

Defi Yield Farming Strategy Review for Badger Vault

Background

Badger DAO is a community-run project with a strong focus on token distribution fairness and decentralization. It was launched in September of 2020 and introduced a Medium post to the world. The distribution was majorly carried out by retroactive airdrops from users who previously interacted with DeFi protocols governance, minted tokenized Bitcoin variants, and donated to Gitcoin.

The code was audited pre-launch and the founders maintain proper rewards for themselves, ensuring long term alignment with the success of the project through proper incentivization. Badger DAO's founder is Chris Spadafora and the rest of the publicly known team is composed of community members.

What is Badger DAO?

Badger DAO, as the name implies, is a decentralized autonomous organization founded for the sole purpose of promoting the usage of tokenized Bitcoin as collateral in DeFi protocols. It aims to develop products and strengthen the existing DEFI connections to Bitcoin collateral. Since it's a DAO, it features decentralized governance which ensures incentivized participation and fair opportunity to all users.

The way it's supposed to work is that the community proposes ideas, which are then presented to a voting-based system. If approved, the DAO develops, funds, and markets the project or implementation of the idea through its treasury and developer resources, up to the point of completion. The proposal system is open to anyone without any restrictions.

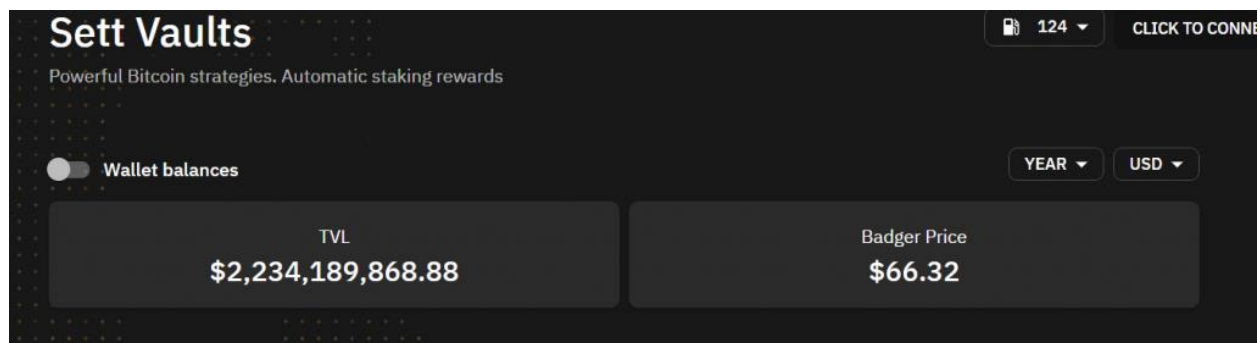
BADGER Token (BADGER)

The native token of the platform is BADGER, an Ethereum ERC-20 standard token that is used for protocol governance and user incentivization. The BADGER token, like Bitcoin, has a total supply of 21 million but has an inflationary nature, meaning that the total supply is capped but gradually

released into circulation. The team strictly mentions in the blog post that it has no monetary value, except what the free market would determine it to possess. A large part of the supply is controlled by the DAO to be utilized based on governance decisions.

The mint function has been burned already, so it's not possible to increase the total supply further. There was no seed round or presale conducted for the token, also the team didn't provide any liquidity to any of the exchanges. The founder and team rewards are time-locked and there is a mechanism to release as per community wishes based on the performance and as a bonus.

