AVI <> IPOR

Why IPOR is a perfect partner for AVI and the Arbitrum Ecosystem

About IPOR

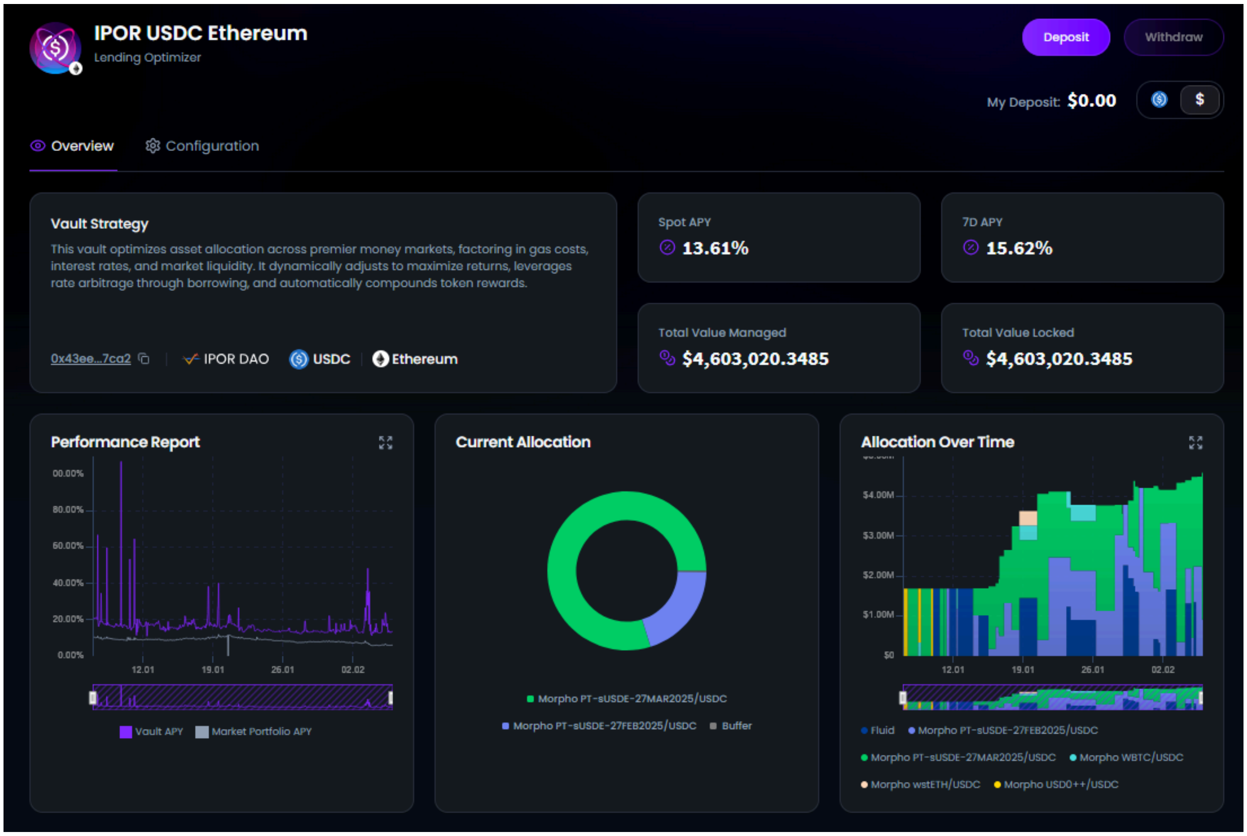
The IPOR Protocol

As a DeFi protocol, IPOR originally refers to a series of smart contracts that provide a benchmark interest rate and enable users to trade Interest Rates Derivatives onchain. That is possible by combining 3 core pieces of infrastructure: the IPOR Index, the IPOR AMM and liquidity pools, and Asset Management smart contracts.

Interest rate derivatives are a $450T market in TradFi and underpin the credit markets by allowing institutions to hedge, arbitrage, or speculate on interest rate movements. By bringing this functionality to DeFi native instruments the credit markets and staking rates landscape can offer sophisticated products to institutions entering DeFi, helping the markets mature.

Two derivatives are already live on Arbitrum: https://app.ipor.io/swaps/arbitrum

At the end of 2024, the latest product of the IPOR Protocol was launched: [IPOR Fusion](), a yield optimization framework for automated execution of smart asset management on-chain, saving users time and effort. It is an unopinionated and customizable infrastructure fund managers can use to deploy assets on-chain while implementing custom algorithms off-chain.



The flagship product on Arbitrum is our USDC Lending Optimizer vault:

https://app.ipor.io/fusion/arbitrum/0xa91267a25939b2b0f046013fbf9597008f7f014b

This vault optimizes USDC allocation across premier money markets, factoring in gas costs, interest rates, and market liquidity. It dynamically adjusts to maximize returns, leverages rate arbitrage through borrowing, and automatically compounds token rewards.

IPOR has been live on Ethereum mainnet since the end of 2022, on Arbitrum since August 2024 and on Base since November 2024, and has traded a total of $4.7B notional volume to date, as can be seen on this protocol's own statistics pages:

https://app.ipor.io/statistics/ethereum

Further statistics can be found here:

https://defillama.com/protocol/ipor-protocol

The IPOR protocol had $43M TVL at its peak and currently has $15M TVL.

In 2024, IPOR received an LTIPP grant from the Arbitrum Foundation.

IPOR Labs

IPOR Labs AG, the main contributor of the IPOR Procotocol, was founded by Darren Camas and Dimitar Dinev in June 2021. Both founders come with deep experience in crypto, exchanges, financial markets, and angel investment and VC.

