Crafting Finance

A universal synthetic asset issuance and trading protocol

Synthetic asset will dominate the crypto market

Asset's market-cap comparison[1]

__Billion USD__

Silver	Crypto	Gold	Stock
· 44	· 244	● 10,900	89,000

Money Supply	Global Debt	Global Estate	Derivatives
95,700	253,000	280,600	558,500

Synthetic asset have great potential

Defi is about to tokenize the important assets and make it tradeable on blockchain
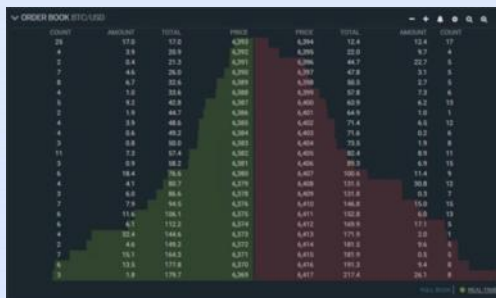
Synthetic asset is a smart invention for different kinds of assets such as **stock/debt** and **derivatives** to be traded distributed

The potential market cap for tokenized stock/debt/derivatives is **thousands times** over current crypto market

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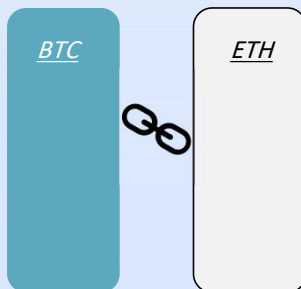# SDP[1] is a flexible trading mode for diversiform synthetic assets

Order Book
Traditional Order Book

- Professional market maker needed
- High speed trading
- Not suitable for low TPS blockchain

AMM
Automatic market making

BTC   ETH

- Suitable for current blockchain
- Every asset need unique trading pools which cause liquidity wasting
- Relatively high slippage

SDP
Sharing Debt Pool

BTC
ETH
TSLA
AAPL
AAPL BULL 3X
BABA BEAR 3X
YD-ETH-MAR21
YD-BTC-MAR21

- Compatible for almost all kinds of assets(synthetic assets with price oracle)
- All assets sharing the liquidity
- Relatively low slippage(w/ big pool)

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Crafting is a protocol for forging and trading Rafts on Polkadot

Rafts

The different kinds of synthetic assets in the Crafting finance

⛵ Forge

Synthetic Assets Forge to produce Rafts, the different kinds of Rafts are:

RaftStable Stablecoins such as rUSD and rEuro

Raft Simple synthetic assets , can be cryptocurrencies such as rBTC and rETH, stocks such as rAAPL, gold such as rXAU and any real-world assets

BondRaft Synthetic bonds are synthetic assets paying interest issued by the system

UnivRaft Custom synthetic assets means that users can issue any kind of a financial contract through this system. By this way, we can stimulate any financial derivatives and include the whole world's assets
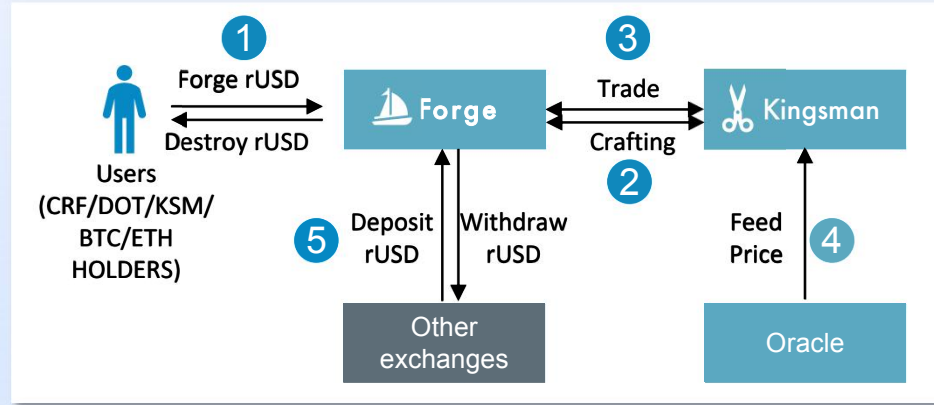
✂ Kingsman

Raft Synthetic Assets Trading DEX

Kingsman An exchange based on SDP , which provides conversion of different synthetic assets and contract trading. Due to the design characteristics of CF, this DEX does not require a counterparty, and there is no issue of transaction depth