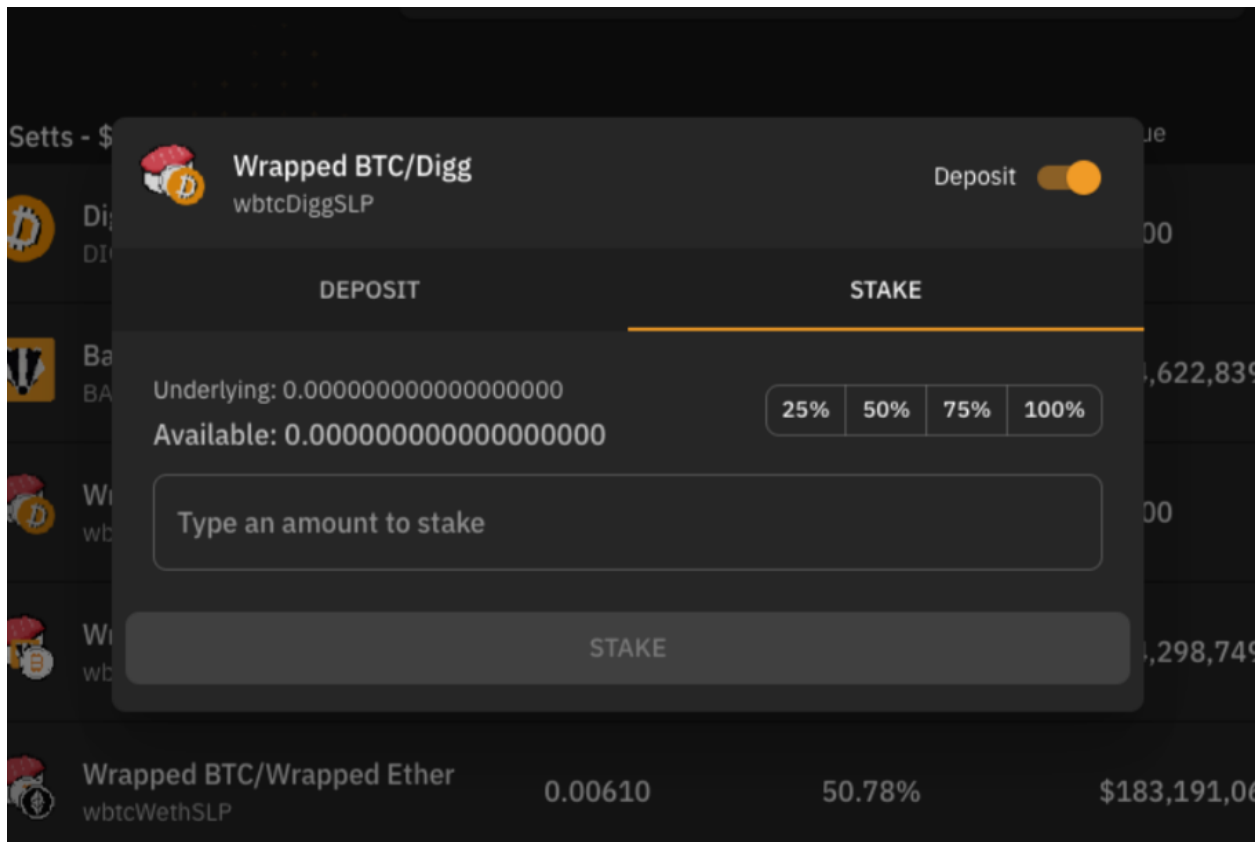
Sett



Sett is the first Badger DAO product featuring DeFi aggregation and automatic yield optimization on tokenized Bitcoin products. According to the documentation, it's based on the Yearn vaults system, where users deposit their assets and the smart contract rotates them automatically to find the best yield, without much intervention needed from the users. The rewards increase proportionately to the time a user stakes the assets.

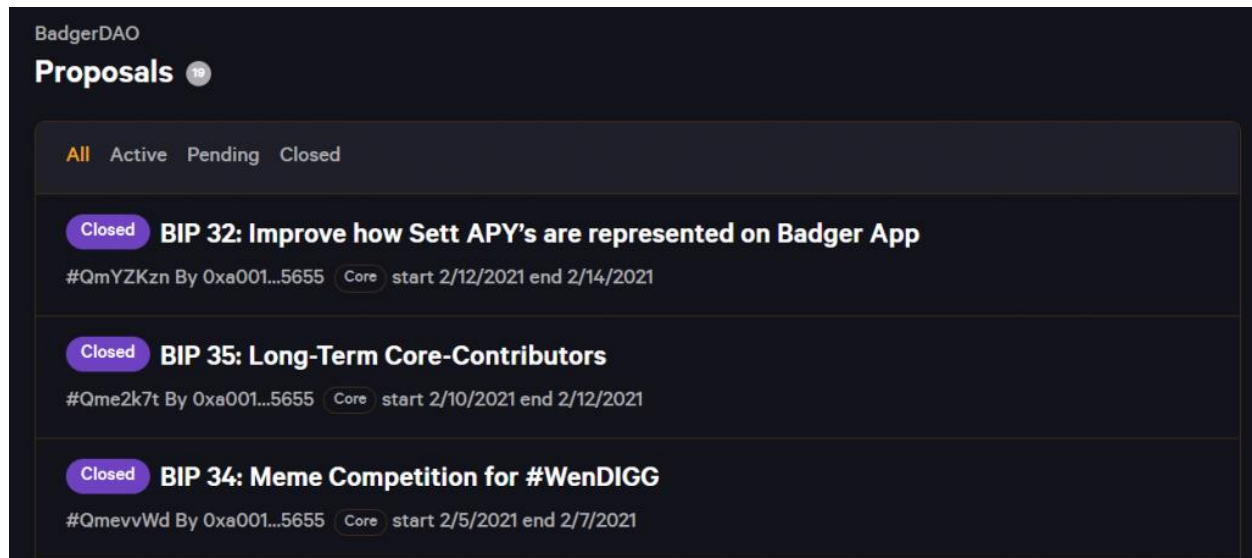
They make use of primarily Curve strategies involving renBTC, tBTC, sBTC, and wBTC. Apart from those, there are several native farming strategies also employed by the protocol. There are additional plans for native unwrapped BTC deposits, single vaults with multi-strategy variations, more compounding strategies, impermanent loss mitigation, BTC neutral strategies, rebasing management, etc.

