THE DEFIHEDGE PROTOCOL & EXCHANGE

DEFI HEDGE

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MARKET

The Bank for International Settlements estimates the notional value of all OTC interest rate derivates to be ~ **$524 Trillion** in their most
recent annual economic report

RISK

All swaps are subject to counterparty risk and each party must evaluate the likelihood of counterparty default

TRADITIONAL INTEREST-RATE SWAP MARKETS

DeFi HEDGE

FIXED-SIDE

Hedge against rate volatility with fixed-side swaps

FLOATING-SIDE

Leverage capital & long rates with floating-side swaps

LOW RISK

No counterparty or liquidation risk & a "trustless" swap venue

HOW IT WORKS

For every swap, there is a fixed, and floating side.

Like a traditional exchange, rates are set by a marketplace of buyers & sellers (floating & fixed sides)

Once an order is accepted, floating-side collateral is posted to back a given fixed rate.

Both user's funds are pooled and minted into cTokens to earn interest on the Compound protocol

When the lending term has completed, any party can initiate a return of funds

One user is returned their initial capital & fixed yield, while the other is returned the excess interest

DEFI HEDGE

ZERO-COUPON BOND

Decentralized zero-coupon bond models allow users to collateralize their capital in return for a coupon that can be redeemed at maturity.

DIRECT COLLATERALIZED SWAP

Direct collateralized swaps allow two users (floating & fixed) to match with one another and enforce a direct rate swap agreement at current market rate.

RATE-SWAP MODELS

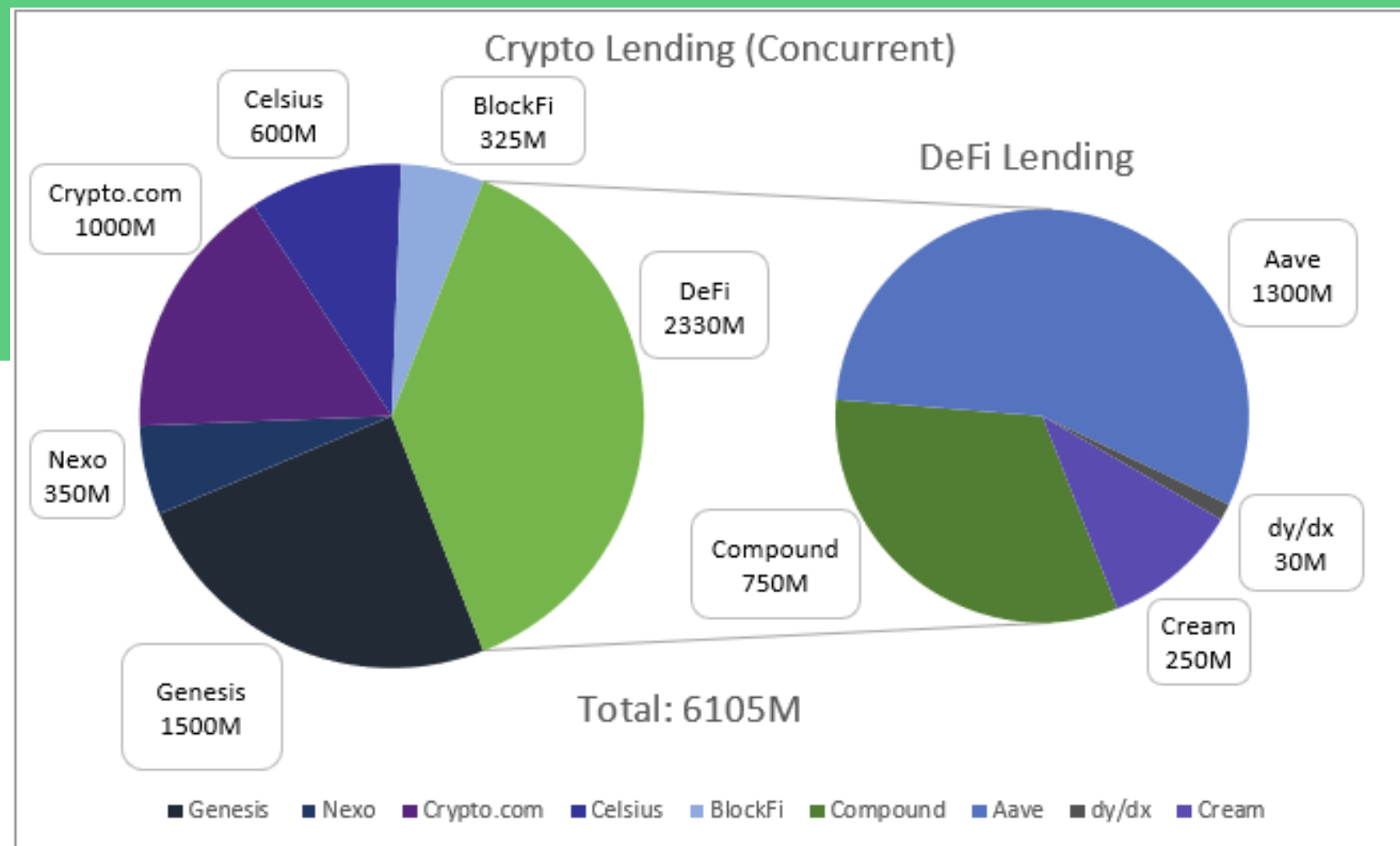| Zero-Coupon Bond	Direct Collateralized Swap	Other
Yield Notional UMA	DEFI HEDGE swap.rate beta	Cherry Swap

