

Velo PayFAI Tokenomics Lite Paper



June 2025

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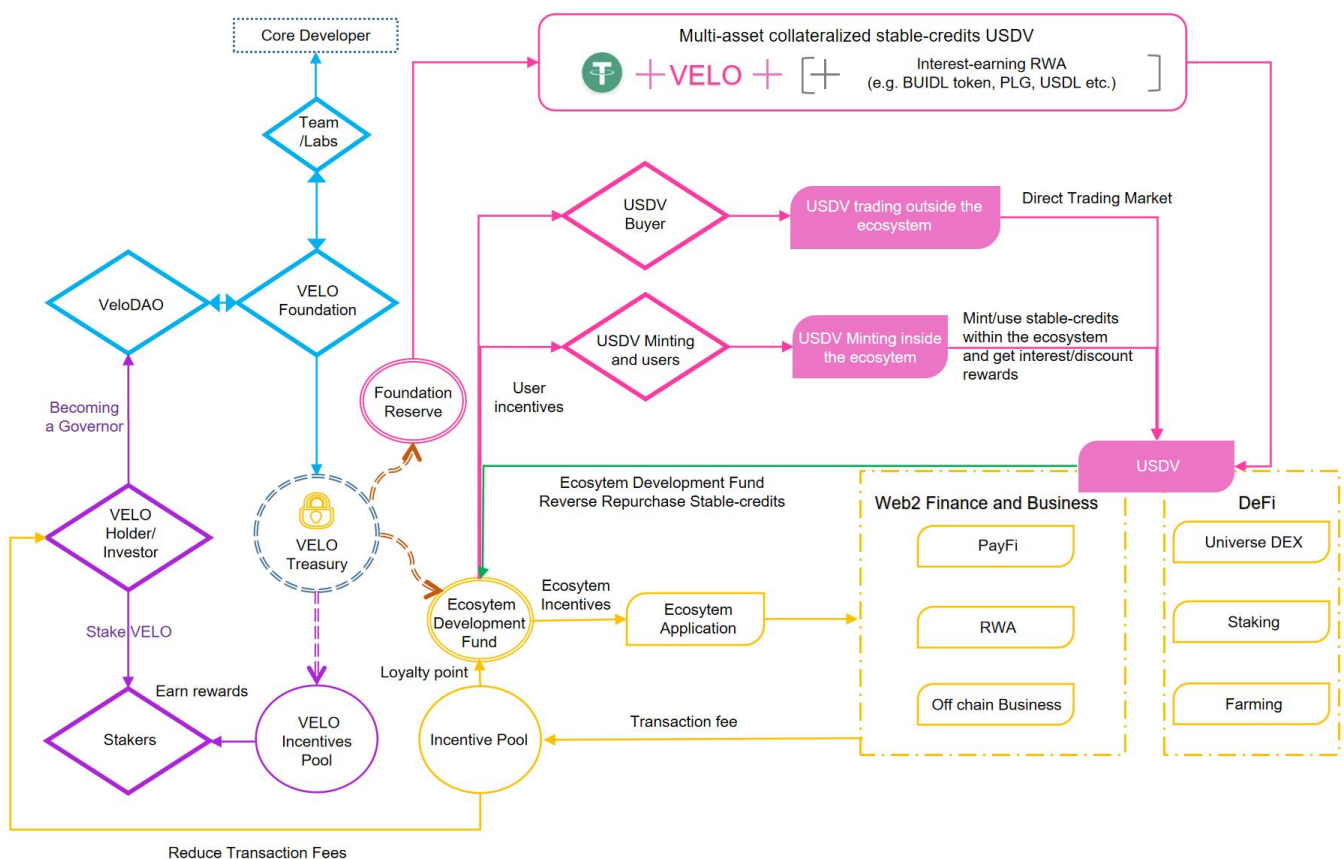
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Velo's Ecosystem Tokenomics Model of PayFi

1. Introduction

The VELO ecosystem represents a comprehensive tokenomics model designed to integrate Real-World Assets (RWA), DeFi infrastructure, and cross-border financial applications through its dual-token system: VELO and USDV. This framework underpins the PayFi ecosystem, offering institutional-grade financial tools while supporting decentralized innovation and governance.

