that is not issued or administered by any centralized actor or trusted intermediary or counterparty. It is unbiased and borderless—available to anyone, anywhere.

All USDA is backed by a surplus of collateral that has been individually escrowed into audited and publicly viewable Stacks/Clarity smart contracts. Anyone with an internet connection can monitor the health of the system anytime on the blockchain.

Arkadiko aims to become the engine of the decentralized finance (DeFi) movement on the Stacks blockchain. Arkadiko is unlocking the power of the blockchain to deliver on the promise of economic empowerment today.