

NEPRI TFA: TOKENIZING FRACTIONAL ASSET VALUE ON-CHAIN

Abstract.

Traditional asset classes have yet to enter the transparent, censorship resistant and globally accessible universe of public blockchains. Geographical barriers, high transaction costs and liquidity constraints make it hard for the average person to invest a small amount in assets like stocks and real estate. Asset tokenization has the potential to break down many of those barriers via blockchain reflections of traditional assets that are globally accessible, infinitely divisible and cheap to transact in. We present NEPRI Tokenized Fractional Asset, a protocol that allows anyone to issue and trade tokenized synthetic assets that track the price of arbitrary real-world assets without physical backing. NEPRI TFA enables two markets with well-balanced incentives: a market for minters to safely issue overcollateralized tokenized synthetic assets, and a market for traders to gain exposure to them. NEPRI TFA has the potential to democratize finance by making assets of all shapes and forms accessible to anyone, anywhere in the world.

INTRODUCTION

Blockchain technology has been adopted in a wide variety of industries thanks to its core properties of accessibility, transparency and immutability. Public blockchains, meaning those accessible by virtually anyone with an internet connection, have enabled unprecedented access to capital and to non-sovereign assets such as Bitcoin. Despite those developments, the financial industry remains closed and inaccessible, only experimenting with private blockchains which restrict access to specific parties. Indeed, access to financial assets such as stocks, bonds and derivatives remains a challenge for most of the world outside of America and Europe. We believe that a necessary requirement for an open financial system is open, unfettered access to financial assets.

In this paper we discuss how asset tokenization can be an avenue for democratization of financial assets and propose an implementation via tokenized synthetic tokens - tokens that track the prices of real-world assets without physical backing. We present NEPRI FTA, a protocol that allows anyone to issue synthetic assets that track arbitrary real-world assets using public blockchain technology. In the latter half of the paper, we discuss the core mechanisms that enable NEPRI FTA and argue that the protocol will play a crucial role in expanding the audience of traditional finance.

1. ASSET TOKENIZATION

1.1. Motivation. Let us first consider a simple problem where an individual wants to invest in a piece of real estate but only has a portion of the total required capital necessary to make the purchase. It may be in the investor's best interest to invest a portion of the total amount every month (known as dollar cost averaging) and slowly build up the investment capital. However, this would be an unusual concept in the real estate industry as it does not make sense to buy, say 35m² of a piece of property. In a similar vein, the reverse scenario where an individual would like to procure \$70,000 worth of liquidity but only has a piece of real estate worth \$150,000 must necessarily sell the whole piece of real estate. It would be absurd to only sell half the house. However, we can view this as capital inefficiency as the individual would be left with an excess of \$70,000 if they were to sell the entire house.

1.2. Tokenization on a Public Ledger. An elegant solution to the above problem would be to introduce asset tokenization. To put it simply, we would convert the ownership rights, an asset, into a digital token. We can arbitrarily say that our \$150,000 property converts to 150,000 "tokens", each corresponding to an equal share of ownership. If an individual seeks to control 50% of property ownership, it would be necessary and sufficient to purchase 70,000 of those tokens.

A requirement for this solution to work is agreement among all parties on a point of reference for assessing the current state of ownership division. The introduction of blockchain to this framework provides a public ledger where ownership is verifiable by all parties and cannot be forged nor revoked. Users can transfer rights through explicit contractual agreements that are publicly verifiable and are free of counterparty risk. Blockchains are by design a natural fit for asset tokenization.

1.3. "Tokenizable" Assets. While almost anything is "tokenizable" in theory, we expect the main tokenization demand drivers to be the following categories of assets:

- **Physical Assets** - This would include types of goods such as real estate, commodities, precious metals, famous paintings and a long tail of illiquid assets.
- **Abstract Assets** - This would include the majority of investment asset classes such as stocks, bonds, investment funds, derivatives etc.

We review the advantages of tokenizing those types of assets in the following section.

