ZEPHYR YIELD

Igniting the Economic Flywheel

The **ZSD Yield mechanism** is a uniquely powerful component of Zephyr, allowing users to accrue highly competitive returns on their stablecoins, all within the protocol's private ecosystem.

Designed for **long-term sustainability,** the yield is generated directly from the protocol's own economic engine—no external subsidies needed.

This unlocks a powerful flywheel, aligning user incentives with protocol health.
As demand for yield grows, the system becomes stronger and more resilient.

ZEPHYR YIELD

Defining Components

ZSD (Zephyr Stable Dollar)

The stablecoin.

Private, decentralized, and over-collateralized.

ZYS (Zephyr Yield Share)

Representing your share in the ZSD Yield Reserve.

Djed Reserve

The main Protocol Reserve, holding ZEPH (equity).
Backs the value of all circulating ZSD (liabilities).

ZSD Yield Reserve

A separate, distinct pool consisting only of ZSD.
This Reserve's sole purpose is to be claimed by ZYS holders.

ZEPHYR YIELD

How Does It Work?

User: Converts their ZSD for ZYS

This grants you a proportional claim on the Yield Reserve, which is designed to constantly grow in value.
You can convert your ZYS back to ZSD at any time, with no lock-up periods.

Protocol: Generates the Yield

The protocol automatically generates the yield in a clear, sustainable process:

- **Source:** 5% of every block reward (paid in ZEPH) is allocated to the Yield Reserve.
- **Mint:** This ZEPH is used to mint new ZSD.
- **Deposit:** The newly created ZSD is deposited into the ZSD Yield Reserve, increasing its total value.
- **Appreciation:** As the Yield Reserve grows from these deposits, the value of each individual ZYS increases.

Yield Flow

ZEPHYR YIELD

How Is It Sustainable?

