

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



**PRE-SEED/SEED FUNDRAISING**

---

Julian Traversa, Founder

# RATE SWAP MARKETS

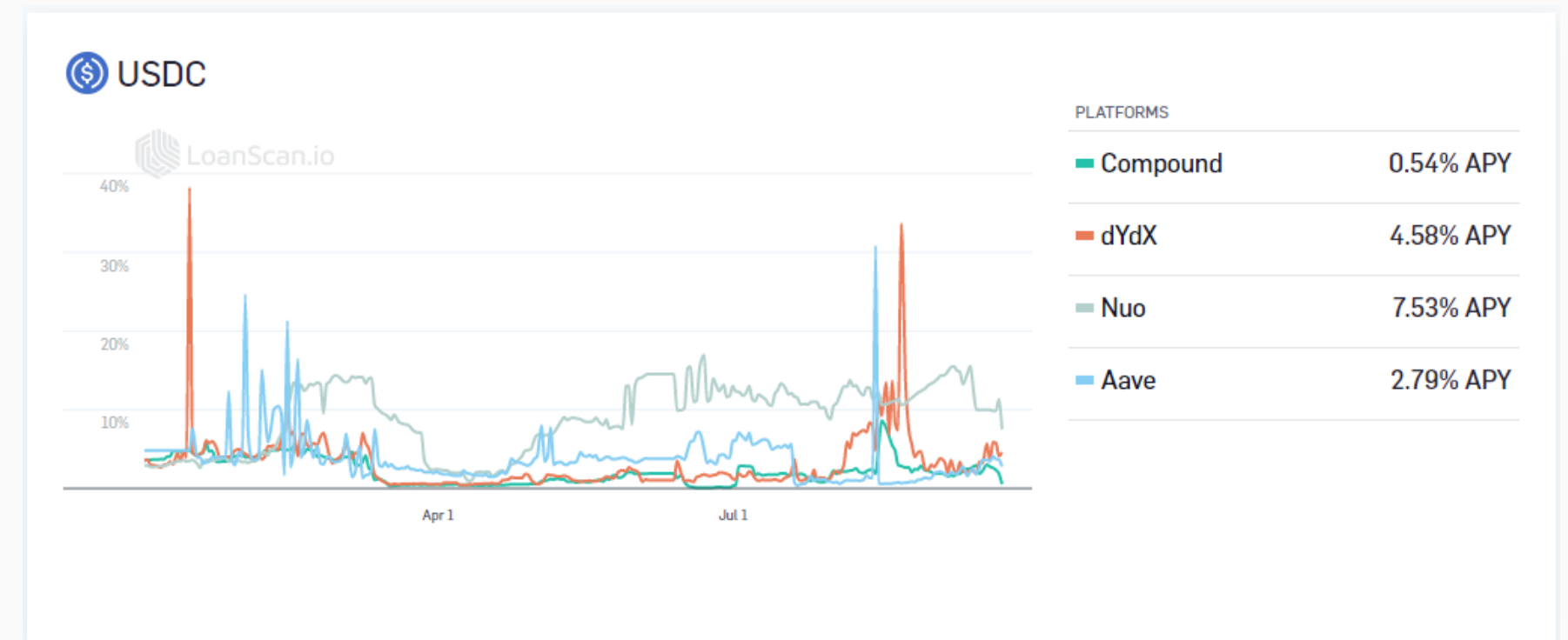
## TRADITIONAL

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

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

## DECENTRALIZED

DeFi has only begun to explore infrastructure that provides access to swaps, leaving lenders vulnerable to the rate volatility inherent to DeFi and unable to easily hedge their positions





## **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 floating & fixed side'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

The fixed side is returned their initial capital & fixed yield, while the floating side is returned the excess interest

# 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

FLOATING SWAP WORKFLOW	ZERO-COUPON BOND	DIRECT SWAP
	<ol style="list-style-type: none"><li>1. Dai to cDai</li><li>2. cDai collateralized to yDai</li><li>3. Sell yDai to lock in Fixed Rate (Hope not to get liquidated)</li><li>4. Purchase yDai</li><li>5. Repay yDai/remove collateral</li><li>6. cDai to Dai</li></ol> <p>Total: 4-6 Transactions</p>	<ol style="list-style-type: none"><li>1a. Place maker order, avoiding tx</li><li>1b. Place taker order, pay tx</li><li>2a. Wait for release, avoiding tx</li><li>2b. Release funds, pay tx</li></ol> <p>Total: 0-2 Transactions</p>






