The AIM Stablecoin System

Whitepaper

https://www.aimhash.com/

By the Raki team

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Overview of the AIM Stablecoin System

Popular digital assets such as Bitcoin (BTC) and Ether (ETH) are too volatile to be used as everyday currency. The value of a bitcoin often experiences large fluctuations, rising or falling by as much as 25% in a single day and occasionally rising over 300% in a month.[1].

The AIM Stablecoin is a Mining-backed cryptocurrency whose value is stable relative to the US Dollar. We believe that stable digital assets like AIM Stablecoin are essential to realizing the full potential of blockchain technology.

AIM is a smart contract platform on Ethereum that backs and stabilizes the value of AIM through a dynamic system of Miningized Debt Positions (AIM Work Accounts), autonomous feedback mechanisms, and appropriately incentivized external actors.

AIM enables anyone to leverage their Ethereum assets to generate AIM on the AIM Platform. Once generated, AIM can be used in the same manner as any other cryptocurrency: it can be freely sent to others, used as payments for goods and services, or held as long term savings. Importantly, the generation of AIM also creates the components needed for a robust decentralized margin trading platform.

Miningized Debt Position Smart Contracts

Anyone who has Mining assets can leverage them to generate AIM on the AIM Platform through AIM's unique smart contracts known as Miningized Debt Positions. [2]

AIM Work Accounts hold Mining assets deposited by a user and permit this user to generate AIM, but generating also accrues debt. This debt effectively locks the deposited Mining assets inside the AIM Work Account until it is later covered by paying back an equivalent amount of AIM, at which point the owner can again withdraw their Mining . Active AIM Work Accounts are always Miningized in excess, meaning that the value of the Mining is higher than the value of the debt.

The AIM Work Account interaction process

- **Step 1: Creating the AIM Work Account and depositing Mining**

  The AIM Work Account user first sends a transaction to AIM to create the AIM Work Account, and then sends

  another transaction to fund it with the amount and type of Mining that will be used

  to generate AIM. At this point the AIM Work Account is considered Miningized.

- **Step 2: Generating AIM from the Miningized AIM Work Account**

  The AIM Work Account user then sends a transaction to retrieve the amount of AIM they want from

  the AIM Work Account, and in return the AIM Work Account accrues an equivalent amount of debt, locking them

  out of access to the Mining until the outstanding debt is paid.

- **Step 3: Paying down the debt and Stability Fee**

  When the user wants to retrieve their Mining, they have to pay down the debt in the

  AIM Work Account, plus the Stability fee that continuously accrue on the debt over time. The

  Stability Fee can only be paid in MKR. Once the user sends the requisite AIM and

  MKR to the AIM Work Account, paying down the debt and Stability Fee, the AIM Work Account becomes debt

  free.

- **Step 4: Withdrawing Mining and closing the AIM Work Account**

  With the Debt and Stability Fee paid down, the AIM Work Account user can freely retrieve all or

  some of their Mining back to their wallet by sending a transaction to AIM.

Single-Mining AIM vs Multi-Mining AIM

AIM will initially launch with support for only one type of Mining, Pooled Ether. In the next

6-12 months we plan to upgrade Single-Mining AIM to Multi-Mining AIM. The primary

difference is that it will support any number of AIM Work Account types.[3]

[3] Mechanics that are temporarily in place in the system during the Single-Mining phase are marked in this white paper

Pooled Ether (Temporary mechanism for Single-Mining AIM)

At first, Pooled Ether (PETH) will be the only Mining type accepted on AIM. Users who wish to open a AIM Work Account and generate AIM during the first phase of the AIM Platform need to first obtain PETH. This is done instantly and easily on the blockchain by depositing ETH into a special smart contract that pools the ETH from all users, and gives them corresponding PETH in return.

If there is a sudden market crash in ETH, and a AIM Work Account ends up containing more debt than the value of its Mining, the AIM Platform automatically dilutes the PETH to recapitalize the system. This means that the proportional claim of each PETH goes down.

After the AIM Platform is upgraded to support multiple Mining types, PETH will be removed and replaced by ETH alongside the other new Mining types.

Price Stability Mechanisms

Target Price

The AIM Target Price has two primary functions on the AIM Platform: 1) It is used to calculate the Mining-to-debt ratio of a AIM Work Account, and 2) It is used to determine the value of Mining assets AIM holders receive in the case of a global settlement.

