

Valorem: DeFi options

THE PROBLEM

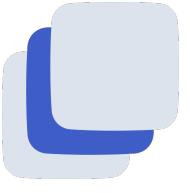
DeFi options protocols are broken. They lack flexibility and portability across the spectrum of ERC20 tokens and EVMs.





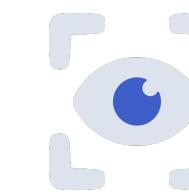
Inefficient markets

Current protocols feature baked-in automatic pricing models subject to adverse selection with suboptimal price discovery.



Restricted optionality

The opinionated design and lack of flexibility in existing DeFi options protocols prevents them being used for hedging strategies on any ERC20 token.



Price oracle dependencies

Many options protocols depend on external price oracles which limits their use cases and portability, while introducing protocol risk.



INTRODUCING VALOREM

The first protocol that enables users to write permissionless physically settled options, on any ERC20 token.



DeFi options grew by more than 8,000% in the last 18 months, reaching \$ 830M TVL.



In TradFi, derivatives trading volume exceeds spot trading volume. In DeFi, that is not the case yet...



Currently, onchain derivatives make up a tiny percentage of spot trading volume.

\$ 1 trillion

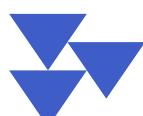
onchain spot trading volume

\$ 6 billion

onchain notational volume

\$ 100 million

onchain derivatives trading volume



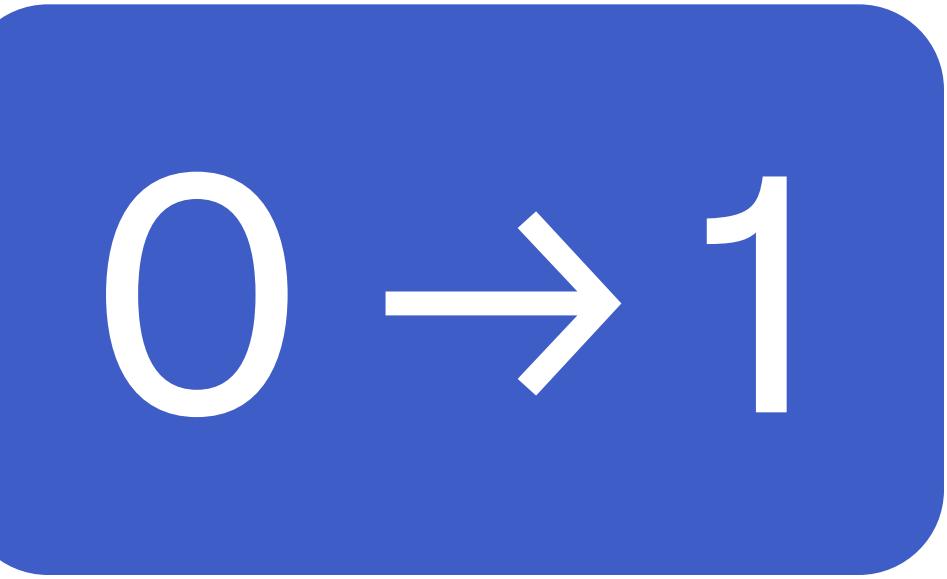
Baked-in risk



Flexibility

* TVL: Total Value Locked





Valorem offers greater flexibility and less risk than any other options protocol. This opens up new use cases which Valorem will capture.



WHERE WE'RE AT NOW

We're in beta on Görli, and will launch our options settlement layer, now in audit with Zellic, to production in Q1.

The screenshot shows the Valorem platform interface. At the top, there's a navigation bar with 'Finder', 'File', 'Edit', 'View', 'Go', 'Window', and 'Help'. Below the navigation is the Valorem logo. On the right side of the header, it says 'Rinkeby test network' and '124 ETH 0x464...685'. The main area is titled 'Viewing open positions by expiry date'. It lists four open option contracts:

- WETH/DAI Long Call**: +\$156,025.00 (+96.25%)
STRIKE PRICE: \$15.85 VALUE: \$320,000.00
EXERCISE DATE: 3/15/2023 EXPIRY DATE: 3/29/2023
- DAI/DAI Short Call**: -\$200.00 (-12.00%)
STRIKE PRICE: \$4.90 VALUE: \$1,300.00
EXERCISE DATE: 6/28/2023 EXPIRY DATE: 7/14/2023
- USDC/ETH Short Call**: Fiat values unknown
STRIKE PRICE: 0.0005 ETH VALUE: 0.0245 ETH
EXERCISE DATE: 6/29/2023 EXPIRY DATE: 7/24/2023
- WETH/DAI Long Call**: +\$156,025.00 (+96.25%)
STRIKE PRICE: \$15.85 VALUE: \$320,000.00
EXERCISE DATE: 9/15/2023 EXPIRY DATE: 9/29/2023

Below these cards are two buttons: 'Browse contracts' and 'Write new option'.



Q1 2023

Settlement

Valorem Options will launch with documentation, user interface and ability for users to write, hold and transfer options positions.

Q2 2023

Trading

Valorem has developed a DEX with order book, RFQ, and OTC capabilities. We will integrate this with the option settlement layer to enable peer-to-peer options trading.