2. VELO Ecosystem Tokenomics Design



VELO Tokenomics Flow Overview

This flowchart illustrates the structure and interactions within the VELO ecosystem, highlighting the roles of the VELO and USDV.

2.1 Features of the New Tokenomic

The VELO token has been redesigned with a more robust and multifunctional structure. It now serves as:

- An incentive mechanism powering product usage across the ecosystem
- Collateral for the issuance of the USDV stable-credit
- A staking asset that generates yield for long-term participants

A cornerstone of the updated model is the introduction of multi-asset collateralization for USDV. This approach not only enhances the intrinsic value of VELO but also facilitates the integration of Real-World Assets (RWA) into the ecosystem—paving the way for meaningful collaborations with institutional partners such as BlackRock's Securitized, Paxos and the Laos government.

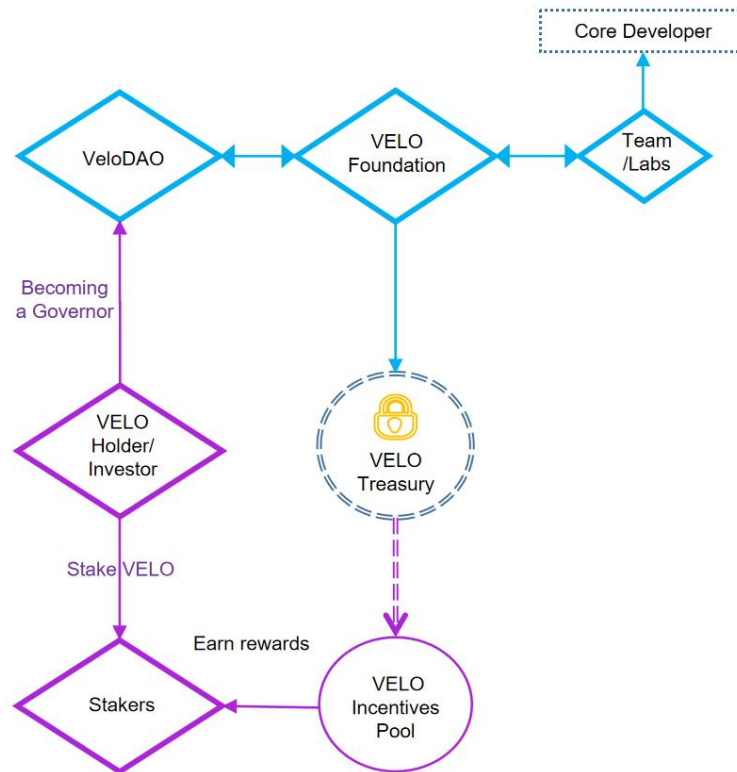
To support sustainable growth and ecosystem governance, three core entities have been established:

- Foundation Reserve – Manages collateral and ensures stablecoin integrity
- Ecosystem Development Fund – Supports strategic growth, incentives, and innovation initiatives

Together, these structural elements position VELO as a foundational asset within a scalable, RWA-integrated financial system.

2.2 Understand the Key Components

The following outlines the key components of the VELO ecosystem and their interrelationships:



Part 1

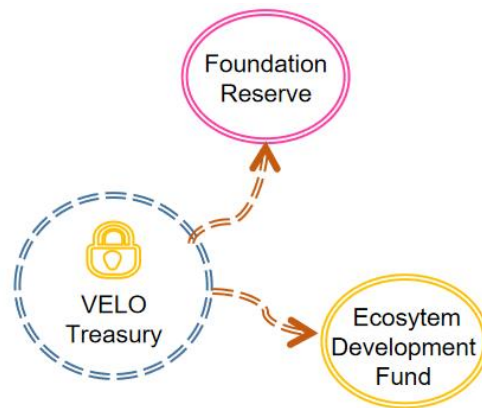
Core Developer <- Team/Labs <-> VELO Foundation -> VELO Treasury: This represents the development and governance structure where the core developers work through teams or labs under the VELO Foundation. The VELO treasury is holding all assets raised from the market or generated by the ecosystem, like the private investment.