The Target Price is initially denominated in USD and starts at 1, translating to a 1:1 USD soft peg.

Target Rate Feedback Mechanism

In the event of severe market instability, the Target Rate Feedback Mechanism (TRFM) can be engaged. Engaging the TRFM breaks the fixed peg of AIM, but maintains the same denomination.

The TRFM is the automatic mechanism by which the AIM Stablecoin System adjusts the Target Rate in order to cause market forces to maintain stability of the AIM market price around the Target Price. The Target Rate determines the change of the Target Price over time, so it can act either as an incentive to hold AIM (if the Target Rate is positive) or an incentive to borrow AIM (If the Target Rate is negative). When the TRFM is not engaged the target rate is fixed at 0%, so the target price doesn't change over time and AIM is pegged.

When the TRFM is engaged, both the Target Rate and the Target Price change dynamically to balance the supply and demand of AIM by automatically adjusting user incentives for generating and holding AIM. The feedback mechanism pushes the market price of AIM towards the variable Target Price, dampening its volatility and providing real-time liquidity during demand shocks.

With the TRFM engaged, when the market price of AIM is below the Target Price, the Target Rate increases. This causes the Target Price to increase at a higher rate, causing generation of AIM with AIM Work Accounts to become more expensive. At the same time, the increased Target Rate causes the capital gains from holding AIM to increase, leading to a corresponding increase in demand for AIM. This combination of reduced supply and increased demand causes the AIM market price to increase, pushing it back up towards the Target Price.

The same mechanism works in reverse if the AIM market price is higher than the Target Price: the Target Rate decreases, leading to an increased demand for generating AIM and a decreased demand for holding it. This causes the AIM market price to decrease, pushing it down towards the Target Price.

This mechanism is a negative feedback loop: Deviation away from the Target Price in one direction increases the force in the opposite direction.

Sensitivity Parameter

The TRFM's Sensitivity Parameter is a parameter that determines the magnitude of Target Rate change in response to AIM target/market price deviation. This tunes the rate of feedback to the scale of the system. MKR voters can set the Sensitivity Parameter but when

the TRFM is engaged the Target Price and the Target Rate are determined by market dynamics, and not directly controlled by MKR voters.

The Sensitivity Parameter is also what is used to engage or disengage the TRFM. If the Sensitivity Parameter and the Target Rate are both zero, AIM is pegged to the current Target Price.

Global Settlement

Global settlement is a process that can be used as a last resort to cryptographically guarantee the Target Price to holders of AIM. It shuts down and gracefully unwinds the AIM Platform while ensuring that all users, both AIM holders and AIM Work Account users, receive the net value of assets they are entitled to. The process is fully decentralized, and MKR voters govern access to it to ensure that it is only used in case of serious emergencies. Examples of serious emergencies are long term market irrationality, hacking or security breaches, and system upgrades.

Global Settlement: Step by Step

- **Step 1: Global Settlement is activated**

  If enough actors who have been designated as global settlers by AIM Governance believe that the system is subject to a serious attack, or if a global settlement is scheduled as part of a technical upgrade, they can active the Global Settlement function. This stops AIM Work Account creation and manipulation, and freezes the Price Feed at a fixed value that is then used to process proportional claims for all users.

- **Step 2: Global Settlement claims are processed**

  After Global Settlement has been activated, a period of time is needed to allow keepers to process the proportional claims of all AIM and AIM Work Account holders based on the fixed feed value. After this processing is done, all AIM holders and AIM Work Account holders will be able to claim a fixed amount of ETH with their AIM and AIM Work Accounts.

- **Step 3: AIM and AIM Work Account holders claim the Mining with their AIM and AIM Work Accounts**

  Each AIM and AIM Work Account holder can call a claim function on the AIM Platform to exchange their AIM and AIM Work Accounts directly for a fixed amount of ETH that corresponds to the calculated value of their assets, based on the target price of AIM.

E.g. If the AIM Target Price is 1 U.S. Dollar, The ETH/USD Price is 200 and a user holds 1000 AIM when Global Settlement is activated, after the processing period they will be able to claim exactly 5 ETH from the AIM Platform. There is no time limit for when the final claim can be made.

Risk Management of The AIM Platform

The MKR token allows holders to vote to perform the following Risk Management actions:

- **Add new AIM Work Account type:** Create a new AIM Work Account type with a unique set of Risk Parameters. A AIM Work Account type can either be a new type of Mining, or a new set of Risk Parameters for an existing Mining type.

