

Unlock Collateral for Yield



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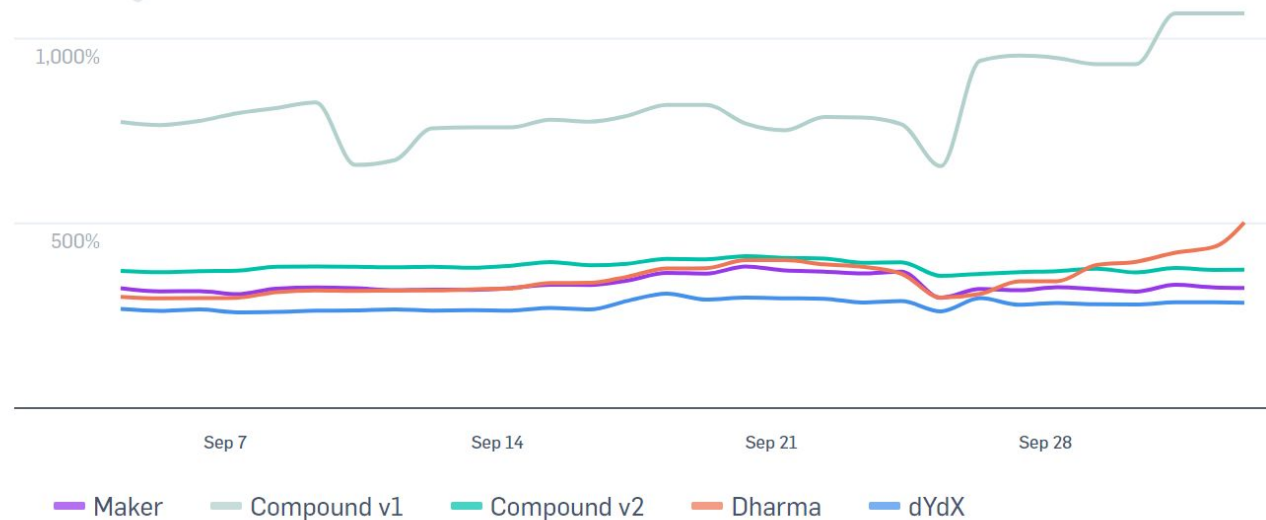
**DeFi Protocols Underutilize
its Collaterals**

