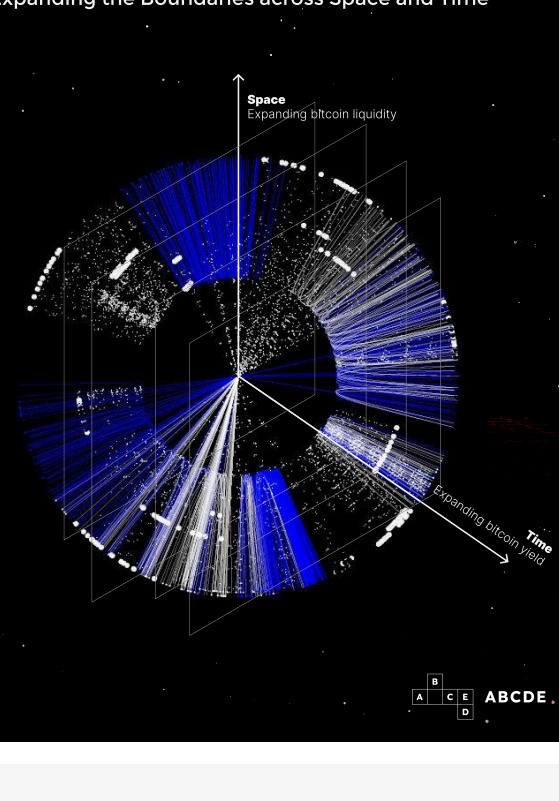
Groundbreaking BTCFi

Expanding the Boundaries across Space and Time



ABCDE

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Groundbreaking BTCFi: Expanding the Boundaries across Space and Time

2024 has been a big year for crypto, especially surrounding the halving of Bitcoin and the approval of ETFs. With Bitcoin further integrating into traditional finance, it compels us to rethink a fundamental question:

What is finance?

At its core, finance is about managing assets across time and space.

Cross-space operations: lending, payments, trading.
Cross-time operations: staking, interest, options.

In the past, Bitcoin was simply stored in wallets, remaining relatively "static" in both time and space. Over 65% of Bitcoin hasn't moved in over a year. The notion that **"Bitcoin should only be stored in wallets" has been deeply ingrained.**

As a result, BTCFi was not considered very promising for a long time.

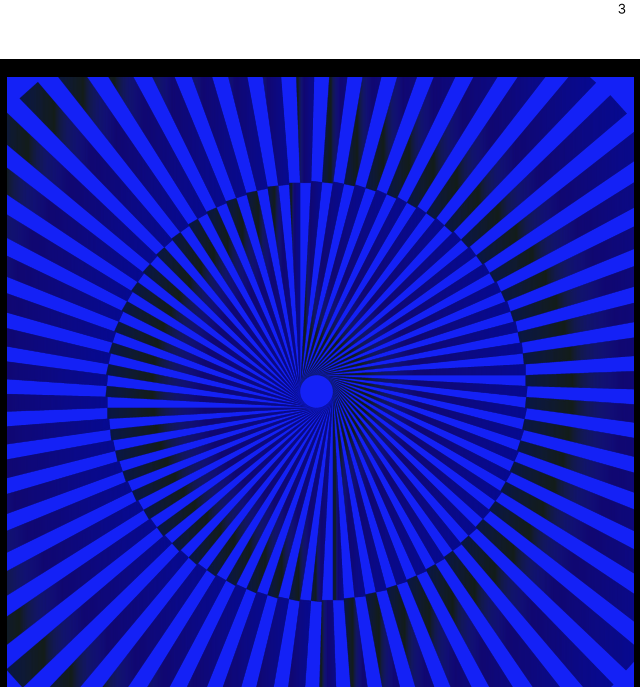
Though Bitcoin was originally intended to hedge against traditional financial systems, and Satoshi Nakamoto even hinted at potential DeFi scenarios back in 2010, the exploration of Bitcoin's DeFi potential stalled as Bitcoin became more aligned with "digital gold."

In fact, before the "DeFi Summer" of 2020, BTCFi barely received any attention. From 2008 to 2019, discussions on [DeFi] on Bitcointalk were limited to around sixty, mostly in the Alts section.

Source：Bitcointalk

On the other hand, the DeFi landscape on Ethereum has evolved rapidly. In March 2013, Rune Christensen outlined the vision for MakerDAO, and by 2016, the first decentralized exchange on Ethereum, OasisDEX, went live. In 2017, Stani Kulechov founded AAVE in Switzerland, and in August 2018, Bancor and Uniswap went live, ushering in the DeFi Summer, marking a defining moment for DeFi, particularly on Ethereum.

However, in 2024, Bitcoin has returned to the center of the crypto world, and discussions about BTCFi are emerging...



Why Did BTCFi Quietly Emerge? 1.

I. Why Did BTCFi Quietly Emerge?

Ethereum's DeFi ecosystem provided valuable lessons for Bitcoin, allowing BTCFi to gradually grow. Today, Bitcoin is like Europe in 15th century, on the eve of the Age of Exploration. Although Columbus's expeditions were rejected by Portugal twice, Spain's Queen Isabella eventually supported him, leading to the discovery of the New World. For Bitcoin, **BTCFi would rather arrive late than never.**

1.1 The Shift of Power and Changes in the Community's Attitude

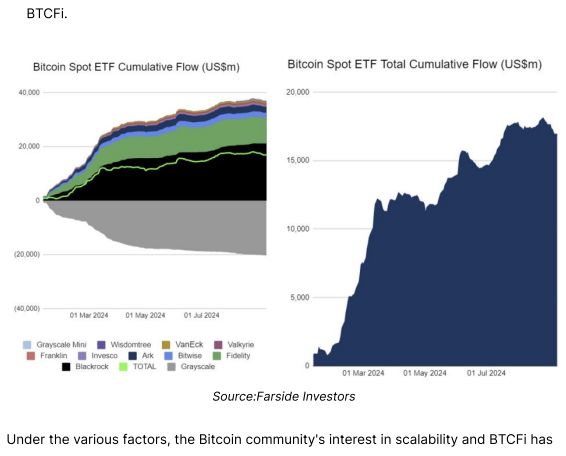
Bitcoin holders have become more active, shifting from being passive to taking on active management roles. This change has provided fertile ground for the development of BTCFi. From 2019 to 2021, Ethereum DeFi gained popularity, sparking discussions about BTCFi, although many criticisms and doubts persisted. The community's skepticism stemmed partly from their resistance to Ethereum and other altcoins, as well as the notion that "Bitcoin should only be stored in wallets." For instance, Bitcointalk user Ken_terrance stated, "DeFi still feels like a failed experiment; 80% of DeFi projects are unreliable, insecure, and more prone to hacks."