VeloDAO <-> VELO Foundation: This section shows the governance framework between VeloDAO and the Velo Foundation, showcasing how voting enables influence over key decisions, such as VELO Treasury fund utilization.

VELO Incentives Pool: VELO incentives pool is provided to encourage participation in staking VELO.

VELO Holder/Investor: They can become governors by voting to burn VELO, which is a mechanism to reduce supply and potentially increase VELO token value.

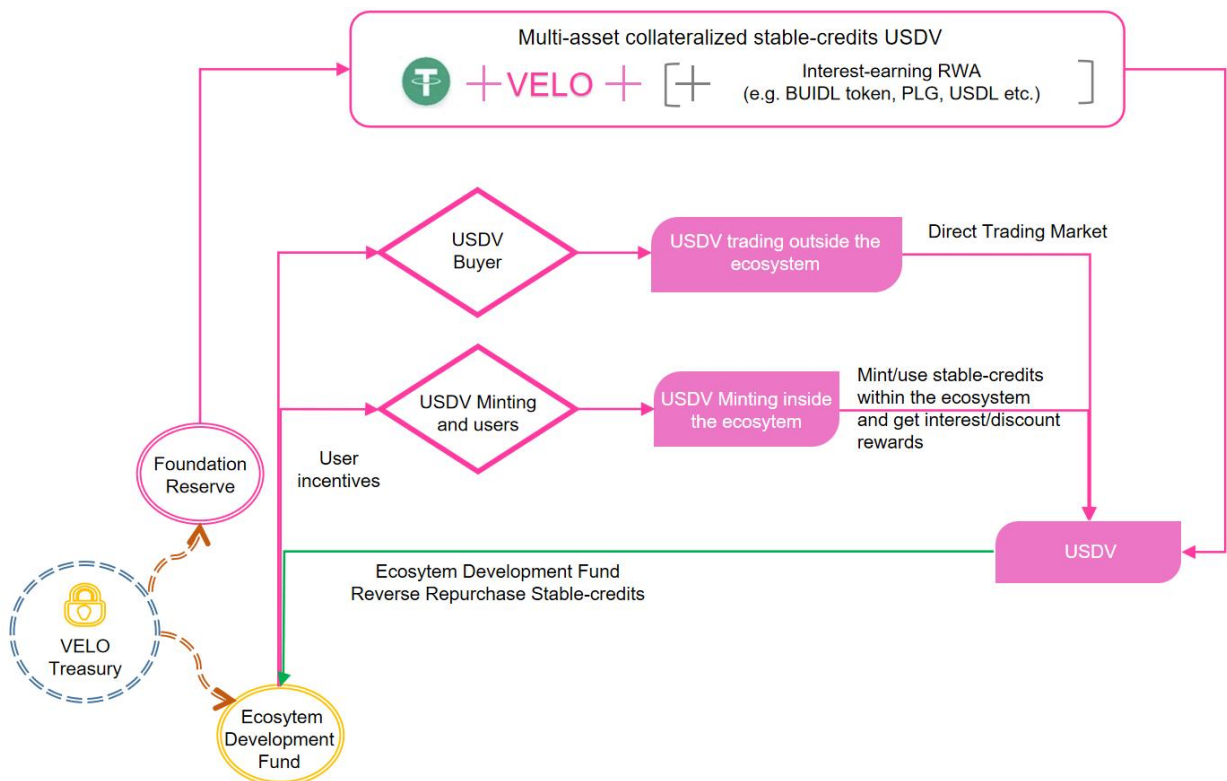
Stakers: VELO holders can stake their tokens to earn rewards, and also help them reduce transaction fees within the ecosystem.