DeFi Over-collateralization

Collateral Ratio

WEIGHTED AVERAGE

339%



PROTOCOL COLLATERAL RATIO

Maker 325%

Compound v1 1,068%

Compound v2 375%

Dharma 502%

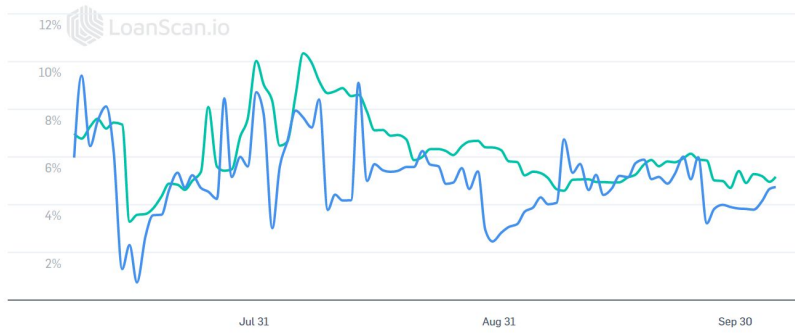
dYdX 285%

Weighted Average 339%

The Great Yield War in Defi and CeFi

The Yield War in Defi

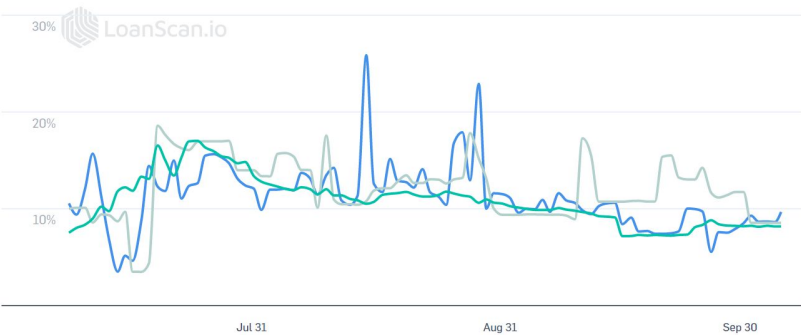
USDC



PLATFORMS

- Compound v2 5.17% APR
- dYdX 4.74% APR

DAI

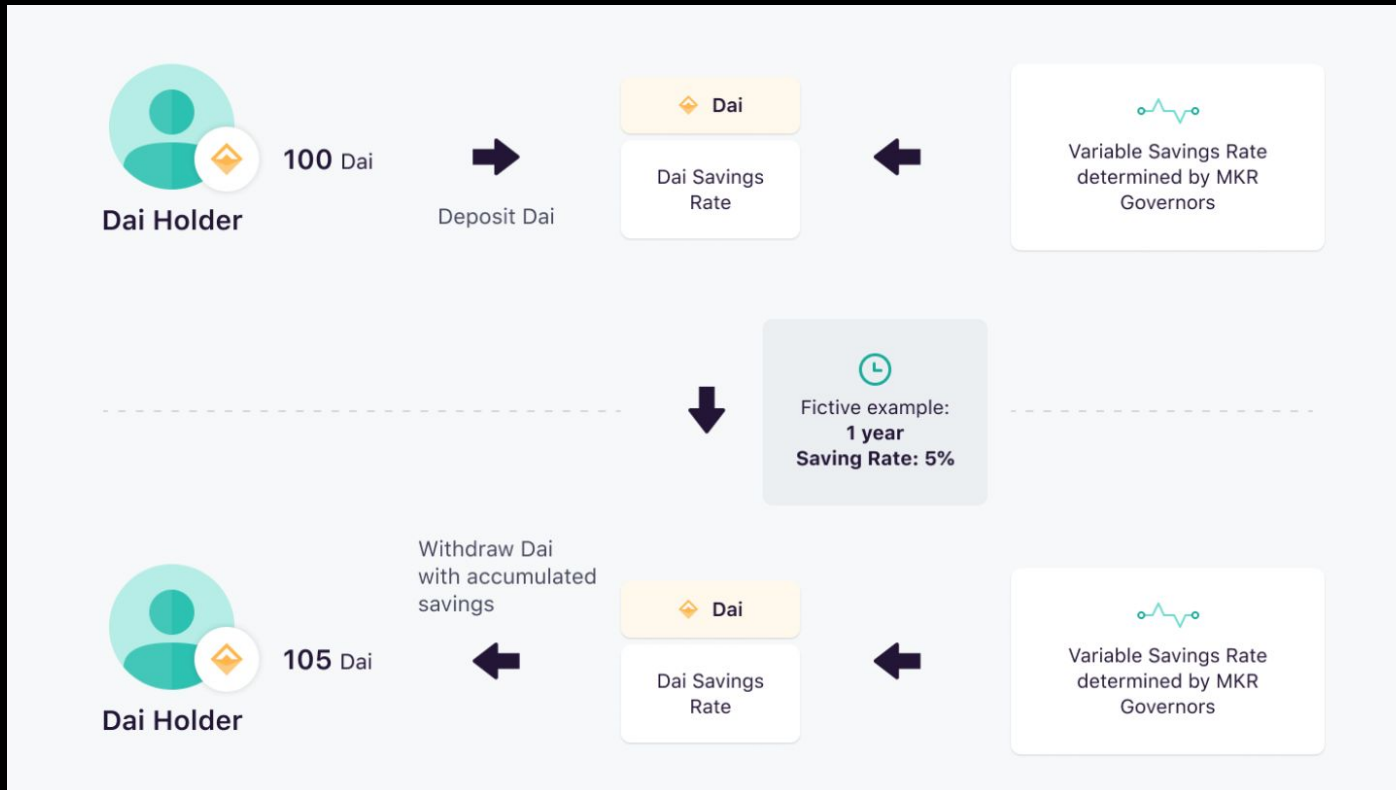


PLATFORMS

- dYdX 9.67% APR
- Compound v1 8.55% APR
- Compound v2 8.18% APR

No	Name	Price	24H Change	24H Volume	ROIR ?	Liquidity ↓	Swap
1.	sETH Synth sETH	\$174.49	-0.32%	\$21,889	0.11%	\$2,138,674	
2.	MKR Maker	\$442.59	-1.45%	\$403,124	0.46%	\$2,054,196	