RATE-SWAP MODELS

ZERO-COUPON BOND

- High liquidity requirements (Lending, Borrowing, Liquidation, AMM Liquidity Provision)
- Necessitates slippage
- Requires a number of transactions for most use cases (~5 for one swap)

DIRECT COLLATERALIZED SWAP

- No AMM, borrowing, or liquidation layer lowers liquidity requirements & contract risk
- CLOB; less slippage, further reduces liquidity requirements
- Low transaction overhead

	ZERO-COUPON BOND	DIRECT SWAP
FLOATING SWAP WORKFLOW	1. Dai to cDai 2. cDai collateralized to yDai 3. Sell yDai to lock in Fixed Rate (Hope not to get liquidated) 4. Purchase yDai 5. Repay yDai/remove collateral 6. cDai to Dai Total: 4-6 Transactions	1a. Place maker order, avoiding tx 1b. Place taker order, pay tx 2a. Wait for release, avoiding tx 2b. Release funds, pay tx Total: 0-2 Transactions

MARKET PROJECTIONS

Crypto Lending (Concurrent)

Celsius 600M
BlockFi 325M
Crypto.com 1000M
DeFi 2330M
Nexo 350M
Genesis 1500M
Total: 6105M

DeFi Lending

Aave 1300M
dy/dx 30M
Compound 750M
Cream 250M

■ Genesis ■ Nexo ■ Crypto.com ■ Celsius ■ BlockFi ■ Compound ■ Aave ■ dy/dx ■ Cream

Accepting the noted assumptions and a median market P/E of 48, yearly revenue approximates $1,050,000 resulting in a ~$0.504 token valuation.