Digg



The second product of the Badger DAO ecosystem is a rebasing token called Digg. It essentially rebases itself to Bitcoin's current price, every 24 hours. It's a non-custodial synthetic version of Bitcoin, tracking the BTCUSD feed. Each wallet receives more tokens, in case the BTC price increases and vice versa. It's aim is to create a decentralized pegged token without relying on third parties.

Badger DAO Governance



The governance of the Badger DAO is powered by Aragon, a decentralized court service. It relies on community consensus and control over smart contracts to execute actions and further its cause. The community and token holders are responsible for determining the direction of the project and altering its course if needed. The decisions made are binding and apply to the whole project without exceptions.

Badger DAO Liquidity Mining Program

Similar to almost all DeFi protocols, Badger DAO has a thriving liquidity mining program, which incentivizes users to contribute liquidity to the smart contracts, in exchange for receiving the governance token BADGER and Bitcoin-pegged DIGG token. There is also a developer liquidity mining program, which rewards the development with the project's tokens. This is in addition to the Gitcoin donations rewards for people contributing to the promotion and development of open-source software. The emission schedule and rate is controlled directly by the DAO.

Badger DAO bBadger Token

Badger DAO has also introduced a bBadger token granted in lieu of staking Badger tokens on the platform. Through the introduction of this token, the Badger staking has become entirely composable to be used in different DeFi

protocols. The rewards will be distributed in this new token also and will be auto-compounding.

It will achieve two aims:

1. More Badger tokens will be locked up, which would create negative selling pressure.
2. The utility and value of the governance token will increase with newfound uses such as collateral, liquidity support, etc., with multiple partners in the ecosystem.

Badger DAO And Tokenized Bitcoin

The tokenized Bitcoin on the Ethereum blockchain has been steadily rising and forms a substantial portion of the circulating BTC supply. These assets are essentially idle on their blockchain and paying fees in gas on the Ethereum blockchain, directly benefiting the ecosystem. The drive for bringing BTCs to the Ethereum blockchain seems to be fueled by new interesting DeFi use cases, especially the ability to earn yield on otherwise idle assets.

Badger DAO directly benefits from the tokenization of Bitcoin on the Ethereum blockchain, since users are likely to bring their assets to this platform because of its specialized nature in dealing with them. Further, the price increase in the underlying BTCs also increases the Total Value Locked (TVL) of the treasury. It's expected that Badger DAO will benefit long term from this massive demand for Bitcoin collateral in DeFi protocols.

Conclusion

Badger DAO is a powerful initiative to provide a home to Bitcoin-based collateral on the Ethereum blockchain and an effort to create specialized products just for that purpose. In essence, it's a way of overcoming shortcomings and limitations of the Bitcoin base layer, by wrapping it to a more useful form, composing it in different protocols, and making it profitable through yield farming.

DeFi protocols have been gaining popularity lately and the current market is worth tens of billions of USD, with no signs of stopping. Inarguably, the importance of Badger DAO will increase in the coming days with assets flowing to these finance primitives, which will form the backbone of this new financial system with Bitcoin as its center.