3.	DAI Dai Stablecoin v1.0	\$1.02	-0.14%	\$873,531	1.79%	\$1,284,453	
4.	WETH Wrapped Ether	\$176.77	-0.06%	\$4,239	0.07%	\$979,220	
5.	USDC USD Coin	\$1.01	-0.82%	\$99,933	1.43%	\$455,503	
6.	WBTC Wrapped BTC	\$8,193.80	-0.73%	\$43,219	0.40%	\$403,065	

DAI is Launching DSR with MCD



- **DAI Holders to lock DAI in DSR contract - liquidity locked-up**
- **DAI system pay interest on locked DAI**
- **Available to anyone accessing DSR Contract**

Coinbase is Providing USDC yields



- USDC held with Coinbase
- USDC are paid with interest
- Non-viable outside of Coinbase

Framework to liquify collateral

General Framework:

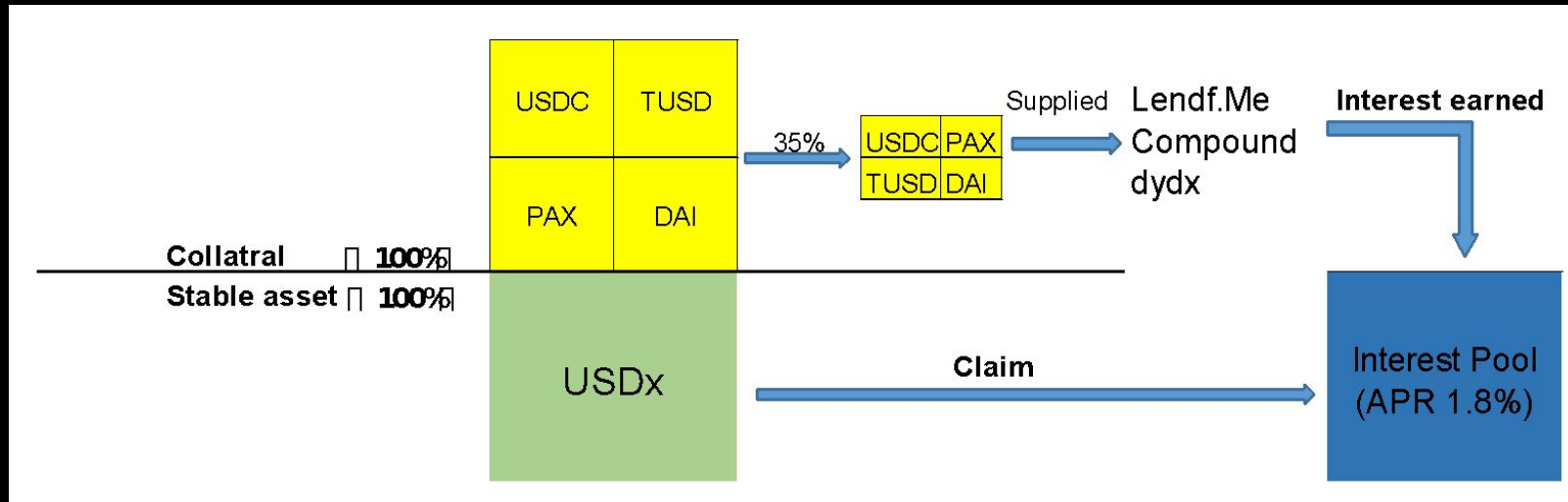
Protocol Test:

- Collateralized and over collateralized protocols (Maker, Uniswap, USDx)
- Protocols with liquidity buffer (i.e don' t require 100% liquidity)
- Collateral with interoperability and yield generating capability

Key Risk Parameters:

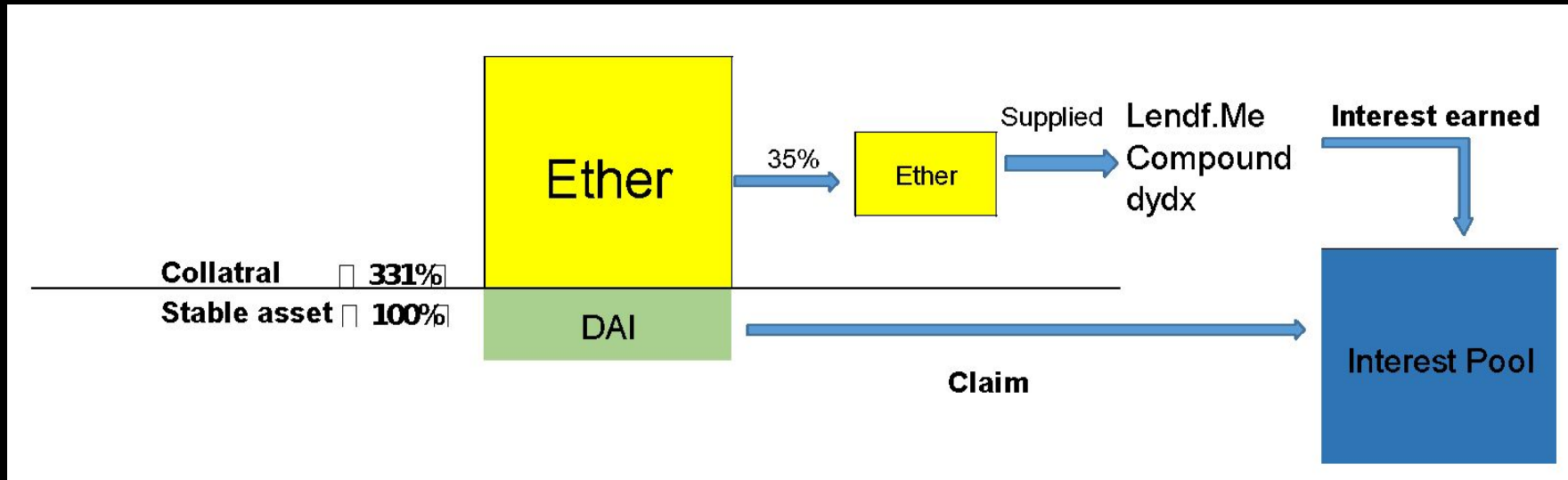
- Liquidity parameters:
 - minimum liquidity requirements (i.e 35%)
 - liquidity share in yield protocols, i.e less than 15%
- Yield protocol management
 - protocol selection (code audit, open source etc)
 - automatic switches
 - tokenized yield (i.e cToken)
 - smart contract insurance
- Backstop mechanism:
 - risk ringfencing
 - decoupling risks associated with compossibility/interdependences