Source:Bitcointalk

However, in the past 1–2 years, this skepticism has lessened for several reasons:

- **Sustainable DeFi models emerged**: Uniswap, Curve, AAVE, MakerDAO, and Ethena found ways to build economic loops independent of token incentives.
- **A more complex Bitcoin ecosystem:** The rise of inscriptions and the growing BTC ecosystem introduced new narratives and assets, attracting different community members.

- **Institutional participation:** Currently, 47 companies hold $87.14 billion in BTC, representing 7.84% of total circulating supply. As BTC ETFs are approved, the trend of BTCFi will continue to accelerate. Since the beginning of the year, BTC spot ETH has brought in nearly 17,000 BTC in net inflows. Compared to early miners and hodlers, institutions are more sensitive to capital efficiency and returns. Not only are they more inclined to participate, but they are also likely to become active drivers of BTCFi.



Source:Farside Investors

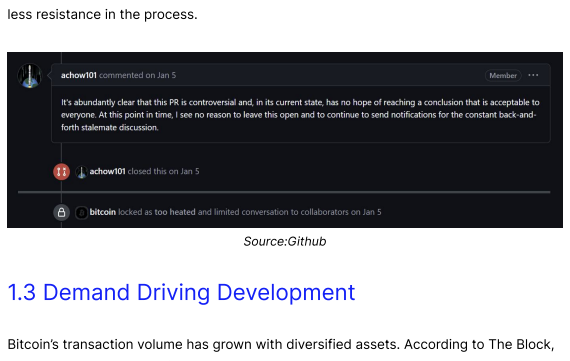
Under the various factors, the Bitcoin community's interest in scalability and BTCFi has significantly increased, with forum discussions becoming more active. Last year, Bitcoin core developer Luke Dashjr's [proposal to disable inscriptions] did not receive support and was officially closed in January this year.

1.2 Infrastructure Development Paved the Way

Technical limitations previously constrained Bitcoin's evolution as a store of value. While the debate between BTC and BCH led to a split, scalability improvements continued through SegWit and Taproot upgrades, enabling asset issuance. The introduction of Ordinals, Sidechains, and Layer 2 made BTCFi more feasible.

Asset issuance and transactions
L2 Solutions
Staking
Cross chain

Notably, last year, Luke JR submitted the proposal 'datacarriersize: Match more datacarrying #28408' to oppose inscriptions, but it was rejected and closed by Bitcoin Core developers earlier this year. In fact, many of BTCFi's current innovative ideas are being implemented without making any changes to Bitcoin itself, which will encounter less resistance in the process.



achow101 commented on Jan 3 · Member

It's abundantly clear that this PR is controversial and, in its current state, has no hope of reaching a conclusion that is acceptable to everyone. At this point in time, I see no reason to leave this open and to continue to send notifications for the contract back-and-forth stalemate discussion.

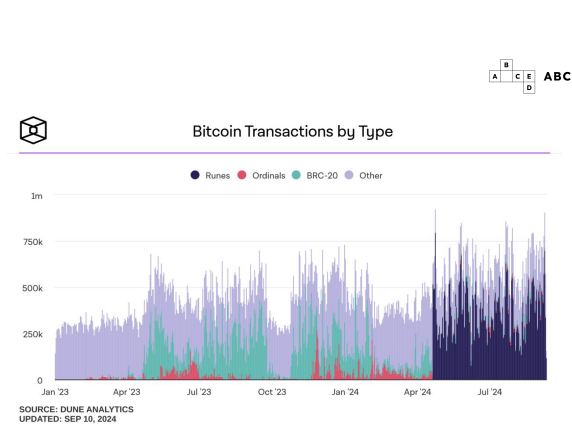
achow101 closed this on Jan 3

bitcoin locked as too heated and limited conversation to collaborators on Jan 3

Source:Github

1.3 Demand Driving Development

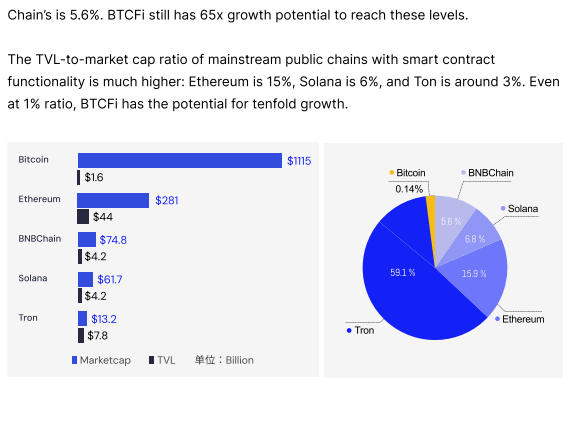
Bitcoin's transaction volume has grown with diversified assets. According to The Block, BTC's average daily transfer volume now exceeds 500k transactions per day, with RUNES and BRC-20 tokens leading. The demand for trading, lending, credit derivatives, and interest-bearing assets has naturally followed. BTCFi is poised to transform Bitcoin into a productive asset, allowing holders to earn yield.