Part 2

Foundation Reserve: These funds are used for reserve purposes. It also plays a role as a central bank in the ecosystem to repurchase USDV if needed.

Ecosystem Development Fund: This fund is designed to be pivotal in developing the ecosystem, receiving funds from the VELO Treasury and distributing them for development incentives and applications.



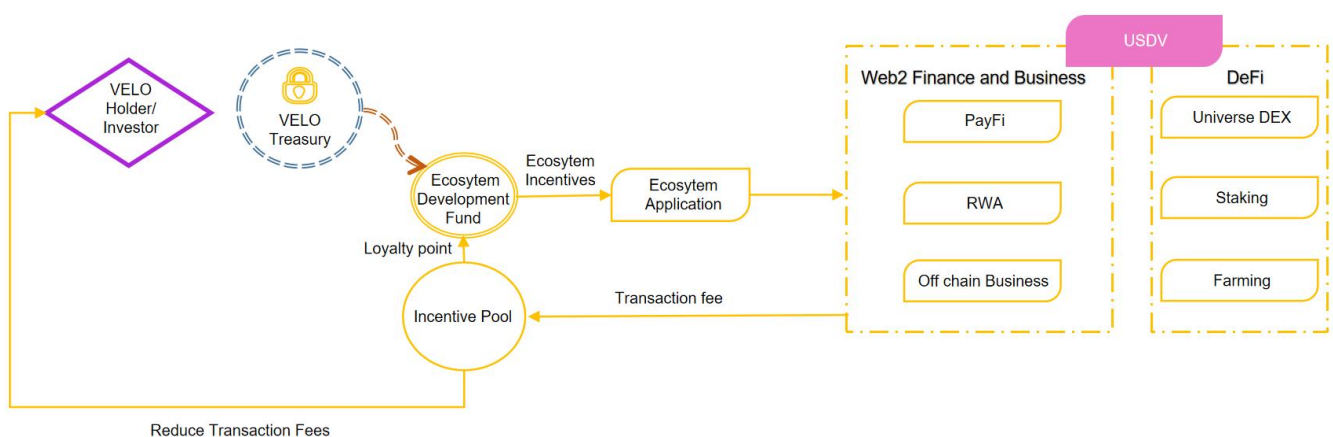
Part 3

Multi-asset Over-collateralization Stable-credit USDV: This section indicates that USDV is a stablecoin backed by multiple assets, including VELO and other interest-earning

assets. Collateralize \$VELO to generate stablecoin \$USDV; minting \$USDV can obtain \$VELO token rewards; after successful minting, \$USDV can be used for in-app consumption or participation in the financial derivatives market, and can also be traded within the platform and in the secondary market, and supports reverse redemption.

USDV Buyer: Buyers can trade USDV outside the ecosystem, as on the AMMs like Uniswap and Pancake, integrating it with broader financial systems.

USDV Minting: Users can mint USDV within the ecosystem to receive incentives like interest or discounts. This process is facilitated by user incentives.



Part 4

Web2 Finance and Business Integration: USDV interacts with traditional finance entities like PayFi and RWA (Real World Assets), as well as off-chain business, suggesting a bridge between traditional finance and blockchain.

DeFi: USDV also integrates with DeFi platforms like Universe DEX for staking and farming activities, enhancing its utility in decentralized finance.

Incentive Pool: Part of the transaction fee generated by these applications will return to the Ecosystem Development Fund and become an incentive fund again.

It shows a comprehensive ecosystem where governance, development, financial incentives, and integration with traditional finance and business, and DeFi are interconnected, all centered around the tokens VELO and USDV.

2.3 VELO Value Enhancement

Let's dive into the flow of VELO within this ecosystem:

1) Governance:

VELO starts from the **Core Developer** through **Team/Labs** to the **VELO Foundation**. This represents the token's origin and governance structure. The **VeloDAO** interacts with the VELO Foundation, enabling community members to influence decisions through voting mechanisms. You can participate in this governance if you hold VELO tokens for a certain amount.

