BTC1 White Paper (v6)

Dec 8, 2025

Introduction

BTC1 is a shariah-aligned, Bitcoin-backed stable asset designed to combine the stability of a $1 peg with the transparency of on-chain collateral.

Each BTC1 is over-collateralized with Bitcoin at a minimum ratio of 1.10, ensuring resilience against volatility.

Holders share in the system's surplus through weekly profit distributions, while accepting proportional risk during downturns.

Unlike interest-bearing instruments, BTC1 operates on principles of *ujrah* (service fees), making it suitable for shariah-conscious investors and institutions.

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1. Why BTC1?

1.1 Bitcoin vs. Fiat Currency

Advantages of Bitcoin over fiat:

- Scarcity: capped at 21 million vs. fiat inflation.
- Borderless: moves across the globe without intermediaries.
- Transparency: public ledger vs. opaque banking.
- Neutrality: no central authority, censorship-resistant.

1.2 Bitcoin vs. Stablecoins

Disadvantages of Bitcoin compared to stablecoins:

- Volatility: large swings make it hard to use as a stable unit of account.
- Unpredictable purchasing power: today's BTC may lose 20% value tomorrow.
- Limited use in DeFi: difficult to serve as predictable collateral compared to stablecoins.
- Transaction time: confirmation can take up to 10–15 minutes per block, making payments less practical for fast settlements.
- Transaction cost: Bitcoin fees can spike during network congestion, often much higher than second-layer blockchains or stablecoin transfers.
- Throughput limits: the Bitcoin base layer processes only a handful of transactions per second, far fewer than stablecoins operating on faster blockchains.

1.3 BTC1 as the Solution

- Backed by Bitcoin's strength: Over-collateralized reserves ensure every token is anchored in Bitcoin. Collateral is held in WBTC, cbBTC, and tBTC, each backed 1:1 by native BTC.
- Stable to use: It targets a $1 peg, making it practical for saving, transacting, and integrating into DeFi.
- Profit-sharing: When reserves grow beyond safety thresholds, holders share the surplus through weekly distributions.
- Transparent and permissionless: Every rule and reserve is verifiable on-chain, unlike fiat-backed stablecoins that rely on banks.
- Affordable transactions: Fees on Base are typically well below $0.01, making transfers nearly costless compared to Bitcoin mainnet.
- Fast settlement: Base processes 100+ TPS on average with block times ~2 seconds — dramatically faster than Bitcoin's 10–15 minute block time and ~7 TPS capacity.
- BTC1 represents a new on-chain unit of account pegged to $1, not a deposit receipt or debt claim against BTC.

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2. System Overview

2.1 Collateral Ratio (R)

- R = Vault USD Value ÷ Token Supply
- Minimum safety: R ≥ 1.10.

2.2 Redemption Rules

- Healthy Mode (R ≥ 1.10):
  1 BTC1 ➜ $1 of BTC (minus 0.1% dev fee).
- Stress Mode (R < 1.10):
  1 BTC1 ➜ 0.90 × R USD of BTC (minus 0.1% fee).

  This exchange is executed as a spot trade (sarf): when redeeming BTC1, the holder purchases BTC at the prevailing pool price, not reclaiming a deposit.

2.3 Minting (Permissionless)

- Mint price = max(1.20, R_now) USD of BTC.
- Dev fee: 1% in tokens.
- Endowment fee: 0.1% in tokens.
- Users may deposit WBTC, cbBTC, or tBTC to mint.

2.4 Weekly Profit Distribution (Coupons)

If R ≥ 1.12, holders receive weekly profit shares in new BTC1, distributed every Friday at 14:00 UTC.

R Range	Distribution per Token
1.12–1.21	1¢
1.22–1.31	2¢
1.32–1.41	3¢
1.42–1.51	4¢
1.52–1.61	5¢
1.62–1.71	6¢
1.72–1.81	7¢
1.82–1.91	8¢
1.92–2.01	9¢
≥ 2.02	10¢ (max)

Holders:

- Always receive the full 1–10¢ per token according to the tier.