⛵ Crafting
Finance

Structure of Crafting finance

1 Forging

User use CRF/DOT/KSM/BTC/ETH as collateral to forge different kinds of Rafts in Forge, the collateral rate is different for each kinds of token[1]

2 Crafting

User could choose whether to craft into the SDP, the choice led to long or short the other assets in SDP

3 Trading

User who got Rafts could trade in Kingsman, which will offer low slippage liquidity

4 Oracle

Oracle is important for the Crafting finance, Crafting finance will use different solutions to ensure the stable

5 Other exchanges

User could also exchange Rafts on other exchanges such as Uniswap

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Kingsman and the SDP are the source of liquidity of Rafts

SDP will allow users to short the market and provide liquidity

SDP(Sharing Debts Pool) is the most important component in the Crafting finance system.

Crafting into the system means putting the collateral into the SCP (sharing collateral pool) which will support the liquidity of the SDP. If the it is a bull market and the TTL value of SDP goes up, users will lose pro-rata number of collateral tokens , which is shorting the market and vice versa.

User could trade Rafts in Kingsman

Users who put collateral into the SCP could forge various kinds of Rafts, some of them could lead to a longing of the market, e.g., DEFI INDEX.

Users buy Rafts from other exchanges, e.g., Uniswap, Binance, also could use the Rafts to trade other Rafts in Kingsman.

When User trade Raft-A to Raft-B in Kingsman, the system will use the exchange rate feed from oracle to calculate the number, after that the system burn Raft-A and forge Raft-B for the user, there will be **no price slippage** in the trading. Kingsman will hold no token in the contract.
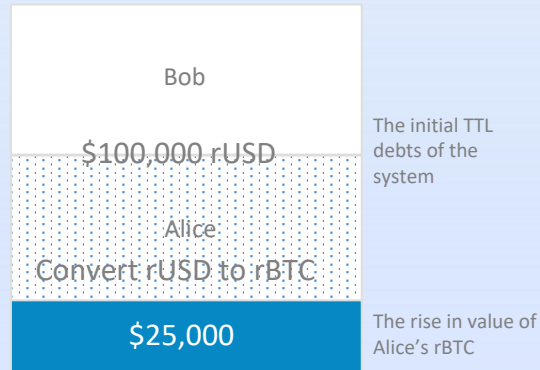
Flexible options for users[1]

User could choose whether joining the SDP to avoid shorting the market

Crafting will launch different pools when the liquidity could support. User could choose different pools to short or long different asset's themes.

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Some math in SDP and Kingsman

An example of using SDP and Kingsman

SDP

Bob

$100,000 rUSD

Alice
Convert rUSD to rBTC

$25,000

The initial TTL debts of the system

The rise in value of Alice's rBTC

1 Suppose two users, Alice and Bob, each generate $50,000 rUSD, and their respective debt ratios are 50%, and the total system debt is $100,000 rUSD.

2 Alice converts all rUSD to rBTC, Bob still simply holds rUSD. Assuming that the price of BTC rises by 50%, the value of rBTC held by Alice becomes $75,000, and the value of rUSD held by Bob is still $50,000. At this time, the total system liability becomes $75,000+$50,000=$125,000. Note that because the debt ratio has not changed, A's debt is $125,000*50%=$62,500, and Bob's debt is also $62,500.

3 Therefore, it can be calculated that Alice's profit and loss is $75,000-$62,500=$12,500, and Bob's profit and loss is $50,000-$62,500=-$12,500. The sum of all users' profit and loss in the entire system is 0, like a traditional contract trading system.

4 It should be noted that although Bob did nothing after generating rUSD, he/she still lost money due to the increase in the price of BTC. This is because once rUSD is generated, it is equivalent to having a long position in USD (in this case, it is also equivalent to a short BTC)!