Darren has been building in crypto since 2011 across exchange, payments, venture capital, L1, and data infrastructure. Dimitar has been building in crypto since 2016 across exchange, derivatives, venture capital, and DeFi.

The IPOR Protocol received $5.55m in funding in Q1 of 2022 announcement here: https://blog.ipor.io/announcing-5-55m-in-funding-for-the-ipor-protocol-109470d9e5a2

The participating investors were: Arrington Captial, gumi Cryptos, Space Whale Captial, New Form Capital, CMT Digital, GSR, C² Ventures, Bloccelerate, Mentha Partners, AG Build, Synaps, G1 Ventures, SOSV, Stateless Ventures, Nexy Chymia, Crypto Discover, Panony, and NxGen.

IPOR Labs AG is the primary software development firm building and supporting the protocol founded in Zug, Switzerland. The team's primary members are located across the globe, primarily Central Europe and East Asia.

IPOR Labs currently has 9 development members and 6 non development members.

The team has a deep background in quantitative finance, mathematics, data analysis, and enterprise software development with 3 PhDs. For details on the personal background of IPOR Labs members see https://ipor.io/ipor-labs-team

How IPOR can contribute to the growth of the Arbitrum Ecosystem

Arbitrum's vision is clear: attract sticky, institutional-grade capital to foster sustainable DeFi activity that goes beyond the current DeFi-native capital. The AVI "Plaid for Crypto" thesis underscores this ambition by seeking to bridge the traditional finance world – encompassing high net worth individuals, funds, and Web2 payment infrastructures – with the innovative, fast-evolving DeFi landscape. In this context, IPOR Fusion plays a pivotal role.

At its core, IPOR Fusion provides a suite of automated yield optimization tools designed to simplify asset management for users. Its lending optimizer vaults, for instance, allow assets like USDC to be automatically allocated across multiple lending markets and protocols on Arbitrum, always seeking the highest risk-adjusted yield. This “one-click deposit” product minimizes the need for users to actively manage their positions, which is crucial for onboarding non-DeFi native participants such as fintechs and neobanks. Furthermore, IPOR has a fixed rate earn product in the development pipeline, that will offer a predictable, fixed and high interest solution over customizable timeframes – a feature that aligns perfectly with the expectations of Web2 users.

The AVI approach is fundamentally about connecting two disparate sides: traditional financial capital and the dynamic, yet underutilized, DeFi credit markets on Arbitrum. On one side, we have traditional players seeking stable, compliant, and accessible yield opportunities. On the other, the DeFi ecosystem on Arbitrum is grappling with a lack of sustained economic activity and insufficient sticky capital, leading to lower utilization rates and diminished incentives for capital inflows. IPOR Fusion sits at the nexus of this disconnect, offering a capital allocator that not only optimizes yield by proactively routing capital to protocols with the highest demand but also simplifies the user experience through automation and robust compliance features – such as whitelisting of participants.

By acting as an intermediary, IPOR Fusion helps solve several challenges:

1. **Attracting New Users and Capital:**
   Fintechs and neobanks are continuously seeking innovative products that bridge Web2 ease-of-use with the potential high yields of DeFi. Integrating IPOR Fusion’s products into their platforms can drive a net influx of stablecoins into the Arbitrum ecosystem, increasing overall liquidity. This liquidity influx is crucial as it lowers borrowing costs across the board, thereby fostering an environment where cheap capital can be leveraged for activities like looping, borrowing, or other value-added DeFi operations. The different product offerings on IPOR Fusion can be seamlessly "wrapped" by Web2 products providing non crypto native users a simple, one-click experience to earn yield and simple integrations for the Web2 company. Behind the scenes, IPOR Fusion handles the complexity – managing smart contract integration, execution, and automation – so that end users can enjoy effortless access to DeFi opportunities. Web2 and traditional capital in general could prove to be more sticky than DeFi native capital. If this proves to be the case, capital routed through Fusion gives on one hand DeFi natives access to plentiful capital for things like affordable credit for leverage while on the other providing greater returns for depositors than those accessible in traditional finance.

2. **Optimizing Capital Allocation:**
   With traditional players on one end and untapped DeFi potential on the other, there is a

critical need for a solution that actively matches supply with demand. IPOR Fusion's automated vaults can efficiently allocate capital to the highest-yielding opportunities within the ecosystem, ensuring that the capital isn't just abundant but also optimally employed. This proactive allocation not only enhances returns for users but also stimulates economic activity across connected protocols. It has a net positive effect on all protocols it is connected to - matching liquidity to demand, optimizing returns for depositors and better rates for borrowers.

3. **Overcoming Compliance and Integration Challenges:**
   One of the primary hurdles for institutional players entering DeFi is the lack of compliance and the complexity of managing positions across multiple protocols. IPOR Fusion's design includes features like participant whitelisting, wrapper vaults or closed vaults, making it an attractive solution for Web2 companies and high net worth individuals seeking a compliant entry into DeFi. This aligns with Arbitrum's long-term objective of building a compliant, scalable DeFi ecosystem that is open to institutional capital.

4. **Engaging Institutional LPs:**
   While attracting institutional liquidity providers (LPs) presents its challenges – such as ensuring risk management, regulatory adherence, and integration with legacy systems – the profile of the LPs we can attract includes established funds, family offices, and fintech platforms that demand both high yields and robust risk management frameworks.

5. **Derivatives and other Institutional Fixed Income Instruments:**
   The IPOR Derivatives protocol offers advanced risk management tools to more sophisticated players which results in more stable market conditions for everyone. The interest rate swaps and stake rate swaps in particular can be embedded within a one-click Fusion strategy to power a fixed rate experience like no other in DeFi. More sophisticated traders can use the instruments to hedge, speculate, or arbitrage adding to Arbitrum's already strong foothold in DeFi derivatives.