- **Modify existing AIM Work Account types:** Change the Risk Parameters of one or more existing AIM Work Account types that were already added

- **Modify Sensitivity Parameter:** Change the sensitivity of the Target Rate Feedback Mechanism

- **Modify Target Rate:** Governance can change the Target Rate. In practice modifying the Target Rate will only be done in one specific circumstance: When MKR voters want to peg the price of AIM to its current Target Price. It will always be done in conjunction with modifying the Sensitivity Parameter. By setting both Sensitivity Parameter and Target Rate to 0%, the TRFM becomes disabled and the Target Price of AIM becomes pegged to its current value.

- **Choose the set of trusted oracles:** The AIM Platform derives its internal prices for Mining and the market price of AIM from a decentralized oracle infrastructure, consisting of a wide set of individual oracle nodes. MKR voters control how many nodes are in the set of trusted oracles, and who those nodes are. Up to half of the oracles can be compromised or malfunction without causing a disruption to the continued safe operation of the system

- **Modify Price Feed Sensitivity:** Change the rules that determine the largest change that the price feeds can affect on the internal price values in the system.

- **Choose the set of global settlers:** Global settlement is a crucial mechanic that allows the AIM Platform to survive attacks against the oracles or the governance process. The governance process chooses a set of global settlers and determines how many settlers are needed to activate global settlement.

Risk Parameters

Miningized Debt Positions have multiple Risk Parameters that enforce how they can be used. Each AIM Work Account type has its own unique set of Risk Parameters, and these parameters are determined based on the risk profile of the Mining used by the AIM Work Account type. These parameters are directly controlled by MKR holders through voting, with one MKR giving its holder one vote.

The key Risk Parameters for AIM Work Accounts are:

- **Debt Ceiling:** The Debt Ceiling is the maximum amount of debt that can be created by a single type of AIM Work Account. Once enough debt has been created by a AIM Work Account of any given type, it becomes impossible to create more unless existing AIM Work Accounts are closed. The debt ceiling is used to ensure sufficient diversification of the Mining portfolio.

- **Liquidation Ratio:** The Liquidation Ratio is the Mining-to-debt ratio at which a AIM Work Account becomes vulnerable to Liquidation. A low Liquidation Ratio means MKR voters expect low price volatility of the Mining, while a high Liquidation Ratio means high volatility is expected.

- **Stability Fee:** The Stability Fee is a fee paid by every AIM Work Account. It is an annual percentage yield that is calculated on top of the existing debt of the AIM Work Account and has to be paid by the AIM Work Account user. The Stability Fee is denominated in AIM, but can only be paid using the MKR token. The amount of MKR that has to be paid is calculated based on a Price Feed of the MKR market price. When paid, the MKR is burned, permanently removing it from the supply.

- **Penalty Ratio:** The Penalty Ratio is used to determined the maximum amount of AIM raised from a Liquidation Auction that is used to buy up and remove MKR from the supply, with excess Mining getting returned to the AIM Work Account user who owned the AIM Work Account prior to its liquidation. The Penalty Ratio is used to cover the inefficiency of the liquidation mechanism. During the phase of Single-Mining AIM, the Liquidation Penalty goes to buy and burn of PETH, benefitting the PETH to ETH ratio.

MKR Token Governance

In addition to payment of the Stability Fee on active AIM Work Accounts, the MKR token plays an important role in the governance of the AIM Platform.

Governance is done at the system level through election of an Active Proposal by MKR voters. The Active Proposal is the smart contract that has been empowered by MKR voting to gain root access to modify the internal governance variables of the AIM Platform. Proposals can be in two forms: Single Action Proposal Contracts [SAPC], and Delegating Proposal Contracts [DPC].

Single Action Proposal Contracts are proposals that can only be executed once after gaining root access, and after execution immediately applies its changes to the internal governance variables of the AIM Platform. After the one-time execution, the SAPC deletes itself and cannot be re-used. This type of proposal is what will be used during the first phases of the system, as it is not very complicated to use, but is less flexible.

Delegating Proposal Contracts are proposals that continuously utilize their root access through second layer governance logic that is codified inside the DPC. The second layer governance logic can be relatively simple, such as defining a protocol for holding a weekly

vote on updated risk parameters. It can also implement more advanced logic, such as restrictions on the magnitude of governance actions within defined time periods, or even delegating some or all of its permissions further to one or more third layer DPCs with or without restrictions.