# ZERO-COUPON BOND

Decentralized zero-coupon bond models allow users to collateralize their capital in return for a coupon that can be redeemed for a predictable price 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
<div>Yield</div> <div></div>	<div></div>	<div></div>

# TOKEN DISTRIBUTION & LIQUIDITY INCENTIVES



## FEES

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

## GOVERNANCE

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

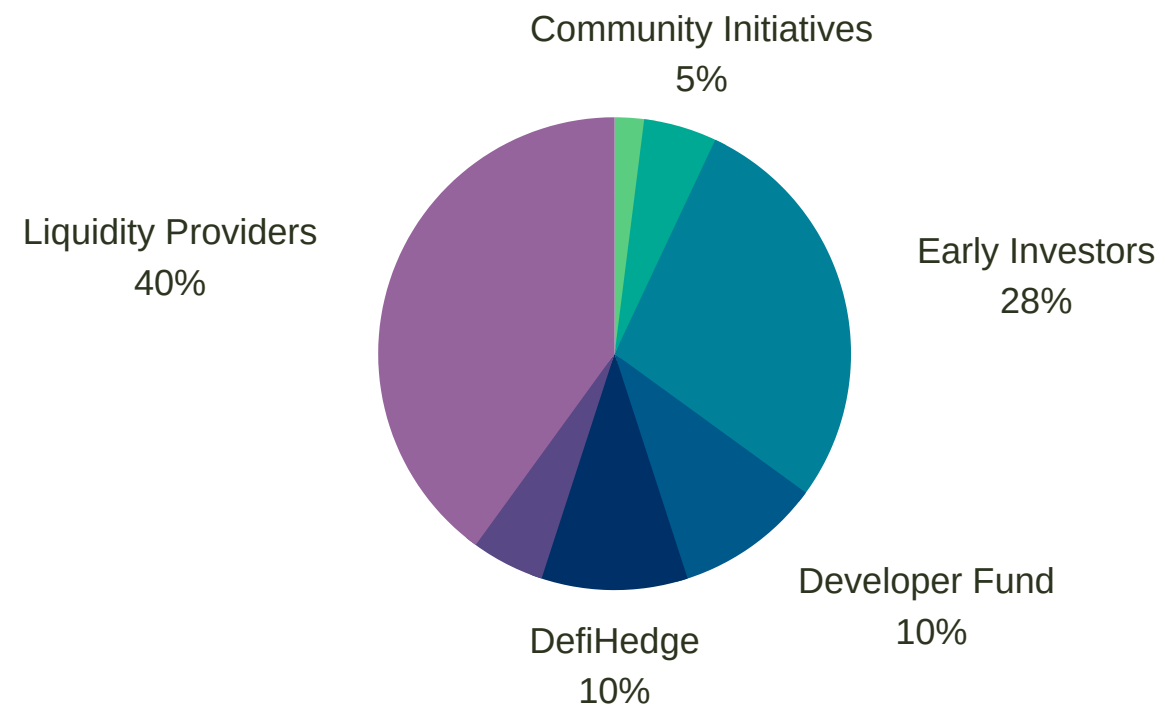
## PROPOSED DISTRIBUTION

2% Compound & Aave Stakeholders  
5% Community Voted Initiatives  
28% Early Investors & Advisors  
10% Developer Fund