1.4. Advantages of Asset Tokenization.

- (1) **Reduced Geographical Barriers** - As all the relevant information and records of previous transactions are stored on a permissionless blockchain, individuals can transact from anywhere in the world.

- (2) **Reduced Reliance on Middlemen** - The traditional need of a middleman trusted by involved parties to validate and facilitate transactions is eliminated thanks to the blockchain's immutability and transparency.
- (3) **Enhanced Accessibility through Fractional Ownership** - Tokenization allows assets to be divided into as many units (tokens) as desired, thereby enabling wider investment participation for high-value assets such as real estate and expensive stocks. While fractional ownership for stocks is becoming increasingly popular in brokerages, it comes with operational overhead that does not exist with tokenized stocks.
- (4) **Improved Asset Liquidity** - Assets that are hard to transfer/trade tend to suffer in terms of liquidity. The use of blockchain to track and transfer ownership substantially reduces friction and therefore permits higher liquidity.
- (5) **Increased Transaction Efficiency** - Blockchain transactions can dramatically improve efficiency of traditional settlements by reducing time and cost. Complex transactions can be automated via smart contracts, thereby reducing legal and operational costs and minimizing the risk of disputes.
- (6) **Expanded Investor Base** - Flexible fractional ownership improves access to investment opportunities by allowing investors to partake in transactions that were previously inaccessible to them due to capital or liquidity constraints.

The above is undoubtedly only a subset of the vast advantages of asset tokenization.

1.5. Implementations of Asset Tokenization. We present the two primary implementations of asset tokenization and discuss the advantages of each:

- (1) **Asset-backed tokens** are tokens which are backed one-to-one by the physical or abstract good that they represent. For instance, an asset-backed gold token representing 1 ounce of gold would need to be backed by 1 ounce of physical gold stored in a vault.
- (2) **Tokenized Synthetic tokens** are tokens that provide "tokenized synthetic" exposure to the physical or abstract good that they represent without requiring one-to-one backing. For instance, a tokenized synthetic gold token representing 1 ounce of gold would be exchangeable for the price of 1 ounce of physical gold. Tokenized Synthetic tokens can be issued either by a centralized party, e.g. a bank whose credit "backs" the token, or a decentralized network whose incentives guarantee that the synthetic token is always exchangeable for the price of the asset it represents.

The primary advantage of asset-backed tokens is simplicity: the design is easy for anyone to understand, and risk is limited to the custodian – if they are trustworthy then the token should be safe to hold. Tokenized Synthetic tokens can be more complicated to implement. We see a number of important advantages of tokenized synthetic vs asset-backed tokens. First, the accessibility afforded by tokenization is typically wider for tokenized synthetic tokens: while anybody with an internet connection can access tokenized synthetic tokens on a public blockchain, asset-backed tokens may face restrictions imposed by the custodians backing them. Second, tokenized synthetic tokens tend to be more affordable to hold as they typically charge no holding fee. Custodians for asset-backed tokens will typically charge custody fees which can be high, particularly for physical assets such as gold or oil. Third, tokenized synthetic tokens provide complete censorship resistance which asset-backed tokens often cannot due to restrictions faced by custodians. We see a market developing for both asset-backed tokens and tokenized synthetic tokens. Asset-backed tokens will certainly increase the transparency and liquidity of assets held by custodians, and we believe will become increasingly common. In the following section we introduce a protocol for synthetic asset tokenization, as we believe it has greater potential to democratize access to financial assets for a global audience.

2. The NEPRI FTA Protocol

NEPRI FTA is a protocol that allows anyone to issue and trade synthetic assets that track the price of real-world assets – everything from traditional equities to real estate.

NEPRI FTA unleashes the full power of asset tokenization to offer globally accessible, transparent and affordable access to financial assets.