Protocol fees (added on top, not subtracted):

- 0.03¢ per token ➜ Merkl distribution fee.
- 0.01¢ per token ➜ Endowment wallet.
- 0.10¢ per token ➜ Developer wallet.

Safeguards:

- After rewards + fees, R must remain ≥ 1.10. If not, payout is scaled down automatically.
- All distributions are transparent and verifiable on-chain through Merkl proofs.

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3. Endowment Fund for Social Good

BTC1 embeds charitable giving directly into its mechanics.

- Funding:
    - 0.1% of all new mints.
    - 0.01¢ per token per week when coupons are distributed (i.e. only if R ≥ 1.12).
- Destination: Sent to a dedicated endowment wallet, separate from developer fees.
- Distribution: Once per month, allocated to approved non-profit organizations that meet transparency and governance standards.

BTC1 ensures that prosperity for holders also translates into consistent giving for those in need.

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4. Friday Coupon Distribution

- Timing: Distributions occur every Friday at 14:00 UTC.

- Alignment: Friday is *Jumuah*, the weekly day of prayer and often payday in Muslim-majority regions.
- Benefit: Creates a regular, faith-conscious financial rhythm.

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5. Developer Incentives (*Ujrah*)

- Minting: 1% of minted tokens.
- Redeems: 0.1% of redeemed BTC.
- Coupons: 0.10¢ per token per week during coupon events (added on top of holder rewards).

This model ensures developer incentives are predictable and transparent, without diluting holder rewards.

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6. Target Audience

- Muslim investors and institutions seeking riba-free alternatives.
- Crypto users looking for a stablecoin that is transparently over-collateralized.
- Savers who want predictable, surplus-based profit distributions without exposure to BTC volatility.
- DeFi developers and protocols needing a stable asset with ethical and transparent mechanics.
- Charities and community funds interested in a safe store of value aligned with Islamic finance principles.

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7. Use Cases

- A shariah-compliant savings tool.
- A stable unit of account in DeFi protocols.
- An ethical treasury reserve asset for DAOs and Islamic fintech startups.
- A community funding instrument for waqf, zakat, and charities.
- A medium of exchange for markets preferring Bitcoin-backed stability.

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8. Shariah Framing

BTC1's periodic "coupon" distributions do not constitute contractual profit or interest. They represent voluntary tabarruʿ rewards granted by the protocol when reserves exceed the safety threshold. Such rewards are discretionary and non-guaranteed; holders possess no legal claim or expectation to receive them.

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9. Risks

- BTC volatility: Large crashes push R into Stress; redemptions fall below $1.
- Direct price link: If Bitcoin's price drops sharply, the value of BTC1 also falls — by design, as collateral truthfully reflects BTC.
- Oracle failure: Mitigated with dual feeds and pause mechanisms.
- Inflation risk: In bull runs, coupon minting increases supply (capped at 10¢ per token).
- Adoption risk: Needs trust from users and shariah boards.

- Collateral risk: WBTC and cbBTC depend on custodians; tBTC depends on decentralized signers. Using three wrappers diversifies but does not eliminate risk.

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10. Roadmap

1. Deploy test contracts on Base Sepolia.
2. Build web dashboard.
3. Conduct security audit.
4. Deploy to Base mainnet with capped vault.
5. Seek Shariah certification.
6. Expand liquidity pools & integrations.

11. Conclusion

BTC1 is a Bitcoin-backed, profit-sharing, shariah-aligned stable asset that:

- Keeps $1 stability through over-collateralization.
- Pays holders weekly when surplus exists, capped to protect reserves.
- Shares risk honestly in downturns.
- Rewards developers and supports charities through transparent fees.
- Aligns distributions with *Jumuah*, adding cultural and spiritual meaning.

BTC1 is more than a Bitcoin-backed coin. It is a financial instrument designed to bring stability, fairness, and faith-conscious principles to the digital economy.