001 ABSTRACT

Although very young, Decentralized Finance (DeFi) is growing at a rapid pace. Traditional crypto yield farming and staking evolve with the addition of new innovative Uniswap projects. However, most yield farming and staking projects still require centralized website interfaces and additional smart contracts for functionality. These requirements are disadvantageous through unnecessary attack vectors (DDoS attacks, hosting provider dependencies, etc.), additional gas fees with liquidity pool token interactions, and the inconvenience of interfacing with a website. Nevertheless, Reflector Finance (RFCTR) provides a seamless solution to these traditional DeFi problems along with added functionalities: frictionless instant yield generation, progressive deflation, arbitrage immunity, impermanent loss compensation, and cold storage staking. Additionally, RFCTR looks to Layer-2 (L2) solutions such as Loopring zkRollup for lower trading fees and native hardware wallet integration for the RFCTR token. Further RFCTR improvements and platform developments will be explored and listed on future iterations of this whitepaper.

002 FEATURES/COMPETITIVE ADVANTAGES

- Frictionless Yield
- Progressive Deflation
- Arbitrage Immunity
- Impermanent Loss Compensation - Liquidity Pool Integrations and Permissionless Yield
- L2 Scaling and Low Gas Fees
- Hardware Wallets and Cold Storage Staking

002.1 FRICTIONLESS YIELD

Most traditional yield farming and staking projects are fundamentally flawed. These yield farms require holders to interact with staking interfaces, which reward them with newly minted tokens that further dilute project value. By contrast, RFCTR is fundamentally different by relying on token redistribution within each transaction. Every RFCTR token transaction is taxed 12%, which redistributes instantly amongst RFCTR holders. This reward distribution is weighted by the percentage RFCTR held over the total supply. Therefore, RFCTR holders will receive compounding rewards with every additional RFCTR buy, sell, and transfer on the Ethereum network.
002.2 PROGRESSIVE DEFLATION

Contrary to traditional inflationary yield farm mechanisms, Reflector Finance introduces a progressive deflationary mechanic. At launch, 880,000 RFCTR tokens were sent to an inaccessible 0x burn address from the Reflector Finance Deployer. This 0x burn address acts as an RFCTR holder receiving a portion of distributed tokens from every transaction. As the balance of the burn address compounds over time, the circulating token supply dwindles exponentially. Subsequently, this increases the price floor of the RFCTR token. The current burned RFCTR token balance is here: https://etherscan.io/token/0x16b1eb8b8e9058800bf0ba3684f805a6711a1d2c?a=0x0000000000000000000000000000000000000dead

002.3 ARBITRAGE IMMUNITY

Arbitrage trading and arbitrage bots drain project liquidity by taking advantage of integrated liquidity pairs and listings on different exchanges. Nevertheless, RFCTR is virtually immune to these arbitrage attacks. Regardless of the RFCTR liquidity pairs, profitable arbitrage of RFCTR is nearly impossible to execute due to the 12% transactional tax. Successful RFCTR arbitrage can only happen with a considerable price difference of more than 22.56% on two exchange pairs or liquidity pools. However, even if this high volatility were to occur, rewards distributed to holders would far outweigh arbitrage profitability. Fundamentally, the 12% tax protects RFCTR

002.4 LIQUIDITY POOL INTEGRATIONS AND IMPERMANENT LOSS COMPENSATION

Due to RFCTR’s instant redistribution mechanic, all liquidity pairs benefit from volume and grow. Therefore, RFCTR’s yield generation incentivizes liquidity providers to create a nonnative RFCTR pair. Additionally, the decentralization of RFCTR allows any user to create a new RFCTR pair regardless of official RFCTR endorsement. At the time of writing, there are three RFCTR liquidity pairs: RFCTR/ETH, RFCTR/RFI, and RFCTR/EC. By generating additional RFCTR liquidity pool pairs, the RFCTR market becomes more liquid. Lastly, RFCTR’s high rewards offset the typical effects of impermanent loss found in traditional staking.

002.5 L2 SCALING AND LOW GAS FEES

With the progressive growth of the Ethereum ecosystem, rising gas fees are a concern. A solution to ETH’s network congestion is on-chain scaling with sharding. However, ETH scaling development and implementation could take more than two years. Ethereum’s co-founder Vitalik Buterin suggests Layer-2 scaling solutions as a more immediate option. Therefore, RFCTR looks to achieve scaling through Loopring’s Layer-2 solution, zkRollups. RFCTR liquidity pairs can be added to Loopring Swap, which will lower trading fees. Furthermore, RFCTR explores additional possibilities through different platforms, such as Polkadot, to optimize RFCTR use and expand RFCTR liquidity.
002.6 HARDWARE WALLETS AND COLD STORAGE STAKING

By implementing instantaneous passive yield, RFCTR allows users to accumulate rewards while utilizing cold wallet storage. Traditional yield farms and staking projects do not allow this because of additional interface requirements. With frictionless RFCTR yield, Ledger and Trezor hardware-wallet users are eligible for redistribution rewards. Additionally, RFCTR seeks to develop a custom and native RFCTR Ledger app. Once implemented, Ledger customers will view RFCTR real-time statistics: APY, circulating supply, and token balance.

003 FUTURE VISION

RFCTR began as a modified Reflect Finance fork, but it is quickly developing into something more substantial. RFCTR’s 12% transaction tax modification is more successful with supply deflation and provides arbitrage protection. With L2 solutions options, additional liquidity pairs, and passive hardware-wallet staking, RFCTR strives to be one of the leaders in the DeFi space. Further RFCTR improvements and platform developments will be explored and listed on future iterations of this whitepaper.