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Highlights of Crafting finance

Universal Raft

Raft will support almost all kinds of potential synthetic assets

Flexible Collateral

Different kinds of Collateral could be used in the Forge, the collateral rate is different for each kinds of the tokens

Optional Crafting

User could choose whether entering the SDP, which will allow flexible position choice

Low Slippage

Due to the sharing of the whole SDP's liquidity, the price slippage of trading in Kingsman is significantly lower than existing exchanges

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Horizontal comparison with other synthetic assets projects

	Crafting Finance	Synthetix	Mirror	Uma
Available Collaterals[1]				
Market Cap of the Collaterals	~1.3 Trillion USD	~4.7 Billion USD	~1.8 Billion USD	~1.3 Trillion USD
Collateral Rate	150%~500%	500%	150%	500%
Estimated Synthetic Assets Potential Market Cap[2]	200 Billion USD	0.9 Billion USD	1.2 Billion USD	60 Billion USD
Kinds of the Synthetic Assets				
Typical Assets	Raft	✓	✓	✓
Stable Coin	RaftStable	✓	✓	✓
Bond	BondRaft			✓
Smart Assets	UnivRaft			
Support SDP[3]	Kingsman	✓	✓	
Optional Joining of SDP	✓			
Multi-SDP	✓			

1. Crafing may use the governance token of layer-1 infrastructure which is not decided yet; Synthetix announced to support BTC as collateral, but the function has not actualized on the app yet; UMA is a general protocol for synthetic assets and the collaterals depends on the projects based on UMA.
2. The Potential Market Cap means if all the circulated collateral tokens to be used to mint synthetic assets, with the current collateral rate, the estimated market cap for the synthetic assets.
3. SDP stands for "Sharing debt pool", the innovative trading protocol invented by Synthetix

Crafting finance will actualize the project in few versions

Vasco da Gama

Will launch the brand-new oracle system which could feed every asset's price all over the world

Thorvaldsson

UnivRaft will be online for universal synthetic assets, user could use it to issuance smart assets.

Zhangqian

RaftBond will be online for issuance and trading.

Columbus

The First Version of Crafting Finance, will enable the Raft/RaftStable issuance, build SDP and Kingsman, and allow users to choose whether join the SDP

The Timeline

Actions	2021			2022
	Q2	Q3	Q4	Q1
Developing	████			
Columbus testnet		███		
Security audit		███		░░░
Columbus mainnet			████	
The based parachain auction[1]	██			

Zhangqian			███	
Thorvaldsson				███
Vasco da Gama				██

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Appendix – Frequently asked questions

What's the main differences between Crafting finance and Synthetix

Crafting will support multiply kinds of collaterals

The allowance for collateral is not only an innovation from product designing, it's a difference of operational strategy, for example, the market cap for SNX is 2Bil now ,which means the upper limit of collateral for Synthetix is only 0.4Bil (with the 500% collateral rate), so that the market cap for synths is limited also. Synthetix combined the buying of SNX token and the liquidity providing , it's a double-edged sword, even it could help the system to maintain the price of SNX, but it will drag the increasing of the liquidity and the TVL.

Crafting Finance will support plenty kinds of the collateral, which means the potential market is hundreds times to Synthetix, which means even the user penetration rate for Crafting is smaller than Synthetix, there still chance for Crafting to have a bigger TVL than Synthetix, and which means a bigger market cap for CRF token.

Crafting will support 4 kinds of Rafts

The innovation of the bondRafts and the univRafts are referred from UMA, and is also very useful, which means Crafting will support almost all kinds of assets both in the crypto and in the tradition world. For example user could issue their bond to get funding in the system with a fix interest very easily. Compared with UMA, because of the SDP, user could sell their bond with a great liquidity (It's a problem of the secondary market now for UMA).

The Optional-joining-SDP and Multi-SDP

We think the Optional-joining-SDP and the Multi-SDP are great innovations for the users who would like to use Crafting as a financial tool, not only a mining project. With the Optional-joining-SDP innovations, we could split the functions of minting rafts with the function of trading. User could only use the Forge to forge the Rafts, and use the Rafts to do shorting or other things. And after that, user could choose to join the SDP, to do some trading strategy such as hedging or buying some ETF even shorting the pool. User could use the Kingsman to trade their Rafts even they have not minted their own tokens(which means they bought it on the secondary market) and have not crafted into the SDP. So the system will be more reasonable and efficient.

With the Multi-SDP thing, we think the Crafting finance will be more likely as the traditional financial market, splitting the liquidity of different kinds of assets(such as crypto/stonk/bond/commodity) will attract more users from the traditional market because the traders will only trade in one or two markets instead of trading in a hotchpotch market. And the team will propose the splitting of the SDP when the liquidity of the first SDP is enough to do so.

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