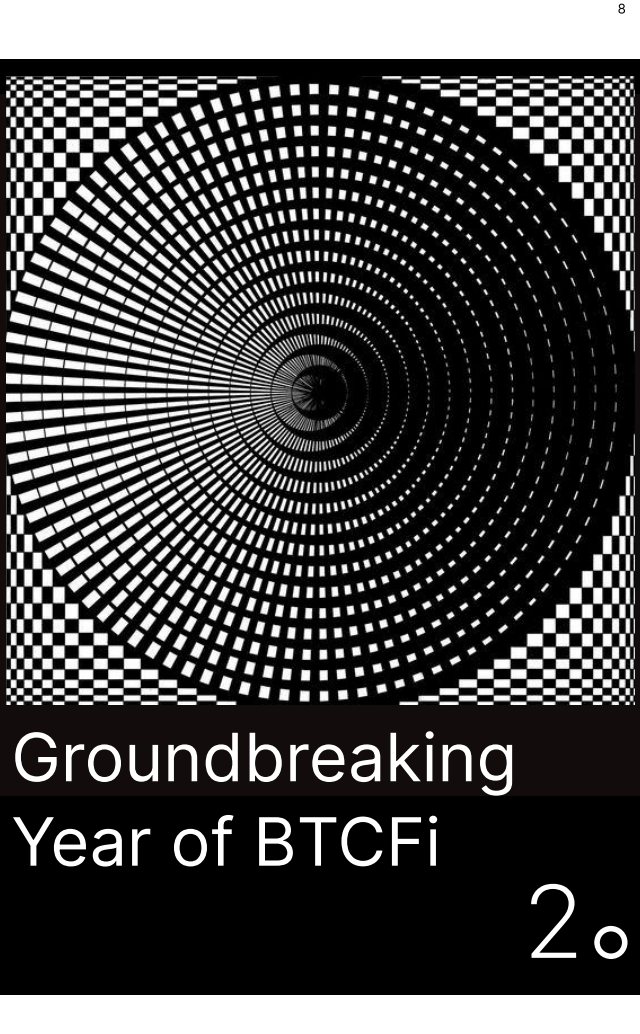


Source:The Block

The total value locked (TVL) of BTC on networks like Layer 2 and sidechains currently stands at $1.6 billion, representing just 0.14% of Bitcoin's total market value. In contrast, Ethereum's TVL-to-market-cap ratio is 15.7%, Solana's is 6.8%, and BNB Chain's is 5.6%. BTCFi still has 65x growth potential to reach these levels.

The TVL-to-market cap ratio of mainstream public chains with smart contract functionality is much higher: Ethereum is 15%, Solana is 6%, and Ton is around 3%. Even at 1% ratio, BTCFi has the potential for tenfold growth.

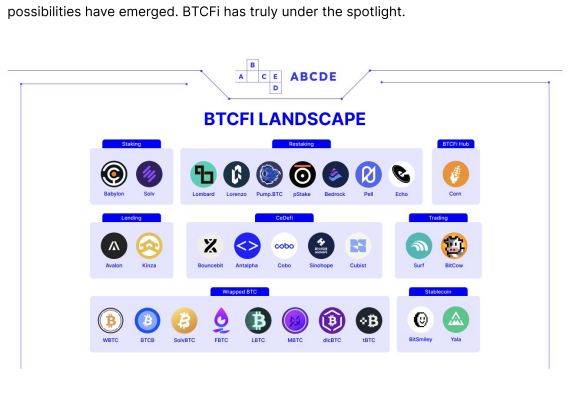




Groundbreaking Year of BTCFi 2.

II. Groundbreaking Year of BTCFi

By 2024, Bitcoin has made breakthroughs in both time and space dimensions. Time locks, staking, and BRC-20 tokens have brought Bitcoin closer to BTCFi. Financial applications are once again a focus for participants in the Bitcoin ecosystem, and new possibilities have emerged. BTCFi has truly under the spotlight.

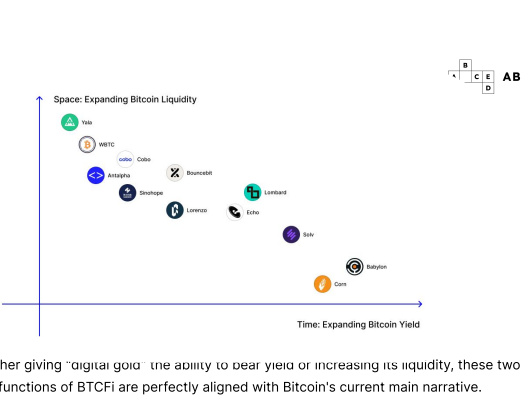


BTCFi's Breakthrough in Time: Bitcoin Yield-Bearing Attributes

- Opening Bitcoin's time dimension: Babylon
- The entry point for yield-bearing Bitcoin: Solv Protocol
- Move Ecology's BTCHub: Echo protocol
- "Semi-centralization might be the optimal solution": Lombard
- "Built-in Pendle": Lorenzo
- A chain born for BTCFi: Corn

BTCFi's Breakthrough in Space: Enhancing Bitcoin's Liquidity

- Custody platforms: Antalpha, Cobo, Sinohope
- Rising star of lending: Avalon
- CeDeFi pioneer: Bouncebit
- The flourishing Wrapped BTC
- The rising stablecoin star: Yala



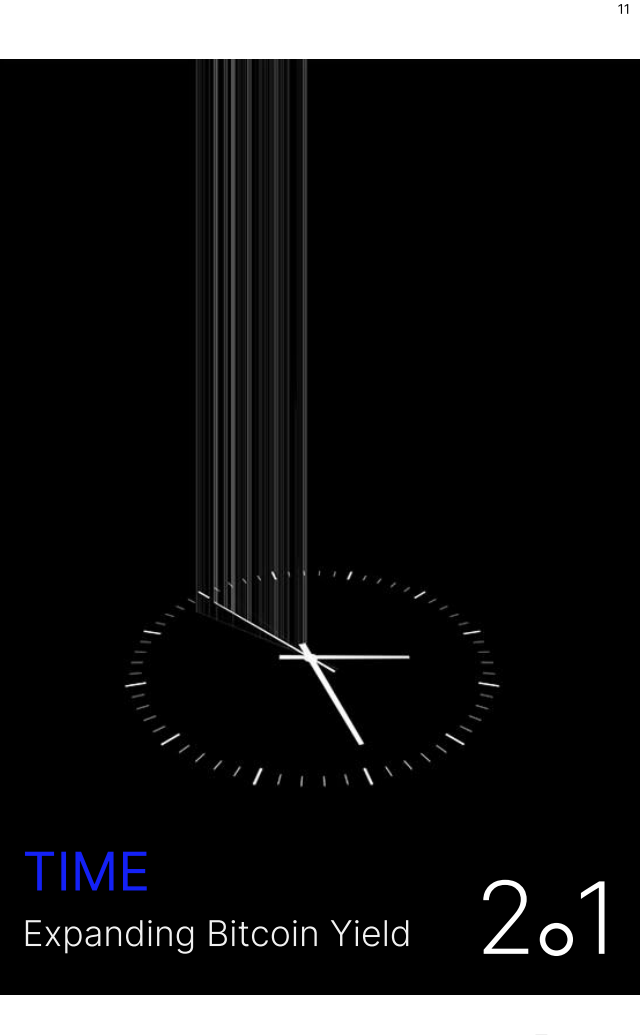
Whether giving "digital gold" the ability to bear yield or increasing its liquidity, these two core functions of BTCFi are perfectly aligned with Bitcoin's current main narrative. Regardless of whether the market is bullish or bearish, as long as Bitcoin remains unchanged and continues to be recognized as the most respected form of digital gold, BTCFi would always be brought up.