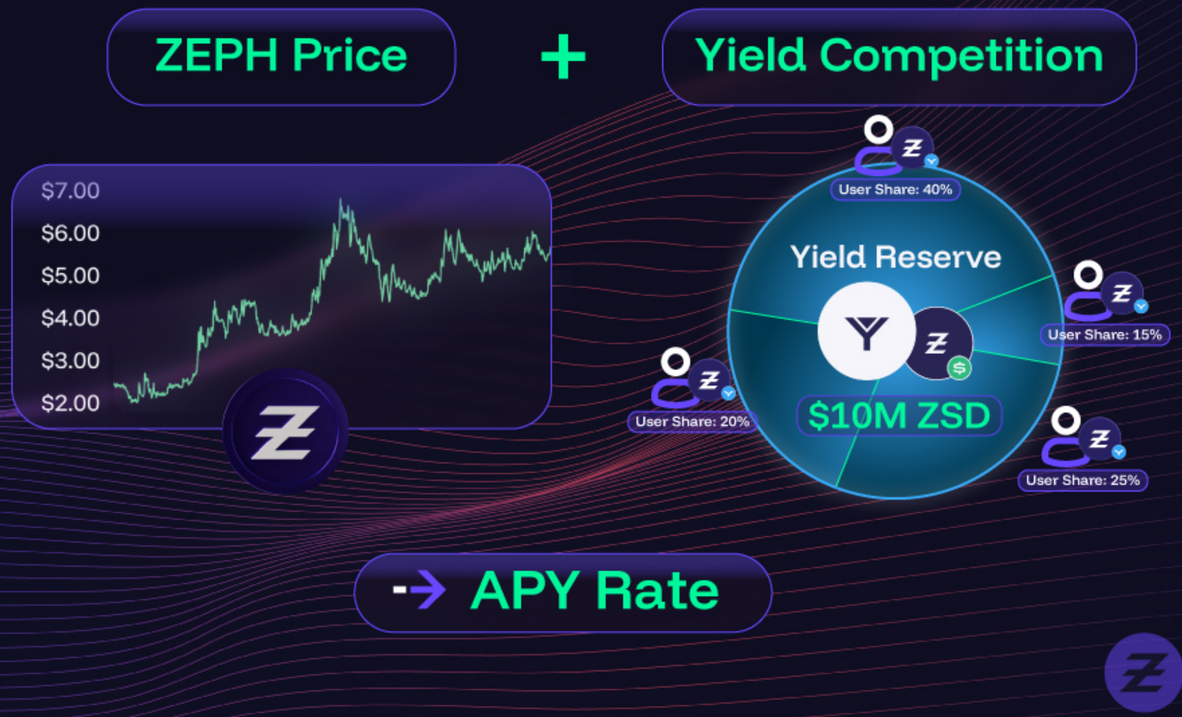
Robust Over-Collateralization

A strict 7:1 asset-to-liability ratio is maintained.
For every 1 ZSD created as yield, 7 units of ZEPH are added to the Reserve to back it.
This keeps the Reserve Ratio normalizing around ~700%.

Variable APY

The yield rate is not fixed, it ebbs and flows; fluctuating with ZEPH's market value, and the competition for the yield.

This ensures the system remains balanced and sustainable.



How Is It Sustainable?

The Safety Switches: Yield Mechanism Tiers

- **Above 400% RR: Normal Operations**
  The 5% yield reward is converted to ZSD, and fills the Yield Reserve. Users can also mint ZSD.

- **Below 400% RR: User ZSD Minting Halted**
  This caps the total ZSD in circulation, thereby limiting the maximum possible competition for yield.
  Users can still freely swap between ZSD and ZYS.

- **Below 200% RR: Yield Generation Paused**
  The 5% yield reward is not converted to ZSD. Instead, it is sent directly to the main Djed Reserve as ZEPH to help strengthen the protocol's backing.
  No new ZSD liabilities are created.

Reserve Ratio (RR)	Yield Generation 5% Block Reward converted to ZSD	User Conversion Swapping between ZSD / ZYS
Above 400%	✓ Active	✓ Active
400% - 200%	✓ Active	✓ Active
Below 200%	✗ Paused	✓ Active

Achieving Equilibrium

The Balancing Act

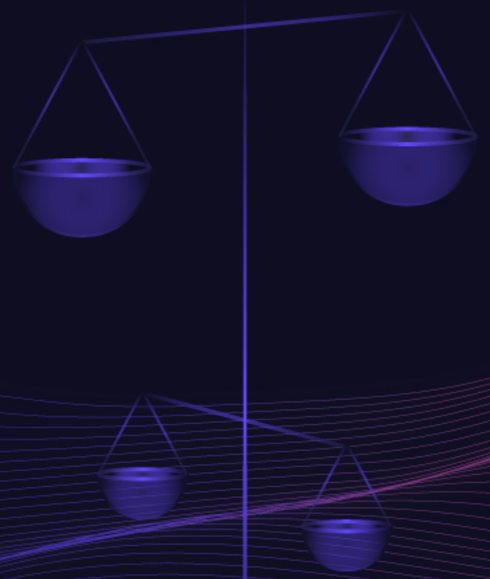
The APY is variable, determined by the market equilibrium between ZEPH price and competition for the yield.
The system is designed to automatically adjust to these two opposing forces.

Scenario A
APY Decreases

Cause: ZEPH Price ↓ or ZYS Competition ↑

Effect: This disincentivizes competition, which may lead some participants to exit.

Result: Lower competition pushes the APY **back up** towards the market rate.



Scenario B
APY Increases

Cause: ZEPH Price ↑ or ZYS Competition ↓

Effect: This incentivizes competition, encouraging participants to enter.

Result: Higher competition pushes the APY **back down** towards the market rate.

An Unstoppable Flywheel

The Bullish Case

New capital enters the ecosystem specifically to capture yield, igniting the flywheel's powerful, self-reinforcing growth cycle.

Demand for Yield: New participants decide to acquire ZYS.

Purchase ZEPH: To do so, they must buy ZEPH on the market to mint ZSD.

Price Increases: This new buying pressure drives up the market price of ZEPH.

Yield Rewards Boosted: A higher ZEPH price boosts the value of the 5% block reward, and more ZSD is minted into the Yield Reserve.

System Strengthens: This increases the overall yield, which attracts more capital and ensures that as demand grows, the system itself grows stronger.