Contributor token options

We will build partnerships with protocols to use Valorem Contibutor Token Options to incentivize protocol contributors throughout DeFi. This will build a diverse income for the protocol from writing and exercise fees.



Oracles and ecosystem

Valorem will build oracles and other ecosystem enhancements to increase adoption of Valorem Options and thus trading volume.

Q2 2023

Margin

Valorem will develop a margin system for Valorem Options which will increase capital efficiency for users.

Q3 2023 AND BEYOND

Structured products

Valorem will build and integrate structured products to increase notional volume and revenue.



HOW VALOREM MAKES MONEY

Protocol revenue

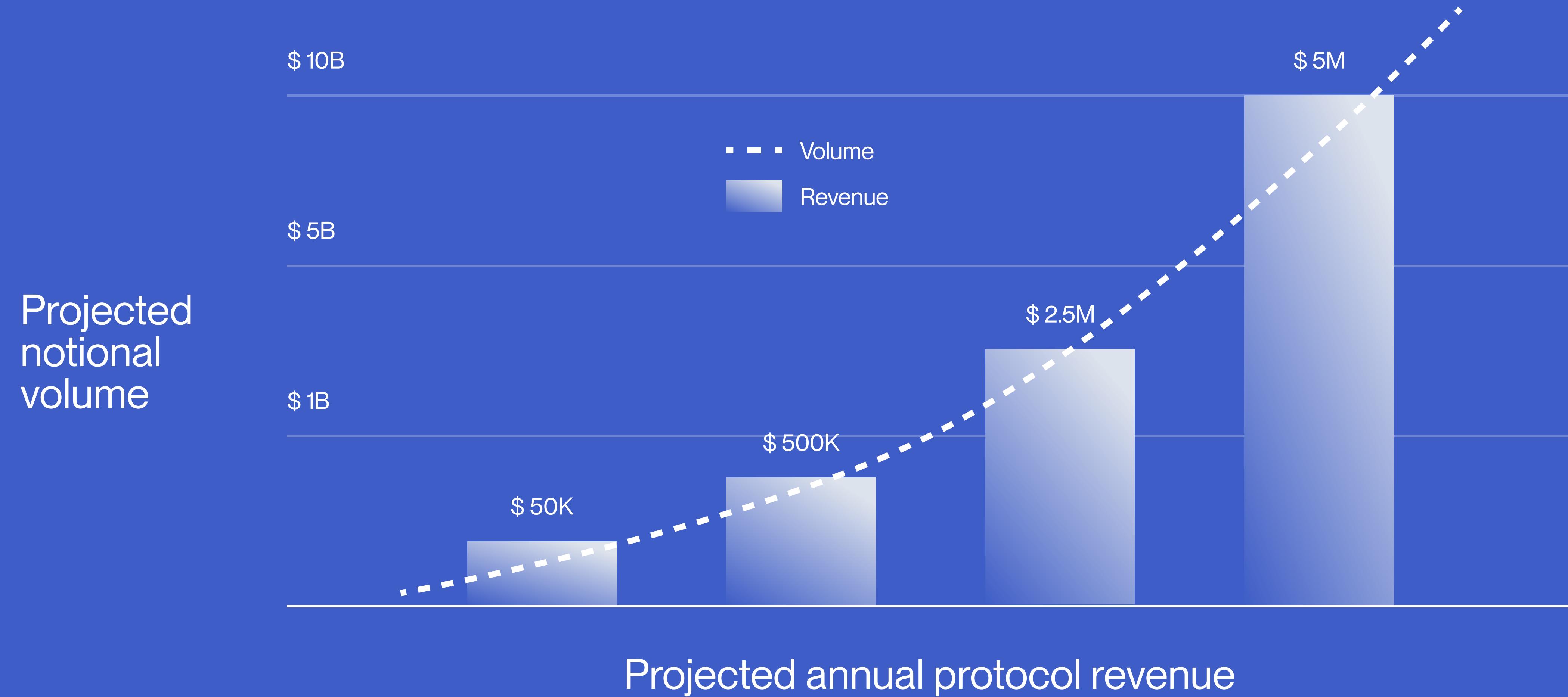
- ➔ 5 basis points on volume

Structured product revenue

- ➔ 2% management fee¹
- ➔ 10% performance fee²

^{1,2:} 2%/10% is the industry standard fee structure (e.g. Yearn Finance)







Alcibiades

PROTOCOL CREATOR

Ex Bloomberg and DE Shaw developer; now MEV Searcher and Smart Contract Developer, building better DeFi Options.



Neodaoist

PROTOCOL ENGINEER

Building open financial systems with a focus on smart contract testing, security and usability.



Flip

PROTOCOL ENGINEER

Ex-Azure distributed systems engineer, building completely transparent and permissionless financial systems.



Tom Howard

CRYPTO OPTIONS SME

As co-founder of Power Trade and Partner at Taureon Capital, Tom is a veteran of the crypto options space.



Thogard

FINANCIAL PRODUCT DESIGN

Co-Founder of BPCR: an on-chain MEV team. Currently building L2 infra and advising on exchange protocols. Ex TradFi.



Bandit.eth

PROTOCOL ADVISOR

Smart contract engineer at Alongside Finance. Founder of Kodex Labs and MEV Searcher.



Let's build.

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