2) Staking and Rewards:

As a **VELO Holder/Investor**, you can stake your VELO to become a staker. Staking VELO allows you to earn rewards, which could be an attractive feature given a downturn market trend.

Stakers earn rewards through staking. This might be particularly beneficial if you're involved in frequent transactions or if transaction costs are a concern for you.

3) Ecosystem Development Incentives:

VELO Incentives are distributed from the **VELO Incentive Pool**, encouraging participation in the ecosystem. This could include incentives for using or thriving the ecosystem.

4) Integration with USDV:

VELO is used alongside USDV in creating multi-asset over-collateralization for stablecoins. This integration suggests a complex financial ecosystem where VELO plays a crucial role in stabilizing USDV, which adds potential demand for the VELO token.

Through **User Incentives**, VELO encourages activities like minting USDV within the ecosystem, offering rewards like interest or discounts.

5) Broader Financial Ecosystem Integration:

The VELO token extends beyond a utility asset—serving as a fundamental component that bridges both traditional finance (TradFi) and decentralized finance (DeFi). Within the traditional finance landscape, VELO integrates with Web2 financial infrastructures and real-world asset (RWA) platforms such as PayFi, enabling institutional-grade applications. In parallel, VELO is embedded within DeFi protocols like Universe DEX, enhancing its utility through staking, liquidity provisioning, and derivatives.

This dual integration offers diversified pathways for token holders—whether institutional, retail, or ecosystem participants—to engage with VELO across multiple financial domains.

Moreover, demand for stablecoins is accelerating globally, driven by their growing role in remittances, cross-border commerce, and DeFi participation. Regulatory clarity,

particularly anticipated post-U.S. elections, is expected to unlock further adoption of compliant stablecoin products. Notably, industry leaders like Tether are reportedly developing yield-bearing stablecoins, underscoring the competitive significance of USDV's early mover advantage in this space.

In essence, VELO is not merely a token; it is a strategic asset underpinning governance, liquidity, and cross-system interoperability—positioning it at the forefront of next-generation financial infrastructure.

2.4 Features and Advantages of New USDV

2.4.1 Innovation for Cross-Border Payments

PayFi leverages blockchain technology to enable real-time, secure, and cost-efficient settlements, fundamentally reshaping the landscape of digital payments. Anchored in the Time Value of Money (TVM) principle—which posits that currency available today is more valuable than the same amount in the future—PayFi maximizes capital efficiency by facilitating immediate and yield-aware transactions.

One of its most innovative models, “Buy Now, Pay Never,” harnesses yield generated from DeFi lending protocols to offset consumer purchase costs. This approach creates a debt-free, interest-subsidized payment experience, dramatically improving purchasing power and user accessibility.

Aligned with its mission to drive financial inclusion, PayFi integrates USDV, a stablecoin collateralized by high-quality assets such as U.S. dollars, Treasury bonds, and other tokenized real-world assets (RWAs). USDV transforms these traditionally exclusive financial instruments into decentralized, yield-generating digital assets, accessible to both individuals and enterprises.

Amid a global trend of interest rate cuts and fiat currency devaluation, there is rising investor demand for stable, yield-bearing assets like U.S. bonds and gold. However, in jurisdictions with capital controls—including China and South Korea—direct access to these assets remains limited. By acquiring VELO and converting it into USDV, investors in these regions gain indirect exposure to offshore assets and benefit from their yield, making it a compelling option for portfolio diversification and international asset allocation.

This innovation holds particular promise for markets such as Argentina and Southeast Asia, where local currency volatility and limited access to global assets persist. Through USDV and PayFi, Velo Labs is not only offering a technologically advanced stablecoin solution but also contributing to macroeconomic stability and financial empowerment in emerging economies.