Implementation for USDx



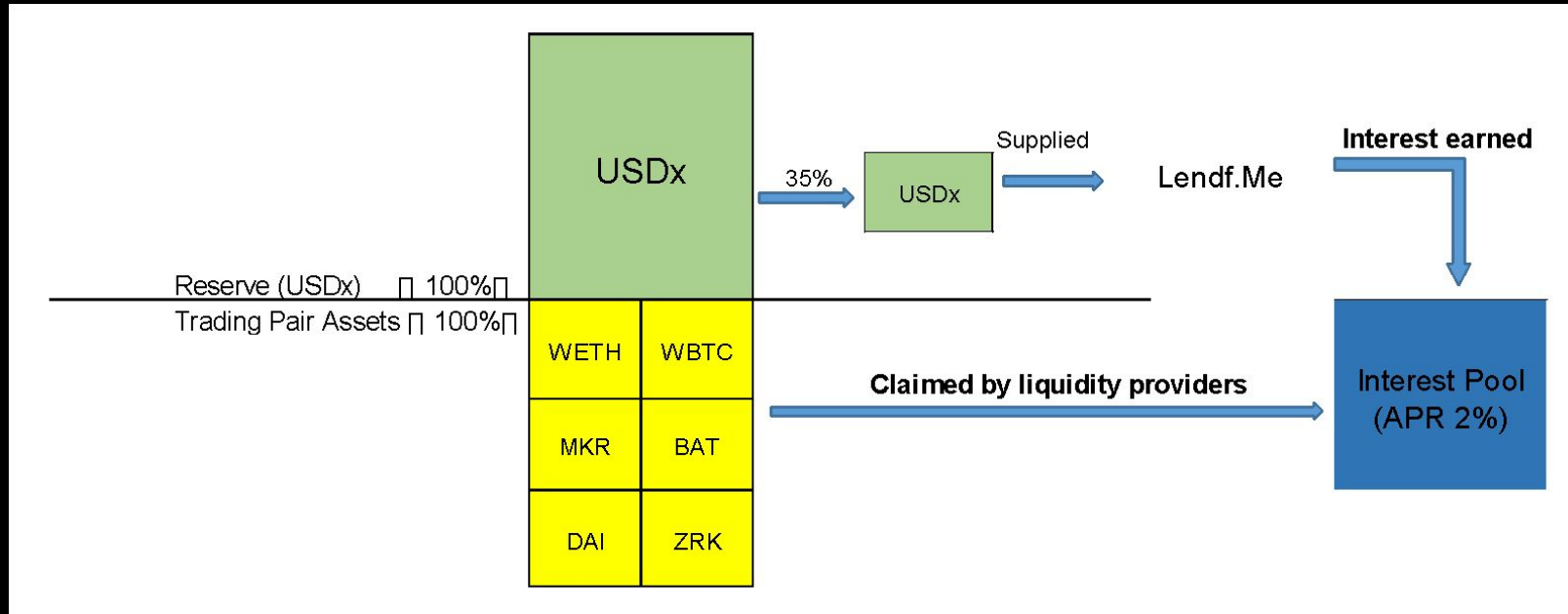
- assuming 35% of collateral unlocked and supplied to yield protocols (5% APR)
- Interest earned pooled and supply systematic APR 1.8% for all USDx holders
- USDx holders are able to claim systematic interest without liquidity lock-up

Implementation for DAI



- ETH/DAI collateral ratio stands at 331%
- assuming 35% of ETH collateral unlocked and supplied to yield protocols
- DAI holders are able to claim ETH yield from the pool

Implementation for StableSwap



- StableSwap is being developed by dForce community (replacing ETH with a stablecoin (USDx) as reserve)
- Interest earned from relending reserve assets (USDx) is able to compensate market makers.