Volume Assumption: ~$350M

Floating Fee Structure: 2% Floating Collateral

Fixed Fee Structure: .002% Fixed Notional

Max Token Supply: 100,000,000

TOKEN DISTRIBUTION & LIQUIDITY INCENTIVES

FEES

Upon official launch DefiHedge will offer negative maker fees & 0% protocol fee

GOVERNANCE

Democratic contract upgradability, fee determination, asset approval & funding proposals
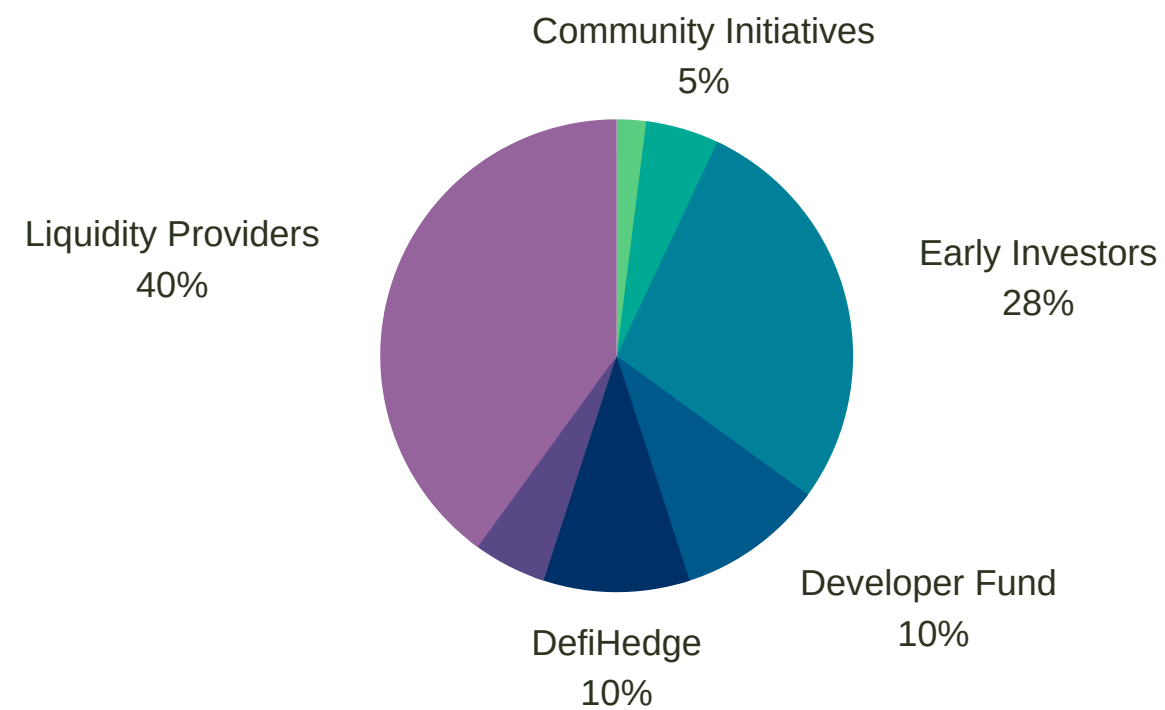
PROPOSED DISTRIBUTION

2% Compound & Aave Stakeholders

5% Community Voted Initiatives
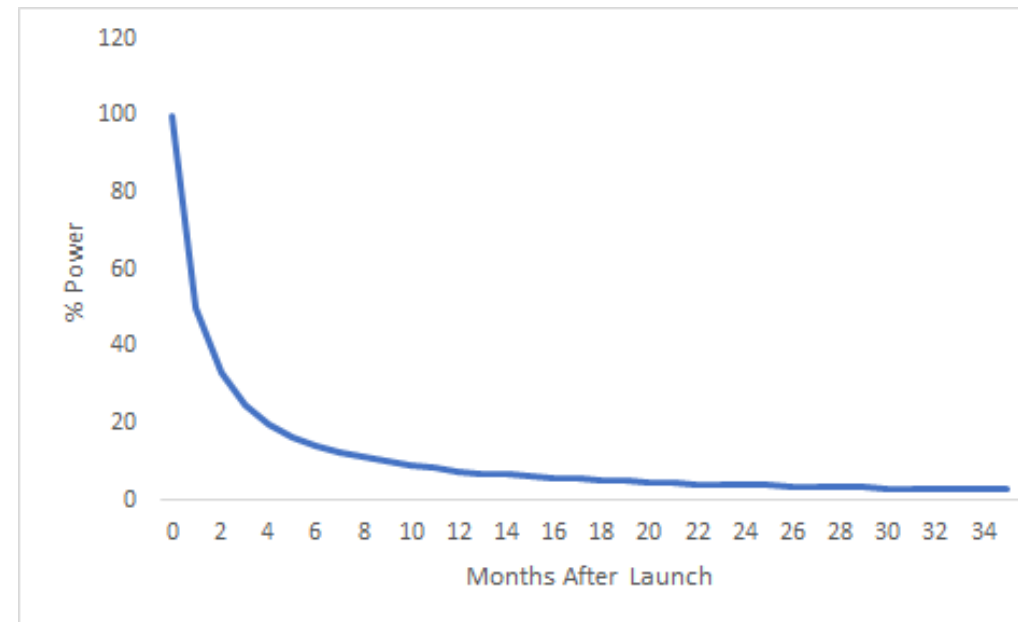
28% Early Investors & Advisors