To draw a comparison, the value of gold is typically supported by three major pillars:

- Jewellery and industrial uses
- Investment
- Strategic reserves by central banks

From an investment perspective, after gold ETFs were approved 20 years ago, gold prices surged sevenfold. This was because, before ETFs, the only way to invest in gold was to buy physical gold, which involved insurance, transportation, and storage requirements, raising the barriers for many people. Gold ETFs, as "paper gold" that requires no storage and can be traded like stocks, became a revolutionary product, greatly enhancing gold's liquidity and investment convenience.

In comparison, Bitcoin ETFs do not have the same revolutionary impact as gold ETFs, because the barriers to trading Bitcoin, as "digital gold," were already quite low. The ETF merely takes things a step further in terms of compliance, regulation, and ideology. Therefore, the effect on Bitcoin's price is likely to be less significant than it was for gold ETFs. However, BTCFi, by giving Bitcoin time- and space-based financial attributes, makes Bitcoin more "useful" than before. This is more comparable to gold's jewelry and industrial uses. Therefore, from a long-term perspective, BTCFi might contribute more to Bitcoin's value and price growth than Bitcoin ETFs.



TIME

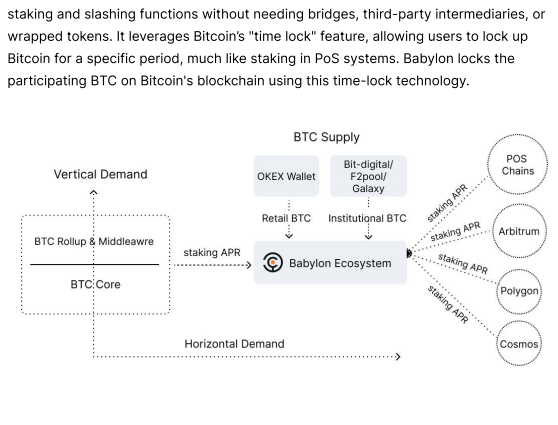
Expanding Bitcoin Yield 2.1

2.1.1 Babylon: Unlocking the Time Dimension for Bitcoin

The concept of "BTCFi" wouldn't be complete without mentioning Babylon, which introduced the notion of "on-chain yield-bearing BTC."

Bitcoin operates on a Proof of Work (PoW) model, which lacks the concept of inflation or yield generation, unlike Ethereum's Proof of Stake (PoS), which offers a predictable annual yield of around 3–4% depending on staking participation. However, with the introduction of Eigenlayer and the concept of "Restaking," people realized that while restaking might be an additional feature for Ethereum, it's a necessity for Bitcoin.

Though Bitcoin cannot be directly used on Eigenlayer, as the two are on different chains, Babylon manages to bring the core concept of Restaking for PoS security to Bitcoin. Babylon uses Bitcoin's existing script and advanced cryptography to simulate staking and slashing functions without needing bridges, third-party intermediaries, or wrapped tokens. It leverages Bitcoin's "time lock" feature, allowing users to lock up Bitcoin for a specific period, much like staking in PoS systems. Babylon locks the participating BTC on Bitcoin's blockchain using this time-lock technology.



When issues arise and slashing is needed without smart contracts, Babylon relies on a cryptographic technique called EOTS (Extractable One-Time Signatures). If a signer uses the same private key to sign two different messages, the private key will be exposed, which mirrors the penalty mechanism in PoS chains where validators are punished for signing two conflicting blocks. Babylon, by locking Bitcoin through self-custody and incorporating staking and slashing mechanisms, provides Bitcoin holders a trustless way to earn yield for the first time.

Of course, it is evident that Babylon's 'Restaking' technology is primarily designed to enhance the security of PoS chains. If one wishes to fully implement the Eigenlayer tech stack, such as something like EigenDA, it would require a more complex slashing mechanism and additional features. These will need to be developed in cooperation with projects within the Babylon ecosystem. In any case, Babylon, by locking Bitcoin through self-custody and combining on-chain staking and slashing functions, has for the first time provided Bitcoin holders with a trustless way to earn yield. Previously, earning yield on BTC required using centralized exchanges (CEX), platforms like MatrixPort, or wrapping BTC into WBTC to participate in DeFi within Ethereum's EVM ecosystem. All these methods, without exception, rely on significant centralization-based security assumptions.

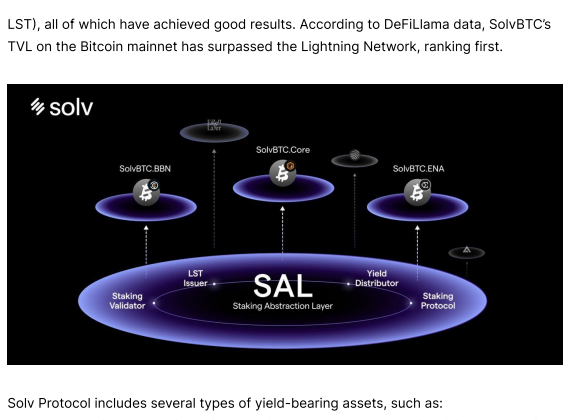
Therefore, while Babylon may be compared to the restaking ecosystem of Eigenlayer on Ethereum, due to Bitcoin's inherent lack of a staking mechanism, we are more inclined to view Babylon as Bitcoin's staking ecosystem.

2.1.2 Solv Protocol: The Entry Point for Yield on Bitcoin

Speaking of the staking ecosystem, another project that must be mentioned is Solv Protocol. Solv is not exactly a direct competitor to Babylon. Solv introduced the concept of a staking abstraction layer, enabling the creation of various LST (Liquid Staking Token) products.

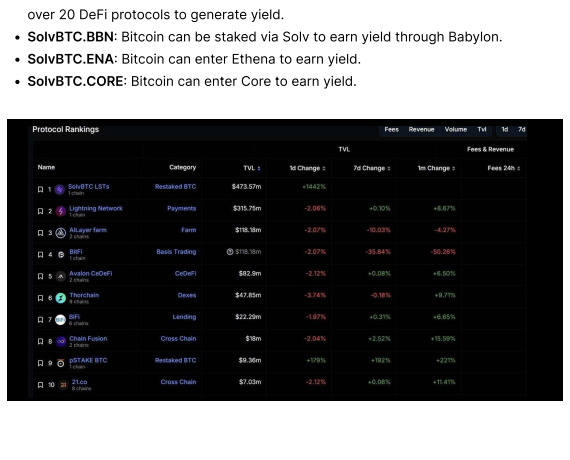
These LSTs can generate yield from different sources, such as staking rewards from protocols like Babylon, PoS network node rewards from platforms like CoreDAO or Stacks, or returns from trading strategies like Ethena. Solv has already issued SolvBTC.BBN (Babylon LST), SolvBTC.ENA (Ethena LST), and SolvBTC.CORE(CoreDAO

LST), all of which have achieved good results. According to DeFiLlama data, SolvBTC's TVL on the Bitcoin mainnet has surpassed the Lightning Network, ranking first.