Yield Enhancement Sensitivities

		APR of Supplied Assets									
		2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%
Collaterals Unlocked %	15%	0.3%	0.4%	0.5%	0.5%	0.6%	0.7%	0.8%	0.8%	0.9%	1.0%
	20%	0.4%	0.5%	0.6%	0.7%	0.8%	0.9%	1.0%	1.1%	1.2%	1.3%
	25%	0.5%	0.6%	0.8%	0.9%	1.0%	1.1%	1.3%	1.4%	1.5%	1.6%
	30%	0.6%	0.8%	0.9%	1.1%	1.2%	1.4%	1.5%	1.7%	1.8%	2.0%
	35%	0.7%	0.9%	1.1%	1.2%	1.4%	1.6%	1.8%	1.9%	2.1%	2.3%
	40%	0.8%	1.0%	1.2%	1.4%	1.6%	1.8%	2.0%	2.2%	2.4%	2.6%
	45%	0.9%	1.1%	1.4%	1.6%	1.8%	2.0%	2.3%	2.5%	2.7%	2.9%
	50%	1.0%	1.3%	1.5%	1.8%	2.0%	2.3%	2.5%	2.8%	3.0%	3.3%
	55%	1.1%	1.4%	1.7%	1.9%	2.2%	2.5%	2.8%	3.0%	3.3%	3.6%
	60%	1.2%	1.5%	1.8%	2.1%	2.4%	2.7%	3.0%	3.3%	3.6%	3.9%
	65%	1.3%	1.6%	2.0%	2.3%	2.6%	2.9%	3.3%	3.6%	3.9%	4.2%
	70%	1.4%	1.8%	2.1%	2.5%	2.8%	3.2%	3.5%	3.9%	4.2%	4.6%
	75%	1.5%	1.9%	2.3%	2.6%	3.0%	3.4%	3.8%	4.1%	4.5%	4.9%
80%	1.6%	2.0%	2.4%	2.8%	3.2%	3.6%	4.0%	4.4%	4.8%	5.2%	
85%	1.7%	2.1%	2.6%	3.0%	3.4%	3.8%	4.3%	4.7%	5.1%	5.5%	
90%	1.8%	2.3%	2.7%	3.2%	3.6%	4.1%	4.5%	5.0%	5.4%	5.9%	

- Assuming an unlocked ratio of 35% and yield protocol with 5% APR.
- the collateral is able to generate 1.8% systematic APR for the stable asset.
- The more unlocked the higher the systematic APR for the target asset.
- How far can we go to optimize unlocked ratio

Blended Collateral Ratio Sensitivities

		Collateral Ratio % of Lending Protocols									
		110%	120%	130%	140%	150%	160%	170%	180%	190%	200%
Collaterals Unlocked %	15%	102%	103%	105%	106%	108%	109%	111%	112%	114%	115%
	20%	102%	104%	106%	108%	110%	112%	114%	116%	118%	120%
	25%	103%	105%	108%	110%	113%	115%	118%	120%	123%	125%
	30%	103%	106%	109%	112%	115%	118%	121%	124%	127%	130%
	35%	104%	107%	111%	114%	118%	121%	125%	128%	132%	135%
	40%	104%	108%	112%	116%	120%	124%	128%	132%	136%	140%
	45%	105%	109%	114%	118%	123%	127%	132%	136%	141%	145%
	50%	105%	110%	115%	120%	125%	130%	135%	140%	145%	150%
	55%	106%	111%	117%	122%	128%	133%	139%	144%	150%	155%
	60%	106%	112%	118%	124%	130%	136%	142%	148%	154%	160%
	65%	107%	113%	120%	126%	133%	139%	146%	152%	159%	165%
	70%	107%	114%	121%	128%	135%	142%	149%	156%	163%	170%
	75%	108%	115%	123%	130%	138%	145%	153%	160%	168%	175%
80%	108%	116%	124%	132%	140%	148%	156%	164%	172%	180%	
85%	109%	117%	126%	134%	143%	151%	160%	168%	177%	185%	
90%	109%	118%	127%	136%	145%	154%	163%	172%	181%	190%	

- Assuming 35% unlocked collateral and 150% minimum collateral ratio of lending protocols, overall collateral ratio improve from 100% to 118%
- Liquifying is not de-collateralizing

Next to Watch

- USDx with systematic yield from unlocked collaterals
- Reserved-based dex with interest from reserve
- CNYx with DIP 001

<https://github.com/dforce-network/DIP001>

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