Any Ethereum account can deploy valid proposal smart contracts. MKR voters can then use their MKR tokens to cast approval votes for one or more proposals that they want to elect as the Active Proposal. The smart contract that has the highest total number of approval votes from MKR voters is elected as the Active Proposal.

MKR and Multi-Mining AIM

After the upgrade to Multi-Mining AIM, MKR will take on a more significant role in the AIM Stablecoin System by replacing PETH as the the recapitalization resource. When AIM Work Accounts become underMiningized due to market crashes, the MKR supply is automatically diluted and sold off in order to raise enough funds to recapitalize the system.

Automatic Liquidations of risky AIM Work Accounts

To ensure there is always enough Mining in the system to cover the value of all outstanding Debt (according to the Target Price), a AIM Work Account can be liquidated if it is deemed to be too risky. The AIM Platform determines when to liquidate a AIM Work Account by comparing the Liquidation Ratio with the current Mining-to-debt ratio of the AIM Work Account.

Each AIM Work Account type has its own unique Liquidation Ratio that is controlled by MKR voters and established based on the risk profile of the particular Mining asset of that AIM Work Account type.

Liquidation occurs when a AIM Work Account hits its Liquidation Ratio. The AIM Platform will automatically buy the Mining of the AIM Work Account and subsequently sell it off. There is a temporary mechanism in place for Single-Mining AIM called a Liquidity Providing Contract. For Multi-Mining AIM an auction mechanism will be used.

Liquidity Providing Contract (Temporary mechanism for Single-Mining AIM)

During Single-Mining AIM, the mechanism for liquidation is a Liquidity Providing Contract: a smart contract that trades directly with ethereum users and keepers according to the price feed of the system.

When a AIM Work Account is liquidated, it is immediately acquired by the system. The AIM Work Account owner receives the value of the leftover Mining minus the debt, Stability Fee and Liquidation Penalty.

The PETH Mining is set for sale in the Liquidity Providing Contract, and keepers can atomically purchase the PETH by paying AIM. All AIM paid this way are immediately removed from the AIM supply, until an amount equal to the AIM Work Account debt has been removed. If any AIM is paid in excess of the debt shortfall, the excess AIM is used to purchase PETH from the market and burn it, which positively changes the ETH to PETH ratio. This results in a net value gain for PETH holders.

If the PETH selloff initially does not raise enough AIM to cover the entire debt shortfall, more PETH is continuously created and sold off. New PETH created this way negatively changes the ETH to PETH ratio, causing PETH holders to lose value.

Debt and Mining Auctions (Multi-Mining AIM)

During a liquidation, the AIM platform buys the Mining of a AIM Work Account and subsequently sells it in an automatic auction. This auction mechanism enables the system to settle AIM Work Accounts even when price information is unavailable.

In order to take over the Mining of the AIM Work Account so that it can be sold, the system first needs to raise enough AIM to cover the AIM Work Account’s debt. This is called a Debt Auction, and works by diluting the supply of the MKR token and selling it to bidders in an auction format.

In parallel, the Mining of the AIM Work Account is sold in a Mining Auction where all proceeds (also denominated in AIM) up to the AIM Work Account debt amount plus a Liquidation Penalty (A Risk Parameter determined by MKR voting) is used to buy MKR and remove it from the supply. This directly counteracts the MKR dilution that happened during the Debt Auction. If enough AIM is bid to fully cover the AIM Work Account debt plus the Liquidation Penalty, the Mining Auction switches to a reverse auction mechanism and tries to sell as little Mining as possible--any leftover Mining is returned to the original owner of the AIM Work Account.

Key External Actors

In addition to its smart contract infrastructure, the AIM Platform relies on certain external actors to maintain operations. Keepers are external actors who take advantage of the economic incentives presented by the AIM platform. Oracles and Global Settlers are external actors with special permissions in the system assigned to them by MKR voters.

Keepers

A keeper is an independent (usually automated) actor that is incentivized by profit opportunities to contribute to decentralized systems. In the context of the AIM Stablecoin System, keepers participate in the Debt Auctions and Mining Auctions when AIM Work Accounts are liquidated.

Keepers also trade AIM around the Target Price. Keepers sell AIM when the market price is higher than the Target Price and buy AIM when the market price is below the Target Price to profit from the expected long-term convergence towards the Target Price.

