

## **hGold: a gold-backed blockchain token**

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**Abstract:** Hybrid-Gold (*hGold*) is a gold-backed blockchain token for domestic & international payments. *hGold* offers stability, security, and accessibility for digital payments. Merchants can accept *hGold* for zero-fee transactions. This saving on credit card fees can be partially passed on to customers. Customers can hold *hGold* and use it for zero-fee domestic & international transactions. Liquidity Partners charge a small fee (0.1% to 0.5%) while buying back *hGold* from merchants and selling *hGold* to end-customers. *hGold* is divisible upto 8 decimals for various transaction sizes. *hGold* runs on the Hybrid Finance (HYFI) Blockchain through the HYFI self-custody wallet - users have full control over their private keys.

### **1. A quick background**

Our ancestors began with the barter system, exchanging goods like "2 horses for 5 axes." This system had limitations: not everyone needed horses, horses were not easily divisible, and they were not portable.

More acceptable, divisible, homogeneous, and portable forms of money emerged to address these issues - cowry shells, salt, gold, and silver. The Chinese invention of paper eventually led to the creation of paper currency, initially backed by gold or other precious metals.

The gold standard, a monetary system where the unit of account is based on a fixed quantity of gold, was the basis of the international monetary system at various times from the 1870s to 1971. In 1971, the United States ended the convertibility of the US dollar to gold, terminating the Bretton Woods system. Despite this, many countries still hold substantial gold reserves.

Today, the world uses fiat money, which is declared as legal tender by governments but not backed by a physical commodity. Fiat money has faced significant challenges, leading to currency crises and hyperinflation in various countries, such as the Weimar Republic in Germany (post World War I), Mexico (1994), Singapore, Malaysia, China & South Korea (1997), Russia (1998), Argentina (late 1990s), Venezuela, and Turkey (2016).

Fiat currencies face many other challenges - rising inflation erodes fiat currency purchasing power, geopolitical tensions destabilize markets, unpredictable central bank policies create fiat currency volatility, and global recessions strain economies and devalue fiat currencies.

Bitcoin, the world's first peer-to-peer electronic cash, offers some respite from fiat currency's perils but suffers from high volatility and technical complexities.

A significant development in digital currency is Tether, a fiat-backed, blockchain-based digital asset. The most popular version is the US-dollar-backed USDT, with a market capitalization of over \$100 billion and a daily trading volume of over \$50 billion. However, Tether is not very transparent about its reserves. In their own words<sup>1</sup>:

*"Tether does not undertake to update any valuation information at any particular interval. However, Tether maintains a healthy balance of Net Equity (excess Reserves of the Tether Issuers) to act as a cushion against the volatility of bitcoin."*

Another problem with the Tether ecosystem is the massive hidden costs of buying and selling USDT.

On 16<sup>th</sup> July 2024, when the exchange rate for US\$ 1 was INR 83.57, onramper.com, the #1 fiat-to-crypto onramp aggregator, was selling 100 USDT for INR 9681. That's a whopping exchange rate of 96.81 – a difference of 15.8%.

Another looming threat is the uncertainty about the future of the US economy and the dollar. The US debt is increasing by about \$1 trillion nearly every 100 days. Saudi Arabia has not renewed its petrodollar deal with the US and can now sell oil using other currencies instead of only US dollars.

## 2. Hybrid-Gold (hGold)

*hGold* is a stable, secure, and accessible digital asset for domestic and cross-border peer-to-peer payments. The value of 1 *hGold* is always equal to 1 gram of gold. The gold backing *hGold* is stored with trusted custodians in physical form by a decentralized network of Liquidity Partners. *hGold* is highly divisible upto 8 decimals.

Here's a step-by-step example of how *hGold* works.

1. An individual or business completes a KYC check and signs up to become an *hGold* Liquidity Partner (LP). Each LP must store a minimum of 15 grams of gold with a trusted third-party custodian approved by the *hGold* ecosystem. An LP is also required to pay a nominal fee of 0.1 grams of gold each year for using the *hGold* ecosystem.
2. A lien is placed on the stored gold for 1 year - the custodian will not unlock the gold until the *hGold* tokens issued against it are returned by the partner.
3. The LP receives 15 or more *hGold* tokens in his digital wallet, corresponding to the 15 or more grams of locked gold.
4. An individual or business completes a KYC check and signs up to become an *hGold* Merchant (HM). The HM can accept *hGold* as payment. The benefit - zero transaction fees. That's a saving of the 2% to 3% usually charged by credit card companies. The merchant can pass on some of these savings to customers.
5. An individual or business completes a KYC check and signs up to become a customer. Customers can use *hGold* for regular payments, providing a stable, gold-backed solution.

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<sup>1</sup> <https://tether.to/es/faqs/>

6. An LP provides liquidity by buying & selling *hGold* tokens to customers & merchants. The LP can charge a suitable fee (recommended between 0.1% to 0.5%). The entire fee is kept by the LP.
7. At the end of the year, an LP can choose to cancel the contract, return the *hGold* tokens, and clear the lien, or renew the contract for another year.

### **Benefits for Merchants**

Merchants accepting *hGold* save on fees typically paid to credit card companies. Some of these savings can be passed on to customers to generate more publicity & sales.

### **Benefits to Partners**

Partners earn a commission on each transaction (recommended 0.1% to 0.5%).

### **Benefits to Customers**

Users can make domestic & cross-border payments at zero fees. They can also hold *hGold* to benefit from the rise in gold prices.

### **Use Cases of hGold**

1. **Domestic and Cross-Border Payments:** *hGold* facilitates quick and low-cost transactions without relying on traditional banking systems.
2. **Remittances:** Provides a stable and efficient way for individuals to send money internationally.
3. **Savings & Investment:** Offers a secure way to save and invest in gold digitally.
4. **E-commerce:** Enables online merchants to accept stable digital payments.
5. **Micro-transactions:** Suitable for small payments in various digital applications.
6. **National benefits:** Countries can benefit when their citizens unlock gold holdings and bring in massive liquidity.

### **To try out the hGold Wallet, contact us:**

- Email: [team@hyfidao.com](mailto:team@hyfidao.com)
- Twitter: [https://x.com/hyfi\\_blockchain](https://x.com/hyfi_blockchain)
- Telegram: <https://t.me/hyfidao>

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