2.1. Basic Operations. A tokenized synthetic asset issued on NEPRI FTA is said to be an tAsset. For instance, a tokenized synthetic version of real-world asset Y would be called tY. The following are the main operations enabled by the NEPRI FTA Protocol:

- **Mint:** Anyone can mint an tAsset by locking up collateral, either in the form of a stablecoin or a different tAsset. The required collateral is at least a minimum multiple of the asset's value (110% for stablecoin collateral, 120% for tAsset collateral). For instance, if stock X is reported to be trading at \$100, minting 1 tX would require at least \$110 in stablecoin, or \$120 in a different tAsset.
- **Burn:** To burn an tAsset, the issuer must burn the amount initially issued to receive the locked stablecoin collateral.

- **Trade:** tAssets are tradable on automated market makers (AMMs) on public blockchains like Polkadot, Binance Smart Chain, and Ethereum, etc., making it easy for issuers as well as investors to buy and sell them.

2.2. NEPRI FTA Participants. We expect NEPRI FTA to enable two types of markets involving different participants:

- **Minters:** Minters are those who mint tAssets and effectively take the opposite position of the asset's natural direction. For instance, an issuer of tXAU (gold) is effectively taking a short position on XAU. The minter's counterparty is the system itself.
- **Traders:** Traders are those who buy and sell tAssets on the decentralized exchanges supported by NEPRI FTA. Virtually anyone with an internet connection can gain exposure to tAssets via a NEPRI FTA-supported decentralized exchange.

The NEPRI FTA protocol creates incentives for minters to mint assets and provide liquidity for traders. We discuss those incentives in the following section.

2.3. Liquidity, Governance and the NEPT (NEPRI FTA Token).

The NEPRI FTA protocol utilizes AMMs (automated market makers) to facilitate tAsset trading against stablecoins. For instance, trading against an tXAU/UST pool on Uniswap would be the easiest way for a trader to get access to XAU. Minting and liquidity provision are essential services without which NEPRI FTA would not be able to function. It would therefore be natural for traders to compensate liquidity providers. To incentivize minting and liquidity provision, the NEPRI FTA protocol rewards liquidity providers with:

- **Trading Fees:** All tAsset trades that go through the AMM pay a small commission to that tAsset's liquidity providers.
- **The native NEPRI Token:** NEPRI FTA is using a native token with a deterministic inflation schedule that rewards tAsset liquidity providers.

In addition to providing liquidity incentives, the NEPRI FTA Token has a core governance role for the NEPRI FTA protocol. NEPRI FTA Token holders stake their tokens to vote on key issues including:

- **Whitelisting Assets:** Enabling/disabling assets that can be minted.
- **Key Parameter Changes:** Changing key protocol parameters such as the minimum collateral ratio and trading fees.

The NEPRI FTA Token is therefore foundational for the NEPRI FTA protocol, acting as both an incentive for liquidity providers and the primary governance vehicle.

2.4. Oracles, Liquidations and Peg Incentives.

A critical function of the NEPRI FTA protocol is the ingestion of asset price data external to the blockchain. This is necessary for determining the amount of collateral required for minting an tAsset, and for assessing whether or not sufficient collateral is locked for existing tAssets. The protocol achieves this via an on-chain oracle: NEPRI FTA Token holders submit votes on each asset, which the protocol aggregates to compute a median weighted by each holder's NEPRI FTA Token stake. The NEPRI FTA oracle submits prices at a high frequency to accommodate real-time pricing of exchange-traded assets.

The NEPRI FTA oracle facilitates solvency of tAssets by triggering collateral liquidations whenever the collateral ratio of an tAsset (collateral value/asset value) drops below the governance-mandated minimum. For instance, if \$150 worth of stablecoin have been locked by a minter to issue an tAsset worth \$90, and the minimum collateral ratio is 110%, an increase in the asset's value to \$105 would trigger a liquidation. When the collateral ratio drops below the minimum, the NEPRI FTA protocol needs a way to retrieve and burn the respective tAssets. It does so by seizing a portion of the collateral and initiating an auction at a discount for anyone willing to sell the tAsset in exchange. This process is performed recursively until the collateral ratio is above the minimum threshold. The liquidation procedure implemented by NEPRI FTA for tAssets is similar to the procedure Maker implements for CDPs.