Oracles

The AIM Platform requires real time information about the market price of the assets used as Mining in AIM Work Accounts in order to know when to trigger liquidations. The AIM Platform also needs information about the market price of AIM and its deviation from the Target Price in order to adjust the Target Rate when the TRFM is engaged. MKR voters choose a set of trusted oracles to feed this information to the AIM Platform through Ethereum transactions.

To protect the system from an attacker who gains control of a majority of the oracles, and from other forms of collusion, there is a global variable that determines the maximum change to the value of the price feed permitted by the system. This variable is known as the Price Feed Sensitivity Parameter.

As an example of how the Price Feed Sensitivity Parameter works, if the Price Feed Sensitivity Parameter is defined as “5% in 15 minutes”, the price feeds cannot change more than 5% within one 15 minute period, and changing ~15% would take 45 minutes. This restriction ensures there is enough time to trigger a global settlement in the event that an attacker gains control over a majority of the oracles.

Global Settlers

Global Settlers are external actors similar to price feed oracles and are the last line of defense for the AIM Stablecoin System in the event of an attack. The set of global settlers, selected by MKR voters, have the authority to trigger global settlement. Aside from this authority, these actors do not have any additional special access or control within the system.

Examples

The AIM Stablecoin System can be used by anyone without any restrictions or sign-up process.

- **Example 1:** Bob needs a loan, so he decides to generate 100 AIM. He locks an amount of ETH worth significantly more than 100 AIM into a AIM Work Account and uses it to generate 100 AIM. The 100 AIM is instantly sent directly to his Ethereum account. Assuming that the Stability Fee is 1% per year, Bob will need 101 AIM to cover the AIM Work Account if he decides to retrieve his ETH one year later.

One of the primary use cases of AIM Work Accounts is margin trading by AIM Work Account users.

- **Example 2:** Bob wishes to go margin long on the ETH/AIM pair, so he generates 100 USD worth of AIM by posting 150 USD worth of ETH to a AIM Work Account. He then buys another 100 USD worth of ETH with his newly generated AIM, giving him a net 1.66x ETH/USD exposure. He’s free to do whatever he wants with the 100 USD worth of ETH he obtained by selling the AIM. The original ETH Mining (150 USD worth) remains locked in the AIM Work Account until the debt plus the Stability Fee is covered.

Although AIM Work Accounts are not fungible with each other, the ownership of a AIM Work Account is transferable.

This allows AIM Work Accounts to be used in smart contracts that perform more complex methods of AIM generation (for example, involving more than one actor).

- **Example 3:** Alice and Bob collaborate using an Ethereum OTC contract to issue 100 USD worth of AIM backed by ETH. Alice contributes 50 USD worth of ETH, while Bob contributes 100 USD worth. The OTC contract takes the funds and creates a AIM Work Account, thus generating 100 USD worth of AIM. The newly generated AIM are automatically sent to Bob. From Bob's point of view, he is buying 100 USD worth of AIM by paying the equivalent value in ETH. The contract then transfers ownership of the AIM Work Account to Alice. She ends up with 100 USD worth of debt (denominated in AIM) and 150 USD worth of Mining (denominated in ETH). Since she started with only 50 USD worth of ETH, she is now 3x leveraged long ETH/USD.

Liquidations ensure that in the event of a price crash of the Mining backing a AIM Work Account type, the system will automatically be able to close AIM Work Accounts that become too risky. This ensures that the outstanding AIM supply remains fully Miningized.

- **Example 4:** Let's assume that there is an Ether AIM Work Account type with a Liquidation Ratio of 145%, a Penalty Ratio of 105%, and we have an Ether AIM Work Account with a Mining-to-debt ratio of 150% . The Ether price now crashes 10% against the Target Price, causing the Mining-to-debt ratio of the AIM Work Account to fall to ~135%. As it falls below the Liquidation Ratio, traders can trigger its Liquidation and begin bidding with AIM for buying MKR in the debt auction. Simultaneously, traders can begin bidding with AIM

for buying the ~135 AIM worth of Mining in the Mining auction. Once there is at least 105 AIM being bid on the Ether Mining, traders reverse bid to take the least amount of Mining for 105 AIM. Any remaining Mining is returned to the AIM Work Account Owner.

