# The Cross-section of NFTs & DeFi: The Financialization of NFTs

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## Notes Prepared by TPan


Session Listing on ETH Denver website

By Gabe Frank, CEO of Arcade

Peer 2 pool (Bend, NFTfi)

- Instant liquidity
- Lenders share same risk profile
- Lie mechanics
- Limited collection support
- Trials assets as fungible
- Variable rate

Peer 2 peer (arcade, 1 borrower, 1 lender, use app to escrow and transact)

- More flexibility on terms for borrowers
- Lenders have diff risk profiles
- No lie mechanics
- Can support any collection
- Assets are treated as non-fungible
- Fixed-term
- If past due date, lender has a claim note to claim the collateral one it's defaulted

Arcade

- Provides valuations from other protocols like nftbank.ai
- Have concept of loan extensions: Lenders can bid for an extension (can be a diff lender), created a bid market for competitive rates
- Default rates: 5%, payday loans: 30%
- Diff than other lending protocols:

Main players so far

- NFTfi, Arcade.xyz, BendDAO
- $25M per week in volume
- NFTfi Dune Dashboard from @rchen8

Categories of NFTs used as collateral

- PFPs
- Art
- 1/1s
- Financial positions (Chicken bonds, Dynamic NFTs representing users' financial position and visually changes based on users' actions, or uniswap positions)
- In-game assets (Wolf Game - sheep, farmers, wool & land)
- RWA (real world assets) - tokenized Rolex, work with 4K for physical custody

Top volume collections for collateral (from Snow Genesis)

- Punks
- BAYC
- MAYC
- Azuki
- Art Blocks
- CloneX

Why borrow?

- Hedge for downside risk
- Liquidity for other purposes

Why DEFI

- Smart contract escrow and loan settlement (governed by protocol)
- Eliminates counterparty risk
- Collateral can’t be rehypothecated
- Transparent
- Non-custodial finance (permission less, connect to app)
- Rules cannot be changed, proof of settlement (contracts are immutable)