In addition, the NEPRI FTA oracle facilitates a key property of tAssets: that their onchain price is pegged to the price of the real-world assets they represent, as supplied by the oracle. This is achieved by incentives naturally created by the NEPRI FTA protocol. In particular, if the price of an tAsset trades at a discount to the oracle price, minters are incentivized to purchase and burn it, thereby profiting by paying back their debt at a discount. Conversely, if the price of an tAsset trades at a premium to the oracle price, market participants are incentivized to mint and sell it at the premium price, thereby profiting from the difference. In both cases, a drift of the tAsset's price away from the price of the real-world asset creates arbitrage that market participants will exploit until the peg is restored.

DeFi's emergence presents an opportunity to disrupt the legacy e-broker and expand traditional market exposure to anyone capable of using crypto.

A decentralized and permissionless system to trade equities has a number of advantages over the e-broker model:

24/7 Trading - The ability to trade synthetic assets at any time of the day, regardless of market open or close.

Decentralized Exchange - The ability to trade synthetic assets via on-chain DEXs, with the liquidity benefits of Automated Market Makers (AMMs)

Protocol Composability - The ability to leverage/lend synthetic assets as collateral in on-chain lending/borrowing protocols.

Transparent Fees - Understand exactly how fees are charged on trading and execution.

No Counterparty Risk - Assuming correct protocol and oracle function, maintain exposure to an asset without centralised exchange risk

NEPRI FTA is a protocol for the creation and exchange of permissionless tokenized synthetic assets. We believe NEPRI FTA will bring the vision of crypto-synthetics to life. It is one of the few capital-efficient crypto economic systems bridging traditional markets with DeFi, building on the TradDeFi paradigm.

3. Protocol Considerations

NEPRI FTA allows users to issue synthetic assets that track the price of real-world assets. Building this type of system requires an intricate economic foundation. Since the system is inherently leveraged, there are several key considerations to ensure it remains sufficiently collateralized and thus solvent:

- **Collateralization** - What is the appropriate collateral to back these synthetic assets? What is a safe, yet efficient leverage ratio?
- **Synthetic Creation / Closure Dynamics** - How are synthetic assets minted or burned?
- **Risk Management** - Is risk pooled or segregated amongst different types of synthetic assets? How does the protocol liquidate undercollateralized positions?
- **Price Oracle** - How does the protocol source a robust, decentralized price feed?
- **Decentralized Exchange** - How are synthetic assets traded? How are long or short positions expressed?
- **Governance Token & Liquidity Incentives** - What is the purpose of the native system token? How is system liquidity and market depth bootstrapped? What is the appropriate protocol fee? How is value distributed and accrued to protocol stakeholders?

3-1. Collateralization

NEPRI FTA's objective is to allow users to gain price exposure to real world assets while:

- Maximizing capital efficiency (i.e. minimising the collateralization ratio).
- Maintaining system solvency (i.e. ensuring the value of minted synthetic assets does not surpass the value of underlying collateral).

Collateral Type

Collateral selection is the key to achieving these two objectives. Users seek exposure to volatile assets like US technology stocks. If the underlying collateral is more (or even as half as) volatile than the synthetic, the system must be vastly overcollateralized in order to avoid bankruptcy. Put simply: if a crypto-synthetics platform is collateralized by a highly volatile collateral like a floating-price crypto-asset, then the system itself is at the whim of collateral fluctuations. This can jeopardize the system's efficacy, since users seek capital efficient exposure to the synthetic asset itself, not the underlying collateral.

In the ideal case, the collateral asset should:

Exhibit a low standard deviation in price over long-time frames.

Trade in a relatively liquid market that can absorb sudden market orders without significant slippage.

Given these considerations, NEPRI opts for stablecoin as the collateral type, initially NEPRI Yield USD (nYUSD), generated by NEPRI Finance.