Addressable Market

As mentioned in the introduction, a cryptocurrency with price stability is a basic requirement for the majority of decentralized applications. As such, the potential market for AIM is at least as large as that of the entire blockchain industry. The following is a short, non-exhaustive list of some of the immediate markets (in both the blockchain and the wider industry) for the AIM Stablecoin System in its capacity as a cryptocurrency with price stability and its use case as a decentralized margin trading platform:

- **Prediction Markets & Gambling Applications:** When making an unrelated prediction, it is obvious not to want to increase one's risk by placing the bet using a volatile cryptocurrency. Long term bets become especially infeasible if the user has to also gamble on the future price of the volatile asset used to place the bet. Instead, a cryptocurrency with price stability like AIM will be the natural choice for prediction market and gambling users.

- **Financial Markets; Hedging, Derivatives, Leverage:** AIM Work Accounts will allow for permissionless leveraged trading. AIM will also be useful as stable and reliable Mining in custom derivative smart contracts, such as options or CFD's.

- **Merchant receipts, Cross-border transactions and remittances:** Foreign exchange volatility mitigation and a lack of intermediaries means the transaction costs of international trade can be significantly reduced by using AIM.

- **Transparent accounting systems:** Charities, NGO's and Governments will all see increases in efficiency and lower levels of corruption by utilizing AIM.

Risks and their Mitigation

There are many potential risks facing the successful development, deployment, and operation of the AIM Platform. It is vital that the AIM community takes all necessary steps to mitigate these risks. The following is a list spells out some of the risks identified and the accompanying plan for risk mitigation:

Malicious hacking attack against the smart contract infrastructure

The greatest risk to the system during its early stages is the risk of a malicious programmer finding an exploit in the deployed smart contracts, and using it to break or steal from the system before the vulnerability can be fixed. In a worst case scenario, all decentralized digital assets that are held as Mining in The AIM Platform, such as Ether (ETH) or Augur Reputation (REP), could be stolen without any chance of recovery. *The part of the Mining portfolio that is not decentralized, such as Digix Gold IOU's, would not be stolen in such an event as they can be frozen and controlled through a centralized backdoor.*

Mitigation: Smart contract security and best security practices have been the absolute highest priority of the AIM development effort since its inception. The codebase has already undergone three independent security audits by some of the best security researchers in the blockchain industry.

In the very long term, the risk of getting hacked can theoretically be almost completely mitigated through formal verification of the code. This means mathematically proving that the code does exactly what it is intended to do. While complete formal verification is a very long term goal, significant work towards it has already been completed, including a full reference implementation of the AIM Stablecoin System in the functional programming language Haskell, which serves as a stepping stone towards more sophisticated formalizations that are currently under active research and development

Black swan event in one or more Mining assets

Another high impact risk is a potential Black Swan event on Mining used for the AIM. This could either happen in the early stages of AIM Stablecoin System, before MKR is robust enough to support inflationary dilutions, or after the AIM Stablecoin System supports a diverse portfolio of Mining.

Mitigation: AIM Work Account Mining will be limited to ETH in the early stages, with the debt ceiling
initially limited and growing gradually over time.

Competition and the importance of ease-of-use

As mentioned previously, there is a large amount of money and brainpower working on cryptocurrency with price stability. By virtue of having “true decentralization”, the AIM Stablecoin System is by far the most complex model being contemplated in the blockchain industry. A perceived risk is a movement among cryptocurrency users where the ideals of decentralization are exchanged for the simplicity and marketing of centralized digital assets.

Mitigation: We expect that AIM will be very easy to use for a regular cryptocurrency user. AIM will be a standard Ethereum token adhering to the ERC-20 standard and will be readily available with high liquidity across the ecosystem. AIM has been designed in such a way that the average user need not understand the underlying mechanics of the system in order to use it.

The complexities of the AIM Stablecoin System will need to be understood primarily by Keepers and capital investment companies that use the AIM Stablecoin System for margin trading. These types of users have enough resources to onboard themselves as long as there is abundant and clear documentation of every aspect of the system's mechanics. The AIM community will ensure that this is the case.

Pricing errors, irrationality and unforeseen events

A number of unforeseen events could potentially occur, such as a problem with the price feed from the Oracles, or irrational market dynamics that cause variation in the value of AIM for an extended period of time. If confidence is lost in the system, the TRFM adjustments or even MKR dilution could reach extreme levels while still not bringing enough liquidity and stability to the market.