Solv Protocol includes several types of yield-bearing assets, such as:

- **SolvBTC**: Mintable on six chains and circulated across ten chains, it integrates with over 20 DeFi protocols to generate yield.
- **SolvBTC.BBN**: Bitcoin can be staked via Solv to earn yield through Babylon.
- **SolvBTC.ENA**: Bitcoin can enter Ethena to earn yield.
- **SolvBTC.CORE**: Bitcoin can enter Core to earn yield.



Solv has also demonstrated impressive metrics, with over 200,000 holders, a total market cap exceeding $1 billion, and more than 20,000 BTC held in reserves.

- Circulating across 10 chains.
- Integrated with over 20 DeFi protocols, including a partnership with Pendle, providing Bitcoin users with a fixed APY of nearly 10%, and LP liquidity providers can earn up to 40%.
- The total number of SolvBTC holders has exceeded 200,000, with a total market value surpassing $1 billion.
- SolvBTC's Bitcoin reserves have exceeded 20,000 BTC.

Currently, Solv Protocol has achieved a leading position in the BTCFi ecosystem and is continuing to iterate. The next phase will focus on continuously launching different types of LST (Liquid Staking Token) products. Reportedly, Solv will collaborate with Jupiter to launch SolvBTC.JUP, a product that incorporates Perp DEX market-making revenue into BTC LST, further expanding the boundaries of BTC staking.

Babylon provides BTC holders with a trustless way to earn yield, effectively offering staking rewards. Naturally, projects will emerge to compete for the LST ecosystem slot, akin to what Lido has done, targeting assets like stETH.

Although BTC can safely earn yield while locked on-chain, if one seeks to further unlock Bitcoin's liquidity and increase yield, the BTC locked on Babylon could be tokenized and participate in DeFi ecosystems on both EVM and non-EVM chains. This fully leverages blockchain's composability, making the LST ecosystem slot essential. SolvBTC.BBN is a great example of this.

Besides Solv, other heavyweights are competing for the LST ecosystem slot.
All LST projects generally aim to unlock BTC liquidity and participate in DeFi yields. Solv's core advantage over other LSTs lies in its ability to provide various types of Bitcoin yield, including restaking yield, validator node rewards, and trading strategy revenue, offering Bitcoin users a richer set of yield options.

2.1.3 Move Ecology's BTCHub: Echo protocol

Echo is the BTCFi hub within the Move ecosystem, providing a one-stop financial solution for Bitcoin within the Move ecosystem, enabling seamless interoperability of BTC with the Move ecosystem. Echo is the first to introduce BTC liquid staking, restaking, and yield infrastructure into the Move ecosystem, bringing a new category of liquid assets into the ecosystem. By collaborating with the Bitcoin ecosystem, Echo seamlessly integrates all native BTC Layer 2 solutions, including Babylon, and supports various BTC liquid staking tokens, making Echo a key entry point for new capital into the Move DeFi ecosystem.

Echo's highlight product, aBTC, is a cross-chain liquid Bitcoin token backed 1:1 by BTC. This innovation facilitates Bitcoin's DeFi interoperability, allowing users to earn actual yields within ecosystems like Aptos. Additionally, aBTC will be fully supported across the Aptos DeFi network.

Echo is the first to introduce restaking into the Move ecosystem through its innovative product, eAPT. This enables restaking to secure MoveVM chains or any project developing its own blockchain, allowing them to rely on Aptos for security and validation.

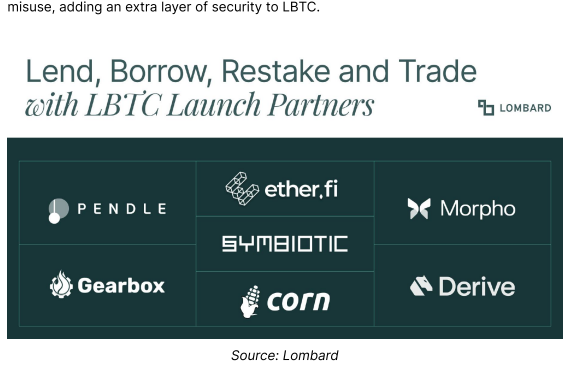
Thus, Echo will become the BTCHub of the Move ecosystem, offering four key Bitcoin-centric products for the Move ecosystem:

- **Bridge**: Allows bridging BTC Layer 2 assets to Echo, enabling interoperability between the Move ecosystem and BTC Layer 2;
- **Liquid Staking**: Stake BTC on Echo to earn Echo points;
- **Restaking**: Synthesize the LRT token aBTC within the Move ecosystem, allowing Bitcoin to interoperate within the Move ecosystem and earn multiple layers of compounded returns;
- **Lending**: Deposit APT, uBTC, and aBTC to provide staking and lending services, with lending business profits shared with users to earn approximately 10% yield in APT.

2.1.4 Lombard: "Semi-Decentralization Might Be the Optimal Solution"

Lombard's standout feature is the balance of security and flexibility in its LBTC asset. Generally speaking, absolute decentralization offers more security but sacrifices too much in terms of flexibility (as evidenced by the market cap gap between RenBTC, TBTC, and WBTC). Centralized management, on the other hand, offers the most flexibility but comes with trust assumptions and potential security risks, which limits its growth potential. This is also why WBTC's market cap remains a relatively small portion of Bitcoin's overall market cap.

Therefore, Lombard cleverly finds a flexible balance between security and flexibility, maximizing the flexibility of LBTC under relatively secure conditions.