Collateralization Ratio

NEPRI FTA opts for a minimum collateralization ratio of 120%. In other words, for every \$1 of collateral, users can mint a maximum of \$0.8375 worth of tokenized synthetics. Stablecoin collateral unlocks this degree of capital efficiency, contrasting systems that rely on crypto-assets as collateral.

Leveraged Trading: Synthetic Assets As Collateral

In NEPRI FTA, users can also use the tokenized synthetic assets themselves as collateral for further minting. This allows for leveraged trades. If a tokenized synthetic is used as collateral, the minimum collateralization ratio rises to 150%.

3-2 Synthetic Creation / Closure Dynamics

On NEPRI FTA, any user can propose new markets. Once approved by holders of the native governance token (discussed in Section ii.4), the market will open for collateral deposits and synthetic asset creation via Collateralized Debt Positions (CDPs).

As discussed in Section ii.4, assets minted on NEPRI FTA with stablecoin collateral have a minimum collateralization ratio of 120%:

$$CR = \frac{SC}{TSAV} \geq 120\%$$

where CR = Collateralization Ratio, SC = Stablecoin Collateral, TSAV = Tokenized Synthetic Asset Value

Given the stability of the underlying collateral, the collateralization ratio is inversely proportional to the Tokenized Synthetic Asset Value. Considering a CDP with a CR of 120%:

- If the value of the tokenized synthetic rises, then the position becomes undercollateralized
- If the value of the tokenized synthetic falls, then the position becomes overcollateralized

In other words, minting on the NEPRI FTA protocol via stablecoins represents a short position on the tokenized synthetic, unless the tokenized synthetic itself is used as minting collateral (which represents a leveraged long position on the tokenized synthetic). Minting operations with stablecoin collateral may become the domain of short sellers or sophisticated market makers, as well as yield farmers who accrue trading fees while hedging this net short exposure elsewhere. Once minted, tokenized synthetic assets are freely transferable on the NEPRI Finance platform. Tokenized Synthetic assets can be burned at any time, redeeming the underlying collateral. Minting and burning is the equivalent of increasing or decreasing the total "open interest" on the tokenized synthetic.

3-3 Risk Management

If a CDP falls below the minimum collateralization ratio, the system auctions off the collateral at a 20% discount to anyone able to cover the CDP's synthetic asset. This liquidation auction mechanism incentivises sophisticated participants to mint - or purchase on the market via NEPRIftaswap (discussed in Section ii.5) - the required synthetic and redeem the discounted collateral. System solvency relies on the proper functioning of this mechanism over time.

Mirror segregates risk management. Collateral in one market is only available to that particular market.

The protocol can thus support assets with differing volatility profiles without exposing the entire system to insolvency risk.

If NEPRI took a pooled risk approach instead - where all synthetic assets were issued against a single reserve of stablecoins - then the collateralization ratio would have to be calibrated to the highest volatility asset. This again reduces capital efficiency and creates unnecessary burdens on the system.

In our view, pooled collateral is suboptimal. Why should the collateral requirements be the same between US 30 Year Treasury Bonds and US West Texas Intermediate Oil?

The tradeoff with NEPRI's segregated approach is that liquidity cannot be aggregated and each synthetic market must independently accrue market depth.

3.4 Price Oracle

The price oracle is one of the most important components of the system, providing mark-to-market pricing for all synthetic assets and ultimately determining a position's solvency. In Mirror, the system uses an On-chain oracle provided by Band Protocol³⁶. The oracle posts prices every 6 seconds.

3.5 Decentralized Exchange

NEPRI FTA implements a Constant-Function Automated Market Maker (CFMM) - NEPRIftaswap - as a decentralized exchange mechanism for trading synthetic assets against stablecoins. This is equivalent to simply transferring ownership to another party, since there is no change in CDP status and total open interest does not change (unlike minting or burning).

The CFMM employs a constant-product function, like Uniswap, based on the equation $x \times y = k$. Each market is by default a 50:50 pair between the synthetic asset and the nYUSD stablecoin. One important difference is that each pair can be optimised to the volatility of its particular synthetic asset, allowing for the customization of minimum and maximum spreads as well as commissions.