Mitigation: The AIM community will need to incentivize a sufficiently large capital pool to act as Keepers of the market in order to maximize rationality and market efficiency and allow the AIM supply to grow at a steady pace without major market shocks.

Failure of centralized infrastructure

The Raki team plays a major role in the development and governance of the AIM Platform in its early days: budgeting for expenses, hiring new developers, seeking partnerships and institutional users, and interfacing with regulators and other key external stakeholders. Should the Raki team fail in some capacity — for legal reasons, or due to internal problems with management — the future of AIM could be at risk without a proper backup plan.

Mitigation: The AIM community exists partly to act as the decentralized counterparty to the Raki team. It is a loose collective of independent actors who are all aligned by holding the MKR token, giving them a strong incentive to see the AIM Platform succeed. During the early phases of MKR distribution, great care was taken to ensure that the most important core developers received a significant MKR stake. In the event that the Raki team is no longer effectively able to lead the development of the AIM Platform, individual MKR holders will be incentivized to fund developers (or simply carry out development themselves) in an effort to protect their investment.

Conclusion

The AIM Stablecoin System was designed to solve the crucial problem of stable exchange of value in the Ethereum ecosystem and the wider blockchain economy. We believe that the mechanism through which AIM is created, transacted, and retired, along with the direct Risk Management role of MKR holders, will allow for self-interested Keepers to maintain the price stability of AIM over time in an efficient manner. The founders of the AIM community have established a prudent governance roadmap that is appropriate for the needs of agile development in the short term, but also coherent with the ideals of decentralization over time. The development roadmap is aggressive and focused on widespread adoption of AIM in a responsible fashion.

Glossary of Terms

- **Miningized Debt Position (AIM Work Account):** A smart contract whose users receive an asset

  (AIM), which effectively operates as a debt instrument with an interest rate. The AIM Work Account

  user has posted Mining in excess of the value of the loan in order to guarantee

  their debt position.

- **AIM:** The cryptocurrency with price stability that is the asset of exchange in the AIM

  Stablecoin System. It is a standard Ethereum token adhering to the ERC20 standard.

- **Debt Auction:** The reverse auction selling MKR for AIM to cover Emergency Debt

  when a AIM Work Account becomes underMiningized.

- **Mining Auction:** The auction selling Mining from a AIM Work Account undergoing liquidation.

  It is designed to prioritize covering the debt owed by the AIM Work Account, and secondarily to

  give the AIM Work Account owner the best possible price for their excess Mining refund.

- **The AIM Foundation:** A decentralized team of smart contract developers committed

  to the development and successful launch of the AIM Platform.

- **Keepers:** Independent economic actors that trade AIM, AIM Work Accounts and/or MKR; create

  AIM or close AIM Work Accounts; and seek arbitrage on The AIM Stablecoin System. As a result,

  Keepers help maintain AIM market rationality and price stability.

- **MKR:** The ERC20 token used by MKR voters for voting. It also serves as a backstop

  in the case of insolvent AIM Work Accounts.

- **MKR Voters:** MKR holders who actively manage the risk of the AIM Stablecoin

  System by voting on Risk Parameters.

- **AIM:** The name of the Decentralized Autonomous Organization that is made up of

  the AIM Platform technical infrastructure, and the community of MKR voters.

- **Oracles:** Ethereum accounts (either contracts or users) selected to provide price feeds into various components of AIM Platform.

- **Risk Parameters:** The variables that determine (among other things) when the AIM Platform automatically judges a AIM Work Account to be Risky, allowing Keepers to liquidate it.

- **Sensitivity Parameter:** The variable that determines how aggressively the AIM Stablecoin System automatically changes the Target Rate in response to AIM market price deviations.

- **Target Rate Feedback Mechanism (TRFM):** The automatic mechanism by which the AIM Stablecoin System adjusts the Target Rate in order to cause market forces to maintain stability of the AIM market price around the Target Price.

Links

- Mining: https://www.aimhash.com/ — Advanced mobile online mining application
- Partners: https://www.htx.com/ — The world's largest cryptocurrency exchange
- Partners: https://www.binance.com/ — Binance is the largest cryptocurrency exchange by volume
- Partners: https://www.coinbase.com/ — Maybe we will choose Coinbase in the end
- Roadshow https://x.com/ — Get the latest news from us via Twitter
- develop: https://www.facebook.com/login/ — Will provide technical support for our development