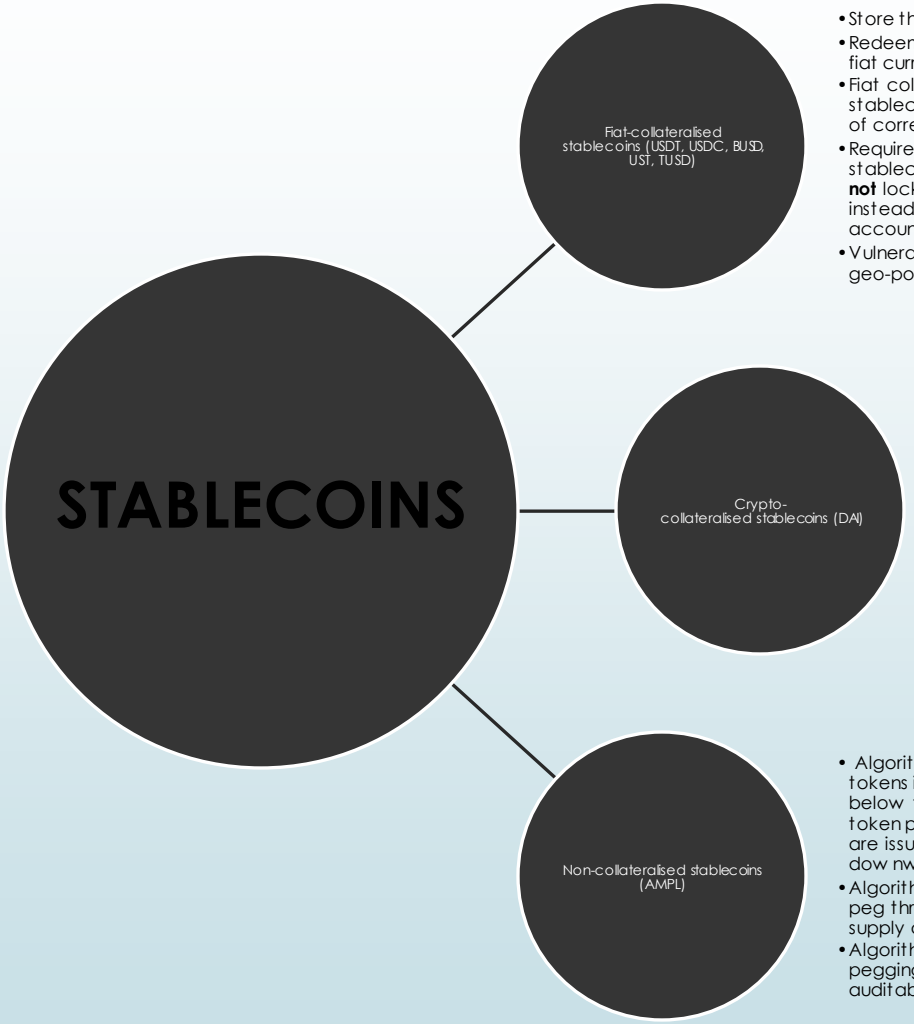
Stablecoins unplugged



- Store their value in fiat currencies as collateral
- Redeemable at a 1:1 ratio with the pegged fiat currency
- Fiat collateral remains in reserve with the stablecoin issuer and must reflect the number of corresponding stablecoins in circulation
- Requires trust in a centralised entity - the stablecoin issuer since fiat collateral is **not** locked in a smart contract and instead exists off-chain, traditionally in a bank account
- Vulnerable to a loss of peg and destabilising geo-political factors

- Backed by other cryptocurrencies (ETH, USDC, BAT)
- Maintain a 1:1 peg against these other cryptocurrencies through algorithmic methods incl. over-collateralisation and incentives
- Structure provides a buffer against price fluctuations caused by the underlying collateral
- The trustless issuance makes them wholly transparent and reserve-auditable

- Algorithm system reduces the number of tokens in circulation when the token price falls below the pegging price. Alternatively, if the token price exceeds this price, more tokens are issued to adjust the stablecoin value downwards
- Algorithm, therefore, helps maintain a stable peg through the playing out of demand and supply dynamics
- Algorithm uses smart contracts to effect the pegging. The coding is transparent and auditable, thereby helping to build trust

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