4. Architecture

NEPRI will be deployed on Layer 2 scaling solutions and public blockchains, high performance blockchains that powers a family of algorithmic stablecoins. They provide both the technical infrastructure as well as the economic primitives at the core of NEPRI.

4.1 Technical Infrastructure

NEPRI is being built on Tendermint, a delegated-proof-of-stake consensus technology utilized by the Cosmos ecosystem. The Tendermint blockchain is capable of over 1,000 transactions per second, with sub-10 second blocktimes. The latest upgrade to the Columbus-4 MainNet integrated CosmWasm³⁸, enabling NEPRI to embed a WebAssembly runtime environment and facilitate expressive smart contracts.

These characteristics make it a strong fit for a leveraged synthetic asset protocol like NEPRI:

- Oracle updates can occur every ≈ 6 seconds, approximately the block time. Compared to other platforms, the higher poll rate translates into greater protocol safety, as the system can regularly confirm CDP solvency.

- High throughput translates into high certainty in trade execution. This is critical during liquidation events, where auction participants bid on discounted collateral and have short windows to execute on arbitrage opportunities.

4.2 Economic Primitives

Beyond these technical foundations, NEPRI's stablecoin system underpins NEPRI FTA collateral. While a full discussion of NEPRI is beyond the scope of this paper, it is important to outline the basic operation.

The economic foundations of NEPRI are similar to today's central bank monetary policy. Using the US as an illustrative example:

1. During economic booms, the economy expands, driving demand for the US Dollar. The Federal Reserve responds by raising rates, and/or auctioning off new US Treasury Debt (bonds). Both of these have the effect of reducing the supply of the US Dollar, and "slowing down" the economy.

2. During economic busts, the economy contracts, reducing demand for the US Dollar. The Fed responds by dropping rates, and/or buying back US Treasury Debt from the market (Quantitative Easing, Yield Curve Control etc.). Both of these have the effect of increasing the supply of the US Dollar, "stimulating" the economy.

The NEPRI FINANCE Protocol functions in a similar way to the "Central Bank Protocol" described above, instead the central bank is replaced by the supply of the native token NEP and the currency is replaced with nYUSD:

1. When the NEPRI Protocol economy is growing, demand for nYUSD rises, causing the stablecoin to trade at a premium. The Terra Protocol responds by minting nYUSD and buying back NEP. This increases the supply of nYUSD and thus restores the peg back down to parity.

The NEP "bought back" by the protocol is called seigniorage, the value captured by printing and selling a currency at zero cost. The seigniorage gains are partially burnt, making NEP scarcer, and the remaining portion is sent to the protocol treasury.

2. When the NEPRI Protocol economy is contracting, demand for nYUSD falls, causing the stablecoin to trade at a discount. The NEPRI Protocol responds by minting NEP and selling for nYUSD. This has the effect of decreasing the supply of nYUSD, restoring the peg back up to parity. In this case, all the repurchased nYUSD is burnt, and none is sent to the treasury.

This economic design is a simple yet elegant adaptation of modern monetary policy. It creates the foundation for permissionless stablecoins. NEPRI FTA is launching with support for nYUSD.

5. Distributing Ownership: NEPT Governance Token

The NEPRI FTA governance token (NEPT) is the native asset of the protocol. The token governs system parameters, including minimum collateralisation ratios, supported collateral and supported synthetic assets. Users must stake NEPT to participate in protocol voting.

To incentivise liquidity for NEPRI FTA assets, NEPT will be rewarded to NEPRIftaswap LPs who provide liquidity in NEPRIftaswap pools. This will encourage the minting of synthetic assets and bootstrap initial liquidity for users seeking long exposure to synthetics.