The results will also be particularly significant in Argentina, Southeast Asia and other

regions, providing strong support for local economic development and financial stability, which is a new marketplace.

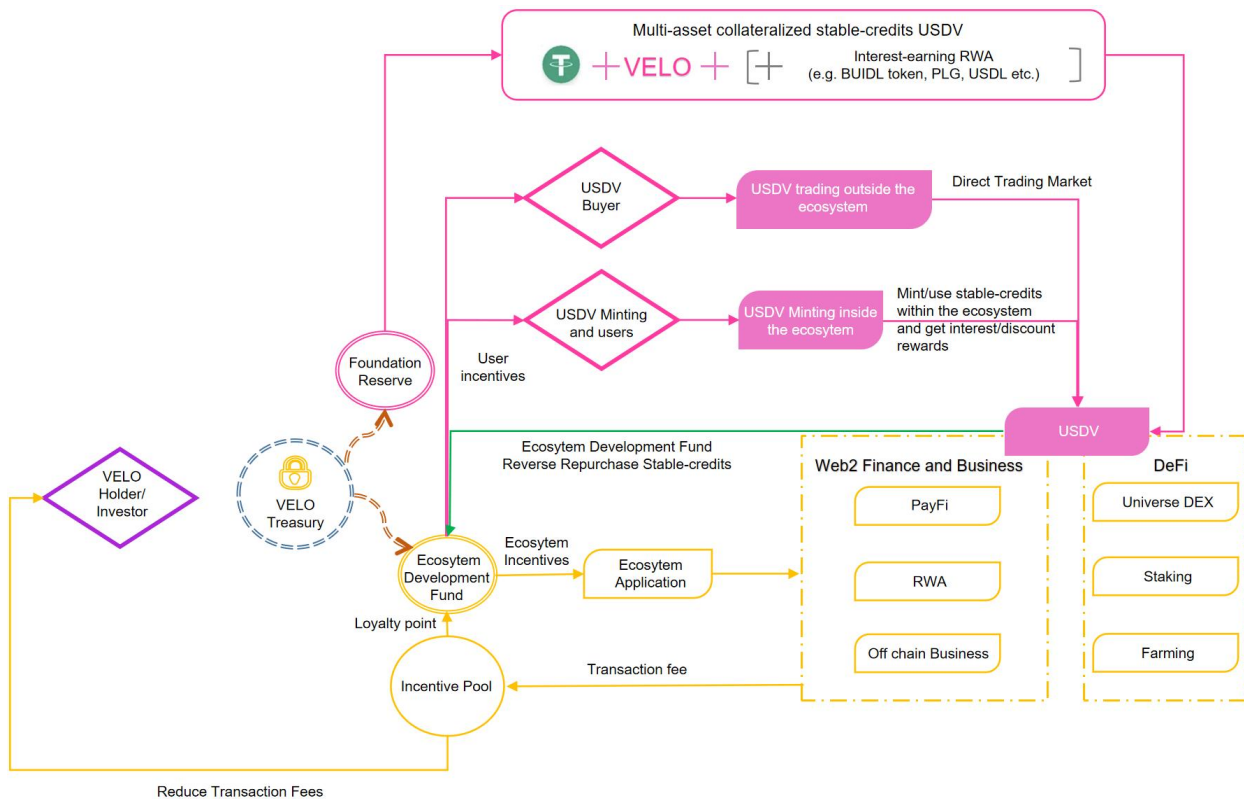
2.4.2 USDV Minting Mechanism



To mint USDV, a user deposits VELO tokens valued at 1 USDT as collateral. In parallel, the Foundation reserves an equivalent value of 1 USDT in assets, which includes 0.5 USDT worth of VELO and additional interest-bearing assets such as BUIDL Tokens and PLG Tokens, as determined by the VeloDAO.

This dual-collateral structure ensures that the total collateral backing USDV is always 200% of its face value, effectively mitigating the risk of depegging and maintaining the stability of USDV.