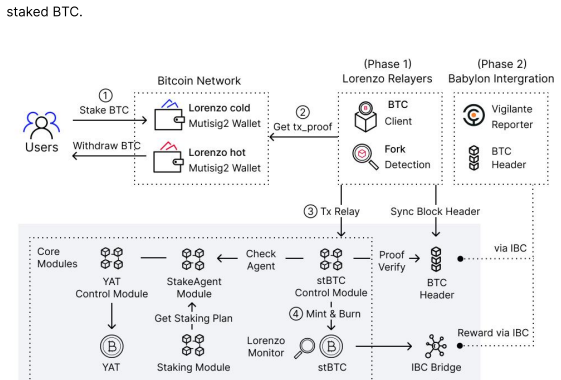

Your Bitcoin, Infinitely Better
Earn native yield + rewards
LBTC earns a native yield from Babylon Staking and Lombard Points.
Move freely across chains
LBTC is natively minted across blockchains, so you can take LBTC wherever you go.
Connect to DeFi
LBTC is backed 1:1 with BTC, and can be used as collateral in numerous AMMs, lending protocols, perpetuals exchanges, and more.
Stay liquid
LBTC is freedom for your Bitcoin. Take your BTC wherever you go while still earning yield.

Compared to the traditional multi-signature Mint/Burn model, Lombard uses a more secure concept called the Consortium Security Alliance, which was first introduced in previous consortium chains. Unlike many DeFi projects, especially bridges, where a few multi-signature nodes are controlled by the project team, Lombard's security alliance initially consists of high-reputation nodes such as project teams, well-known institutions, market makers, investors, and exchanges. These nodes reach consensus using the Raft algorithm.

Although this method is not '100% decentralized,' its security level is much better than

traditional multi-signature setups, while fully retaining the flexibility of 2/3 data notarization, cross-chain circulation, minting, and redemption. Additionally, full decentralization does not inherently equal security. Whether in PoW or PoS, the attack cost and security model can be calculated based on the mechanism and current market value. Apart from high-market-cap blockchains like BTC, ETH, and Solana, most decentralized projects are actually likely less secure than Lombard's 'Security Alliance' model.

n addition to the Security Alliance design, Lombard uses CubeSigner, a hardware-supported non-custodial key management platform. It enforces strict policies to prevent key theft, reduce risks of misconduct, hacking, and internal threats, and prevent key misuse, adding an extra layer of security to LBTC.



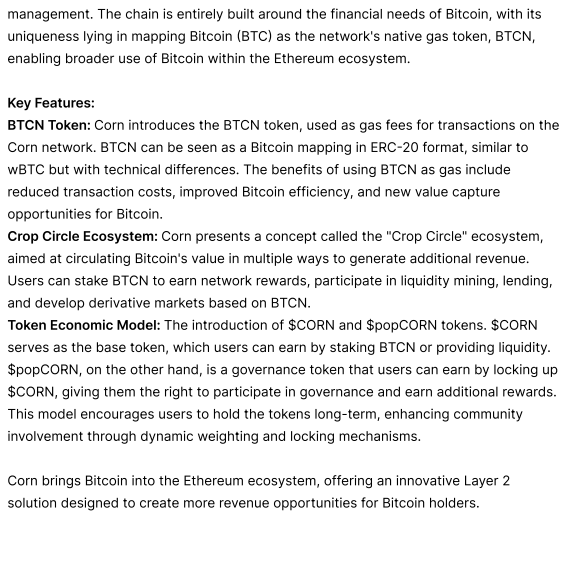
Source: Lombard

Furthermore, Polychain Capital's $16 million seed round investment has undeniably boosted Lombard's credibility in the crypto space. This enhances the reputation of its Consortium nodes and significantly aids its integration with DeFi and other public chain projects. LBTC is poised to become one of the strongest competitors to WBTC.

2.1.5 Lorenzo: "Pendle for Bitcoin"

While Lombard focuses on asset security, Lorenzo stands out as Binance's investment in the Babylon LST (liquid staking token) ecosystem.

Lorenzo operates similarly to Pendle in Ethereum's DeFi ecosystem, introducing principal-yield separation to Bitcoin staking assets. Lorenzo's liquid staking tokens (LST) can be split into LPT (Liquidity Principal Token) and YAT (Yield Accumulation Token). Both can be traded or transferred, allowing holders to earn yield or withdraw staked BTC.



In this way, Lorenzo unlocks more ways for Babylon-based staked BTC to participate in DeFi, such as trading pairs between LPT and YAT with ETH, BNB, and USD stablecoins, catering to different investors' arbitrage and investment opportunities. Regarding lending protocols for LPT and YAT, as well as structured Bitcoin yield products (such as fixed-income BTC financial products), in short, most of the strategies currently available on Pendle can be utilized by Lorenzo.

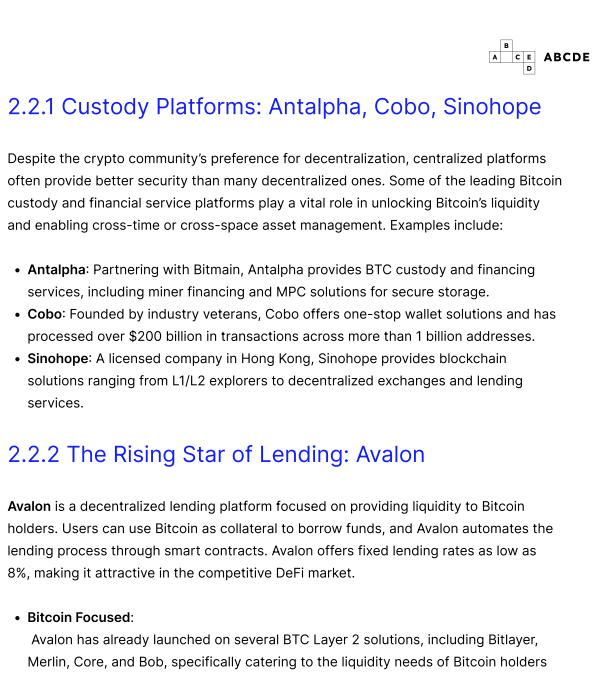
As one of the few Bitcoin ecosystem projects directly backed by Binance, and currently the only BTCFi LST project with "Pendle" attributes, Lorenzo undoubtedly the top BTCFi Project.

2.1.6 Corn: A Chain Born for BTCFi

Corn is the first Ethereum Layer 2 solution to use Bitcoin as gas. It aims to provide users with a variety of financial services, including lending, liquidity mining, and asset management. The chain is entirely built around the financial needs of Bitcoin, with its uniqueness lying in mapping Bitcoin (BTC) as the network's native gas token, BTCN, enabling broader use of Bitcoin within the Ethereum ecosystem.