NEPT's value accrual extends beyond qualitative governance benefits. From initial launch, two mechanisms will directly tie protocol usage to the NEPT token, providing a benchmark for valuation and sustainable incentives for ongoing liquidity provision:

- **Trading Fees** - NEPRIftaswap fees are configured to 0.3% of trading volume, where 0.25% is redistributed to pool LPs and the remaining 0.05% to NEPT token stakers. These fees will enable post launch once NEPRIftaswap achieves sufficient liquidity and volume
- **CDP Closure** - CDP closure incurs a 1% fee on stablecoin collateral. This fee is aggregated daily and used to repurchase NEP tokens on NEPRIftaswap. Purchased tokens are redistributed to LPs who provide liquidity to the NEP pair on NEPRIftaswap. These fees are enabled immediately from launch.

In line with Table 1, NEPRI FTA will take a community first approach to governance, adopting a token distribution strategy which rewards both NEPRI FTA protocol contributors and broader DeFi participants. There is no team-controlled pre-mine, and all tokens are allocated as AMM liquidity mining rewards, as well as an airdrop to token holders in the Uniswap and NEPRI ecosystems.

NEPRI FTA: TOKENIZING FRACTIONAL ASSET VALUE ON-CHAIN

CATEGORY	DISTRIBUTION	PERCENTAGE (OF THE YEAR 1 SUPPLY)	DESCRIPTION
Airdrop	UNI Holders	5%	5% distributed at genesis to NEP stakers, followed by 10% distributed Block-by-block to NEP stakers over 1 Year.
	NEP Stakers	15%	Distributed over 1 year to Uniswap Synthetic nYUSD LP token stakers
Synthetic Asset LP Rewards*	Uniswap	5%	Distributed over 1 year to NEPRIfaswap Synthetic-nYUSD LP token stakers.
	NEPRIfaswap	25%	Distributed over 1 year to NEPRIfaswap Synthetic-nYUSD LP token stakers.
NEPT LP Rewards*	Uniswap	5%	Distributed over 1 year to Uniswap NEPT-nYUSD LP token stakes.
	NEPRIfaswap	25%	Distributed over 1 year to Uniswap NEPT-nYUSD LP token stakes.
Community Development Fund**		20%	On-chain treasury governed by NEPT token holders, requiring a minimum 50% voting quorum to be spent. Used to fund the developer ecosystem and establish future liquidity incentive programs.

*LP rewards will continue for an additional 3 years through inflation. Rewards for years 2, 3 and 4 decay at a rate of 50% of the previous year.

**The Community Development Fund will be replenished for an additional 3 years through inflation. The rate of growth will be 10%, 20% and 20% of the Year 1 Supply in years 2, 3 and 4 respectively.

6. Conclusion

Asset tokenization on public permissionless blockchains has the potential to break down the financial and geographic barriers that hold back traditional asset classes from global accessibility. NEPRI FTA is a protocol that allows anyone to issue and trade synthetic assets that track the price of arbitrary real-world assets. NEPRI FTA's well-calibrated system of incentives creates a market for minters to safely issue tokenized synthetic assets and for traders to gain exposure to them from anywhere in the world. NEPRI FTA unleashes the full power of asset tokenization to democratize access to financial assets of all shapes and forms.

Today's uncharted monetary landscape is matched only by the radical experiments in DeFi. We believe that tokenized synthetic asset creation is one of the most compelling opportunities for these two worlds to come together. Tokenized synthetic assets are DeFi's "1-to-N" opportunity to absorb capital seeking a home in global and diverse markets without permission from gatekeepers.

NEPRI FTA is NEPRI's answer to synthetic assets, leveraging a performant blockchain and economic model to invent a protocol where any asset can be "reflected" on-chain. It represents a unique alternative to centralised exchanges and e-brokerage platforms, with 24/7, on-chain, capital efficient minting, settlement and trading of US equities. In the future, almost any asset will be tradeable on NEPRI FTA.

DeFi will continue to flourish and inevitably charge its way into the corridors of traditional finance with open and transparent financial systems. Tokenized Synthetic assets are at the heart of this quest to reimagine, among other things, financial markets. We are excited to watch NEPRI FTA's economic and technical vision come to life and ultimately set the standard for tokenized synthetic asset creation and trading.

References

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