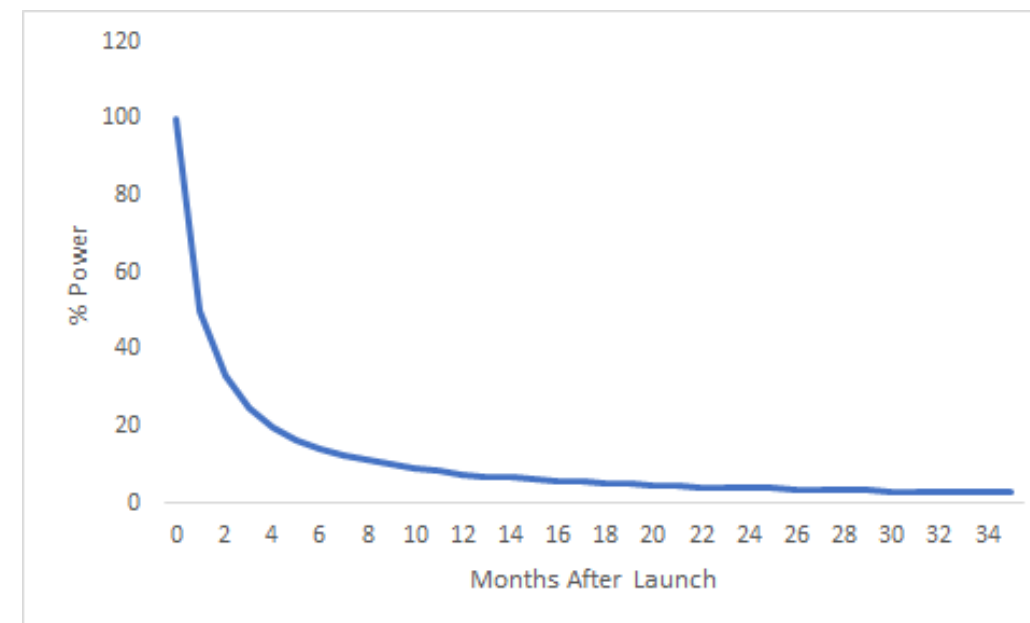
10% Retained by DefiHedge  
5% Founding Team  
40% Market Making/Liquidity Providers