Key Features:
BTCN Token: Corn introduces the BTCN token, used as gas fees for transactions on the Corn network. BTCN can be seen as a Bitcoin mapping in ERC-20 format, similar to wBTC but with technical differences. The benefits of using BTCN as gas include reduced transaction costs, improved Bitcoin efficiency, and new value capture opportunities for Bitcoin.
Crop Circle Ecosystem: Corn presents a concept called the "Crop Circle" ecosystem, aimed at circulating Bitcoin's value in multiple ways to generate additional revenue. Users can stake BTCN to earn network rewards, participate in liquidity mining, lending, and develop derivative markets based on BTCN.
Token Economic Model: The introduction of $CORN and $popCORN tokens. $CORN serves as the base token, which users can earn by staking BTCN or providing liquidity. $popCORN, on the other hand, is a governance token that users can earn by locking up $CORN, giving them the right to participate in governance and earn additional rewards. This model encourages users to hold the tokens long-term, enhancing community involvement through dynamic weighting and locking mechanisms.

Corn brings Bitcoin into the Ethereum ecosystem, offering an innovative Layer 2 solution designed to create more revenue opportunities for Bitcoin holders.



SPACE

Expanding Bitcoin Liquidity 2.2

2.2.1 Custody Platforms: Antalpha, Cobo, Sinohope

Despite the crypto community's preference for decentralization, centralized platforms often provide better security than many decentralized ones. Some of the leading Bitcoin custody and financial service platforms play a vital role in unlocking Bitcoin's liquidity and enabling cross-time or cross-space asset management. Examples include:

- **Antalpha**: Partnering with Bitmain, Antalpha provides BTC custody and financing services, including miner financing and MPC solutions for secure storage.
- **Cobo**: Founded by industry veterans, Cobo offers one-stop wallet solutions and has processed over $200 billion in transactions across more than 1 billion addresses.
- **Sinohope**: A licensed company in Hong Kong, Sinohope provides blockchain solutions ranging from L1/L2 explorers to decentralized exchanges and lending services.

2.2.2 The Rising Star of Lending: Avalon

Avalon is a decentralized lending platform focused on providing liquidity to Bitcoin holders. Users can use Bitcoin as collateral to borrow funds, and Avalon automates the lending process through smart contracts. Avalon offers fixed lending rates as low as 8%, making it attractive in the competitive DeFi market.

- **Bitcoin Focused:**
  Avalon has already launched on several BTC Layer 2 solutions, including Bitlayer, Merlin, Core, and Bob, specifically catering to the liquidity needs of Bitcoin holders by providing lending services.
- **Collateral Management:**
  Avalon uses an over-collateralization mechanism, requiring users to provide Bitcoin worth more than the loan amount as collateral to reduce platform risk.
- **Performance:**
  The platform has already surpassed $300 million in TVL (total value locked). Avalon is actively collaborating with several BTCFi projects, such as SolvBTC, Lorenzo, and SwellBTC, to expand its user base through targeted partnerships.

2.2.3 CeDeFi Pioneer: Bouncebit

BounceBit is an innovative blockchain platform focused on empowering Bitcoin assets by combining centralized finance (CeFi) and decentralized finance (DeFi), as well as through restaking strategies. This transforms Bitcoin from a passive asset into an active participant within the crypto ecosystem.

Key Features of BounceBit:

- **BTC Restaking**
  BounceBit allows users to deposit Bitcoin into the protocol and earn additional yield through restaking. This increases asset liquidity and yield opportunities. Users can deposit various types of on-chain Bitcoin assets into BounceBit, including native BTC, WBTC, renBTC, and more.
- **Dual-Token PoS Consensus Mechanism**
  BounceBit uses a hybrid PoS mechanism that combines BTC and BB (BounceBit's native token) for validation. Validators accept both BBTC (the Bitcoin token issued by BounceBit) and BB tokens as stakes, enhancing the network's resilience and security while expanding the participant base.
- **BounceClub**
  BounceBit offers the BounceClub tool, which allows even users without programming knowledge to create their own DeFi products. This makes the development of DeFi applications simpler and more user-friendly.
- **Liquidity Custody**
  BounceBit introduces the concept of liquidity custody, where staked assets remain liquid and provide more yield opportunities. This differs from traditional locked staking models, offering users greater flexibility.

BounceBit, through its innovative restaking model and dual-token PoS consensus, provides Bitcoin holders with more opportunities to earn yield and facilitates the application of Bitcoin within the DeFi ecosystem. Its liquidity custody and BounceClub tools also make DeFi development easier and more user-friendly.

2.2.4 The Flourishing Wrapped BTC

WBTC
Wrapped Bitcoin (WBTC) is an ERC-20 token that connects Bitcoin (BTC) to the Ethereum (ETH) blockchain. Each WBTC is backed by one Bitcoin, ensuring that its value is pegged to the price of BTC. The introduction of WBTC allows Bitcoin holders to use their assets in the Ethereum ecosystem and participate in decentralized finance (DeFi) applications. This significantly enhances Bitcoin's liquidity and use cases within DeFi.

WBTC Features:

- Decentralized Custody: WBTC is managed by multiple custodians to ensure transparency and security. Users can verify the amount of Bitcoin backing WBTC at any time.
- ERC-20 Standard: WBTC follows the ERC-20 standard, making it easy to trade on Ethereum and use in various DeFi applications.
- Liquidity Provision: WBTC provides substantial liquidity in the DeFi space and has become one of the most popular Bitcoin tokens. According to DeFi Llama data, as of September 2024, WBTC has a total locked value (TVL) of $8 billion.

WBTC Use Cases:

- Lending Protocols: Users can use WBTC as collateral to obtain loans through protocols like Compound and Aave.
- Market-Making Protocols: WBTC/ETH trading pairs provide substantial liquidity on platforms like Uniswap and Sushiswap.
- Derivatives Protocols: Users can trade synthetic assets using WBTC on platforms like Synthetix.

WBTC has been the leader in the Wrapped BTC space. However, on August 9, BitGo (the custodian of WBTC) announced a joint venture with BiT Global, intending to migrate WBTC's BTC custody address to a multi-signature managed by the joint venture. While this appears to be a routine business cooperation, controversy arose because BiT Global is controlled by Justin Sun. MakerDAO immediately proposed to reduce WBTC's collateral size, requesting that the WBC-related collateral in its main vault be reduced to zero. Concerns about WBTC in the market have provided opportunities for new types of Wrapped BTC.