10% Developer Fund

10% Retained by DefiHedge

5% Founding Team

40% Market Making/Liquidity Providers

CURRENT STATUS

CONTRACTS

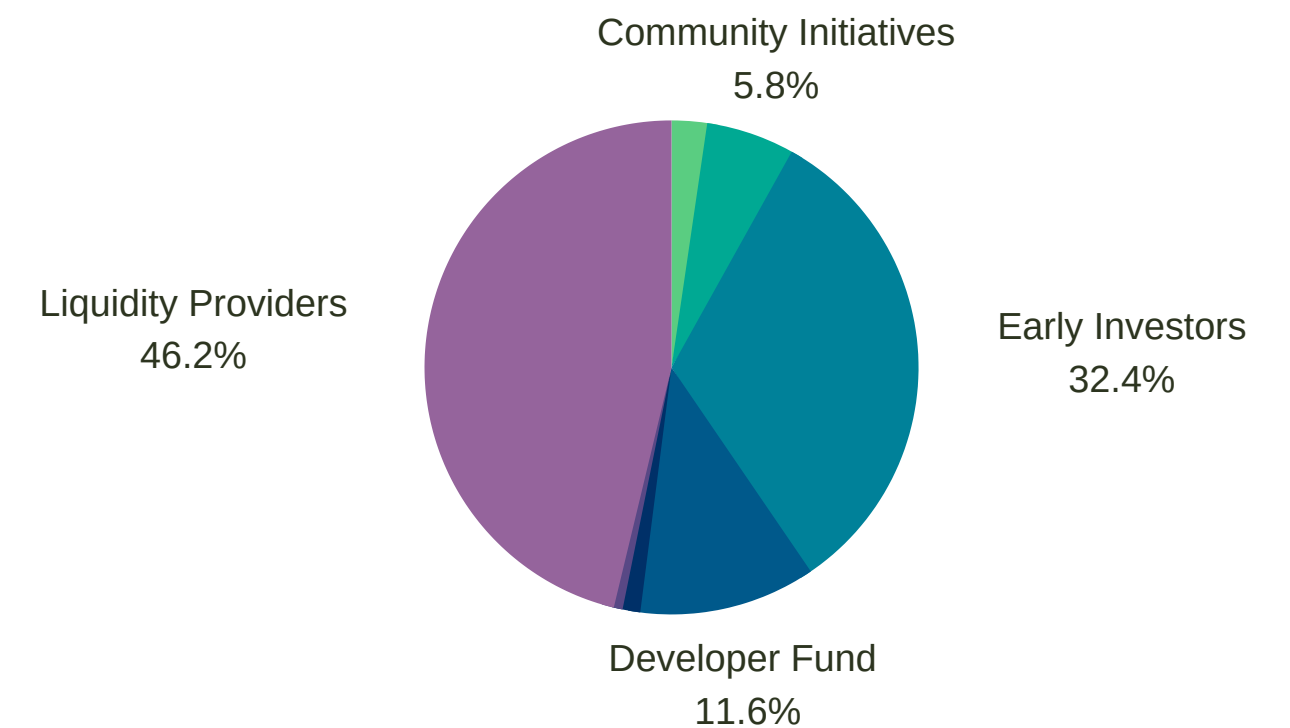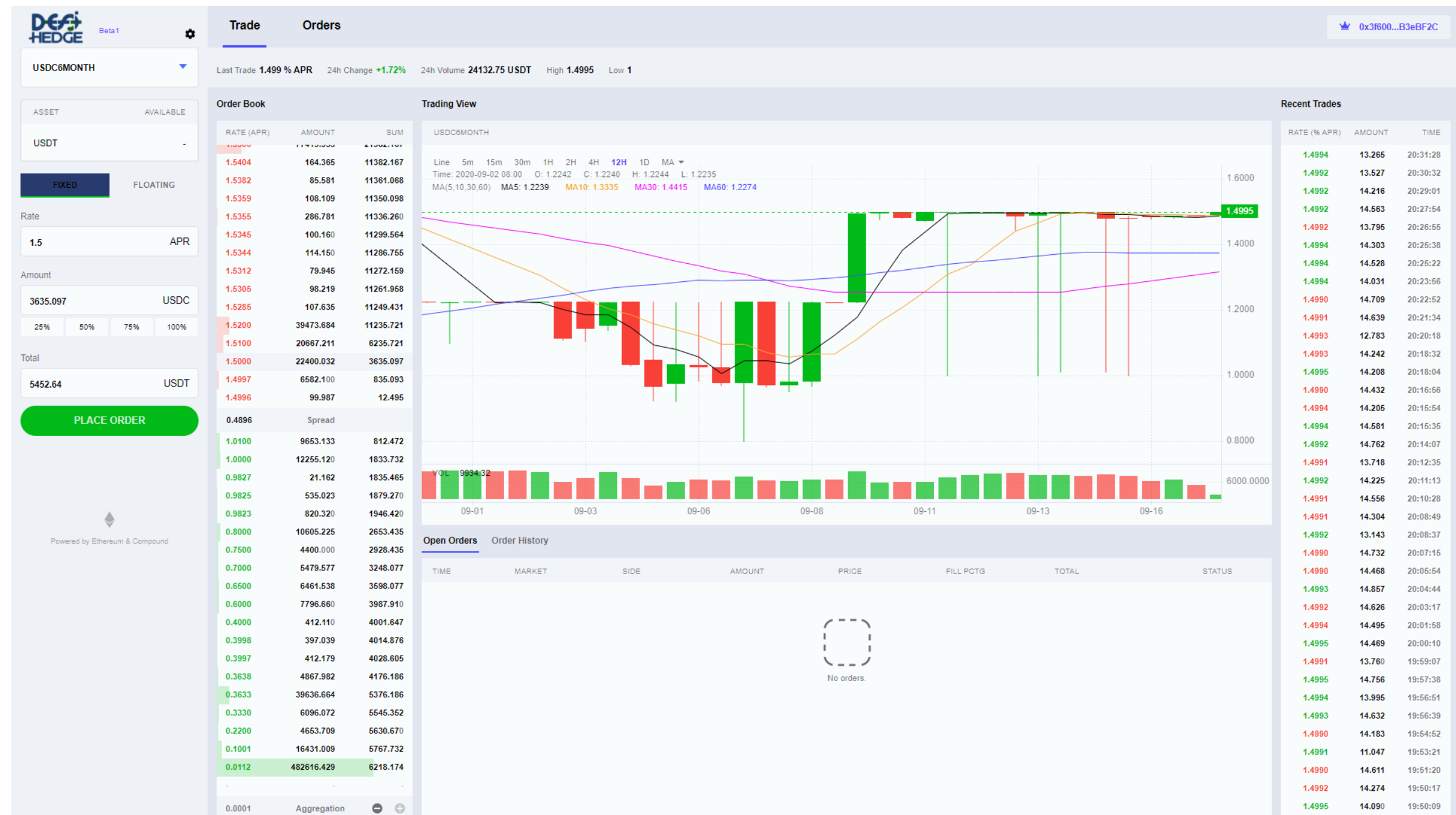Basic MVP contracts complete
(Order Matching, EIP712 Signature Validation,
siloed on/off chain orderbooks)

EXCHANGE

Major UI components complete
REST API established; websockets in
progress
Optimistic Release Q4 2020

DEFi HEDGE

THE DECENTRALIZED PROTOCOL FOR FIXED-RATE LENDING & INTEREST-RATE SWAPS

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