# COMMUNITY GOVERNANCE

## INITIAL VOTING POWER

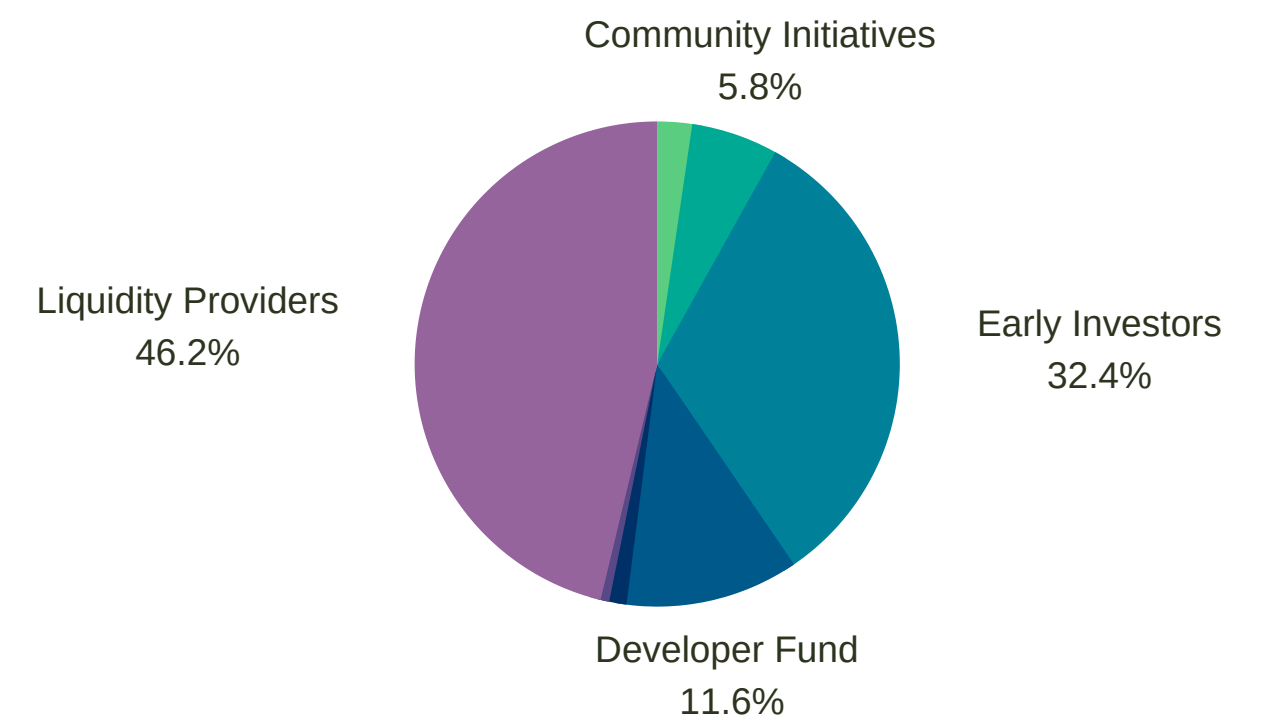


## FOUNDER VOTING POWER



$$\text{VOTING MODIFIER} = \frac{100}{(X/4)+1}$$

## AFTER 3 YEARS





# CURRENT STATUS

## CONTRACTS

Basic MVP contracts complete

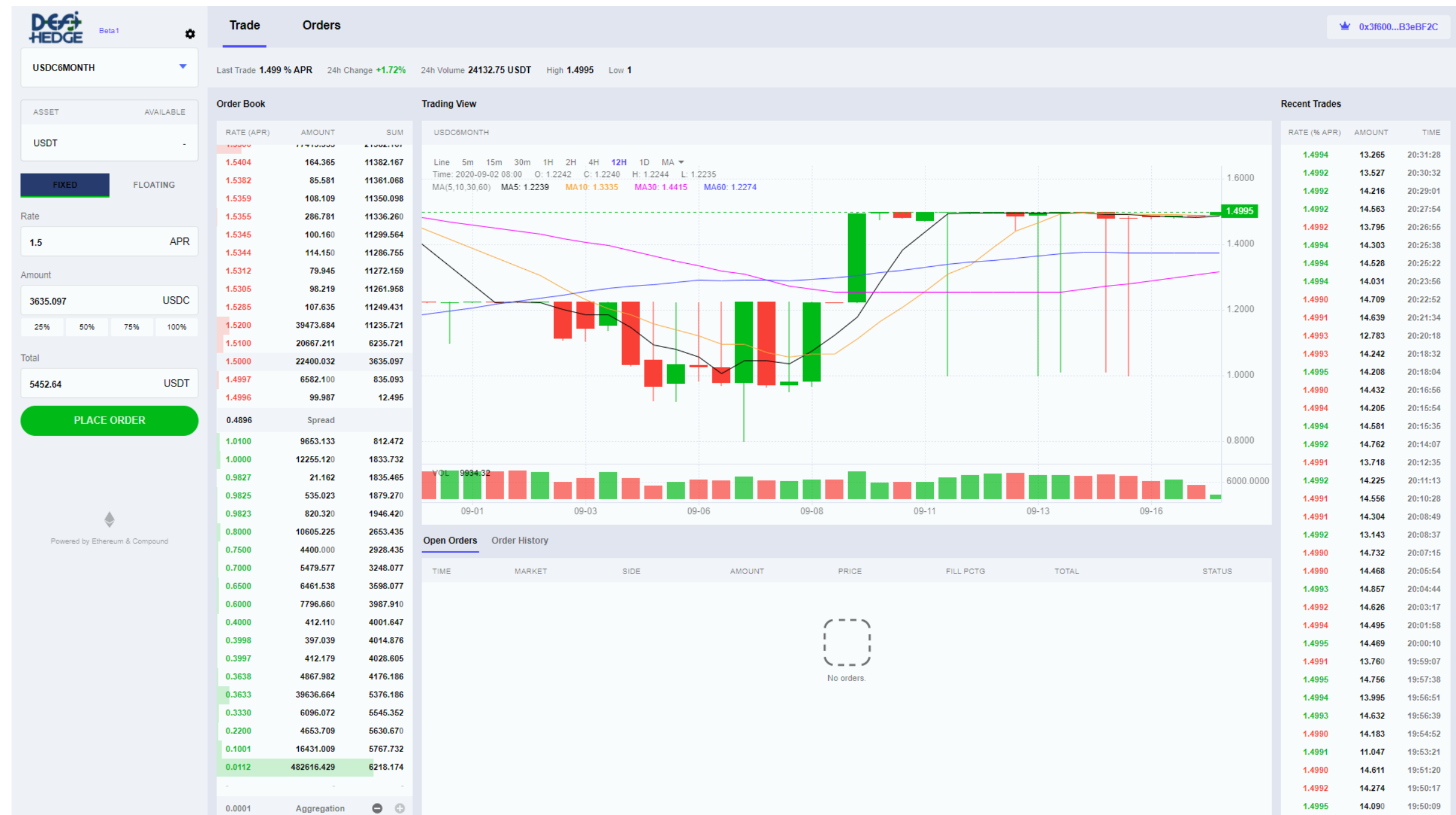
(Order Matching, EIP712 Signature Validation, siloed on/off chain orderbooks)