BTCB
BTCB is a Bitcoin token on the Binance Smart Chain (BSC), allowing users to trade and use BTC on BSC. BTCB is designed to improve Bitcoin's liquidity while benefiting from BSC's low transaction fees and fast confirmation times.Key Features

- Fast Transaction Confirmation: BTCB uses BSC's efficient transaction mechanism, allowing users to enjoy faster transaction speeds and lower fees, improving the user experience.
- Cross-Chain Bridging: BTCB supports interoperability with other blockchains like Ethereum, enabling users to transfer assets freely across different chains

BTCB Use Cases

- Lending Protocols: Users can use BTCB as collateral to obtain loans through platforms like Venus and Alpaca Finance.
- Market-Making Protocols: BTCB/BUSD trading pairs provide substantial liquidity on platforms like PancakeSwap and ApeSwap.
- Derivatives Protocols: Users can trade synthetic assets using BTCB on platforms like Synthetix and Perpetual Protocol.
- Liquidity Mining: Users can provide liquidity with BTCB to earn platform tokens as rewards.

Binance is actively expanding BTCB's functionality, planning to introduce more DeFi products related to BTCB on BSC. These products will include lending, derivatives trading, and more, aiming to enhance BTCB's utility and liquidity. BTCB's adoption on BSC has already been supported by several DeFi protocols, including Venus, Radiant, Kinza, Solv, Karak, pStake, and Avalon. These protocols allow users to use BTCB as collateral for lending, liquidity mining, and stablecoin minting.
Through these efforts, Binance aims to strengthen BTCB's market position and promote broader use of Bitcoin within the BSC ecosystem. The introduction of BTCB provides Bitcoin holders with new use cases and injects more liquidity into BSC's DeFi ecosystem.

FBTC (Fidelity Wise Origin Bitcoin ETF)
FBTC is a Bitcoin exchange-traded fund (ETF) launched by Fidelity Investments. This fund aims to provide investors with direct exposure to Bitcoin, allowing them to invest in Bitcoin within a familiar investment structure. FBTC holds 100% Bitcoin and aims to track Bitcoin's market performance.

Key Features:

- Self-Custody: FBTC is one of the few ETFs that can self-custody its Bitcoin, meaning its Bitcoin assets are held by Fidelity Digital Asset Services rather than relying on a third party.
- Fee Structure: FBTC has a relatively competitive management fee of 0.25%, making it attractive in the market.
- Investment Channels: Investors can purchase FBTC through various account types (such as brokerage accounts, trust accounts, and tax-advantaged accounts), making it convenient for different types of investors.

LBTC
LBTC (Liquid Bitcoin) is a tokenized Bitcoin issued on the Liquid network, designed to provide faster and more private transactions for Bitcoin. The Liquid network is a Bitcoin sidechain that allows users to settle and issue assets. LBTC is designed as an effective tool for settling funds between different exchanges and platforms, particularly for traders looking to explore arbitrage opportunities.

First, LBTC takes advantage of the Liquid network's efficient transaction mechanism, with a block generation time of 1 minute, making transaction speeds significantly faster than Bitcoin's main chain. This fast confirmation time enhances the user experience, especially in high-frequency trading and arbitrage scenarios. Additionally, the Liquid network provides higher privacy protection, as transaction information is encrypted within the network, and transaction amounts and asset types are not visible to external observers. This makes LBTC an ideal choice for users who need private transactions.

Furthermore, LBTC supports interoperability with other blockchains (such as Ethereum), allowing users to transfer assets freely across different chains, enhancing asset liquidity. LBTC has already been integrated into multiple exchanges, including Bitfinex, MXC, and others, which support LBTC trading, further increasing its market liquidity.

dlcBTC
dlcBTC is a Bitcoin asset based on Discreet Log Contract (DLC) technology, designed to provide users with a secure and privacy-preserving way to create and execute complex financial contracts. Its core feature is full decentralization, meaning users do not need to rely on third-party custody or multi-signature mechanisms, ensuring complete control over their assets and reducing the risks associated with centralization. Additionally, dlcBTC's security benefits from its unique self-packaging mechanism,

where users' Bitcoin remains under their control, and only the original depositor can withdraw funds. This effectively prevents assets from being stolen or seized by the government.

dlcBTC also leverages zero-knowledge proof technology to enhance transaction privacy and security. Users can execute complex financial transactions within contracts without revealing the details of the transaction, thereby protecting personal information. Through this innovative mechanism, dlcBTC enables Bitcoin holders to participate in decentralized finance (DeFi) activities while maintaining full ownership and control of their assets.

dlcBTC's business development is also progressing. The company has established a dlcBTC merchant network composed of rigorously vetted institutions, including well-known Bitcoin miners, exchanges, and financial institutions. These merchants play a key role in dlcBTC's bridging functionality, ensuring liquidity and security. Additionally, dlcBTC plans to introduce trading pairs on several decentralized exchanges (DEX), further enhancing its market presence.

2.2.5 The Rising Stablecoin Star: Yala

Yala is a stablecoin and liquidity protocol on BTC. Through its self-built modular infrastructure, Yala allows its stablecoin $YU to flow freely and securely between various ecosystems, unlocking BTC liquidity and bringing substantial capital vitality to the entire crypto ecosystem.

Core products include:

- **Over-collateralized stablecoin $YU**: This stablecoin is generated through over-collateralization of Bitcoin. The infrastructure is not only based on the native Bitcoin protocol but can also be deployed freely and securely in EVM and other ecosystems.
- **MetaMint**: A core component of $YU, allowing users to easily mint $YU using native Bitcoin in various ecosystems, injecting Bitcoin liquidity into these ecosystems.
- **Insurance derivatives**: Providing comprehensive insurance solutions within the DeFi ecosystem, creating arbitrage opportunities for users.

Yala's suite of infrastructure and products serves its vision—to bring Bitcoin liquidity into various crypto ecosystems. Through $YU, Bitcoin holders can earn additional yields in various cross-chain DeFi protocols while maintaining the security and stability of the Bitcoin mainnet. Through the governance token $YALA, Yala enables decentralized governance across its products and ecosystem.

Conclusion

BTCFi has entered a new era. Whether enhancing Bitcoin's yield-bearing properties or improving its liquidity, BTCFi is aligned with Bitcoin's "digital gold" narrative. Regardless of market conditions, BTCFi is poised to enhance Bitcoin's value and use cases, offering long-term potential for growth.

About us

ABCDE is a 400m fund co-founded by Huobi cofounder Du Jun and former Internet&crypto founder BMAN. Before ABCDE, we have built multi-billion dollar companies in Crypto from the ground up, including HongKong listed companies with crypto licenses(01611.HK), exchanges(Huobi & BitTrade), SAAS companies(ChainUP.com), and developers platforms(BeWater.xyz).

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