2.4.3 USDV Circulation and Application Scenarios



USDV circulation and application scenarios

USDV is versatile, enabling in-app consumption, participation in the financial derivatives market, and trading within both the platform and secondary markets. It also supports reverse redemption.

USDV is widely applicable across CeDeFi use cases such as PayFi, RWA, and cross-border e-commerce, as well as DeFi scenarios like DEX, staking, farming, and derivatives. It provides stable trading tools and profit opportunities for VELO ecosystem users, while facilitating cross-chain, low-cost payments that extend value to users beyond the ecosystem.

Transaction fees generated from these applications are reinvested into the Ecosystem Development Fund, fueling further incentives and growth. USDV's flexibility and stability are key to its role within the VELO PayFi ecosystem.

USDV Redemption Mechanism:

To redeem collateral assets (VELO), users can return an equivalent amount of USDV to the protocol, triggering the destruction of that USDV. Simultaneously, the Foundation will withdraw an equivalent value of collateral assets from the reserve, ensuring the integrity and stability of the system.

2.4.4 A Never Depeg Stablecoin

USDV Collateral Liquidation Mechanism

The USDV collateral fund operates under a "currency bureau" principle, employing an automated balancing mechanism to ensure that the asset reserve ratio consistently remains above 150%. If the value of collateralized assets falls below a predetermined threshold—rendering them insufficient to back the circulating USDV—the protocol will automatically initiate a liquidation process.

In such cases, the user's collateral is subject to forced liquidation via an auction to preserve the stability and solvency of the system. The collateralization ratio may also be dynamically adjusted in exceptional circumstances to safeguard USDV's value stability.

All VELO users are eligible to participate in the liquidation auctions, allowing them to acquire undercollateralized assets at a discounted rate. This incentivized mechanism not only accelerates system recovery but also provides open-market opportunities for participants. Upon completion of the liquidation process, the corresponding USDV is permanently burned to reduce circulating supply.

Within the broader crypto ecosystem, liquidation mechanisms play a pivotal role in the design of over-collateralized stablecoins and lending protocols. By ensuring that all

issued assets remain fully backed by real value, these mechanisms mitigate the risk of under-collateralization and help prevent potential contagion or systemic failure. Through on-chain auctions or other market-based methods, protocols swiftly resolve shortfalls and preserve overall system integrity.

USDV Stability Framework

The stability of USDV is underpinned by a multi-faceted mechanism that includes over-collateralization, automated liquidation and arbitrage processes, seigniorage sharing, and decentralized governance. All of these elements are executed through smart contracts, significantly minimizing the risk of depegging and ensuring that USDV maintains a reliable 1:1 anchor to its target asset.

- **Flexible and Over-Collateralized Asset Backing:** USDV is over-collateralized to ensure system resilience. For each 1 USDV (valued at 1 USDT), a minimum of 2 USDT worth of diversified assets is held in reserve. These include: Stablecoins such as USDT, VELO tokens, Interest-bearing assets like TBILL (backed by U.S. Treasuries) and other highly liquid assets such as PLG tokens. This diversified and interest-bearing collateral base spreads risk and mitigates the impact of price volatility in any single asset, particularly VELO. The reserve fund operates on a "currency bureau" principle with an automated balancing mechanism, ensuring that the reserve asset ratio remains above 150% at all times. This provides a strong foundation for USDV's value stability, even amid adverse market movements.
- **Automated Liquidation Mechanism:** If the collateral value supporting a user's USDV falls below a specific collateralization threshold, the protocol automatically initiates a liquidation process. In such cases, the user's collateral is forcibly auctioned to maintain system solvency and prevent under-collateralization. This mechanism is designed to act swiftly and efficiently, preserving the stability of USDV.
- **Smart Contract-Based Arbitrage:** USDV utilizes a smart contract-enabled arbitrage mechanism that allows for slippage-free, low-fee two-way exchanges between USDV and VELO. This enables arbitrageurs to profit from price discrepancies while contributing to price stability:

When $\text{USDV} > \$1$: Arbitrageurs can deposit USDT and VELO to mint USDV at the peg and sell it at a profit in the open market.

When $\text{USDV} < \$1$: Arbitrageurs can buy USDV at a discount and redeem it for the underlying collateral (e.g., USDT and VELO), profiting from the value differential.

The presence of 50% USDT as a hard anchor in USDV's collateral structure

strengthens the peg and ensures that arbitrage activity reinforces, rather than disrupts, price stability.

- **Seigniorage Sharing Through Staking Rewards:** VELO tokens used to mint USDV are staked on the VELO blockchain (or Nova Chain), generating staking rewards. These rewards are distributed to USDV holders, providing them with passive income and incentivizing long-term holding. This strengthens demand for USDV and contributes to its price stability. If a user redeems their USDV or if their vault becomes under-collateralized, the staked VELO tokens are automatically unstaked to fulfill the redemption or liquidation requirement—ensuring the protocol maintains sufficient backing at all times.
- **Decentralized Governance:** The USDV ecosystem is governed through a decentralized governance model. VELO holders participate in decision-making via VeloDAO. Governance responsibilities include: adjusting collateralization ratios, modifying liquidation parameters, updating protocol rules in response to market dynamics and so on. This participatory framework ensures that USDV evolves in a transparent, fair, and adaptive manner.

USDV's design combines automated smart contract execution with robust economic incentives and risk mitigation tools. Its multi-layered stability framework ensures strong over-collateralization, efficient liquidation, stable pegging via arbitrage, income through staking rewards, and responsive community governance—making USDV a resilient and trustworthy digital stable asset.

2.4.5 PayFAi Infrastructure: Intelligent Investment and Cross-Ecosystem Utility

PayFAi offers an intelligent investment experience powered by VELO's AI agent advisors, enabling users to automatically manage token returns within the VELO ecosystem.

As the native stablecoin, USDV ensures ultra-low transaction fees and near-instant confirmation (1–2 seconds), delivering a smooth user experience. VELO simplifies wallet operations and supports cross-chain USDV transfers, enhancing liquidity and enabling seamless use across blockchain ecosystems.

3. Enhancing VELO Utility: New Features for Users and Investors

To further increase the attractiveness of VELO for both users and investors, several new features and strategic enhancements are being introduced:

1) Exclusive Benefits for VELO Holders

By holding or staking VELO, users gain privileged access to new features, applications, and strategic partnerships—such as early access to beta testing or limited-time campaigns—before they are publicly released.

Investor Benefits:

Early access to innovative tools and products.

Potential bonus token distributions.

Increased engagement and long-term project commitment.

Potential upward pressure on VELO's value due to exclusivity and demand.

2) Burn-and-Earn System

The Burn-and-Earn mechanism allows VELO holders to vote for token burns, reducing overall supply while earning incentives such as higher staking yields or USDV discounts.

Investor Benefits:

Scarcity-driven value appreciation through token burns.

Participation rewards that align community incentives with ecosystem growth.

Greater investor involvement in protocol governance and directio.

3) Loyalty Points Acceleration

VELO staking enables users to accelerate the accumulation of loyalty points, which enhance their in-app privileges, consumption benefits, and access rights—creating a stronger link between user activity and token utility.

4) Collateral and Cross-Chain Utility

VELO is being positioned as a core asset within the PayFAi ecosystem and beyond. It can be used as collateral in DeFi applications, cross-border payments, and other financial services, further expanding its use cases.

4. Strategic Vision: Evolving VELO into a Foundational Asset

VELO aims to evolve from a utility token into a foundational asset within the broader ecosystem. By promoting its adoption across multiple decentralized applications as a staking, collateral, and bridging asset, VELO is positioned to become a key pillar supporting a wide array of CeDeFi and DeFi services. This strategy enhances VELO's utility, drives ecosystem growth, and creates lasting value for holders.