## EXCHANGE

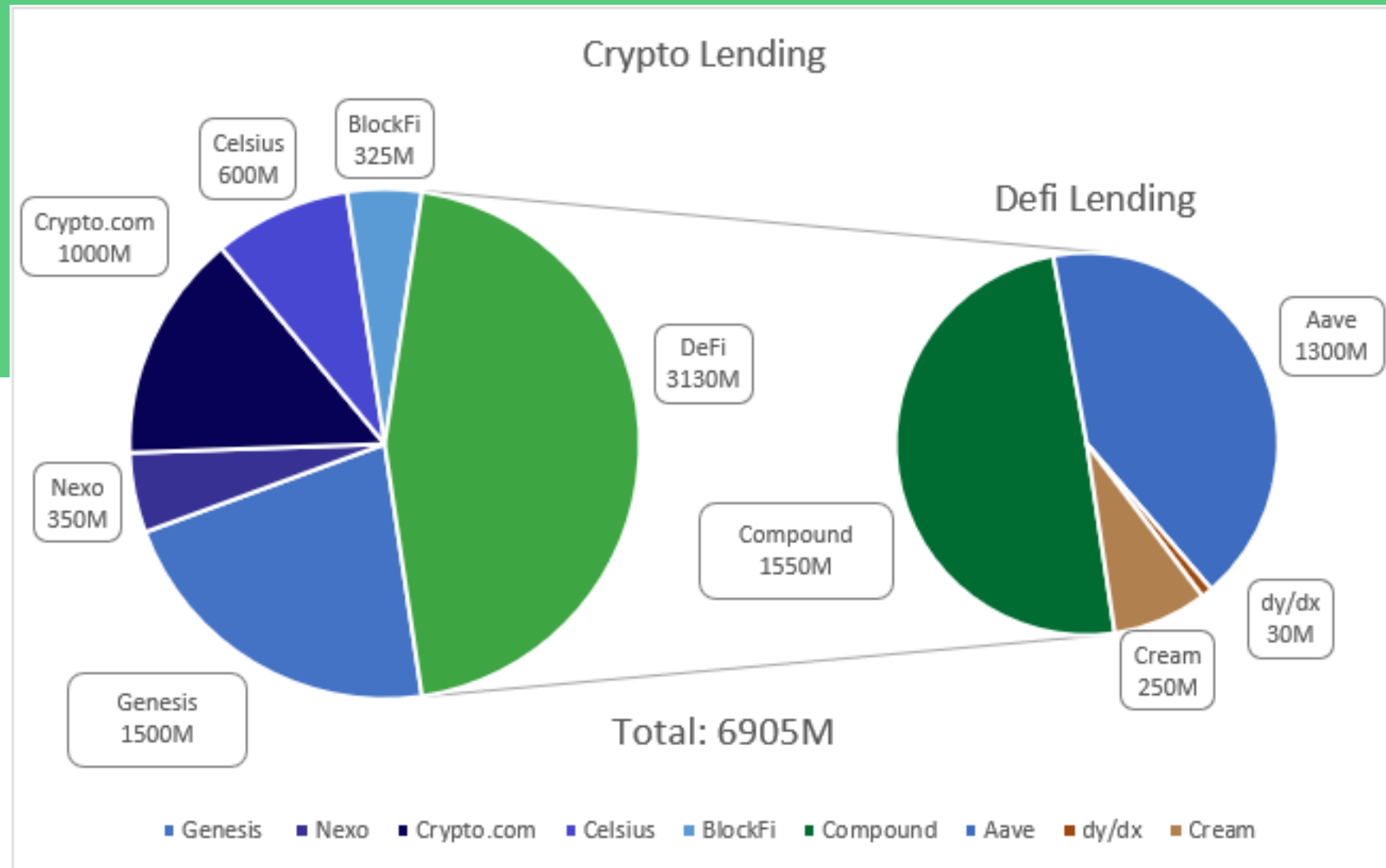
Major UI components complete

REST API established; websockets in progress

Optimistic Release Q4 2020



# MARKET PROJECTIONS



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

Volume Assumption: ~\$350M

Floating Fee Structure: 2% Floating Collateral

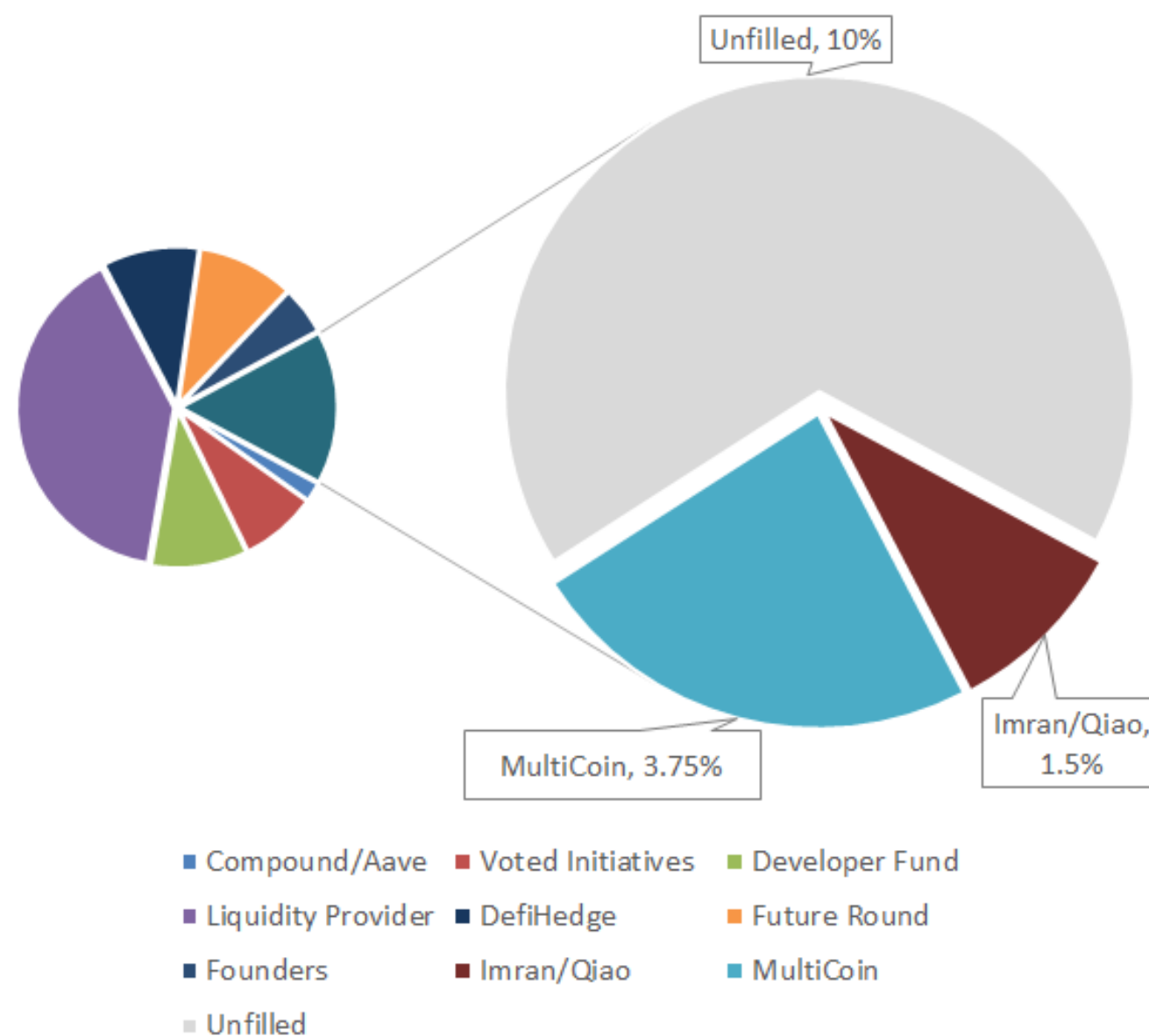
Fixed Fee Structure: .2% Fixed Notional

Max Token Supply: 100,000,000

# FUNDING ROUND

## FUNDING GOAL:

1M for 15%, 6.66M Valuation



## PRIMARY COSTS



Frontend Development (1)



Web3 Integration/Full-Stack Development (1)



Solidity Contract Development (1)



Legal Counsel & Cloud Hosting



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

JULIAN TRAVERSA,  
FOUNDER

E-MAIL ADDRESS

[JulianT@Nescience.io](mailto:JulianT@Nescience.io)

WEBSITE

[DefiHedge.Finance](https://DefiHedge.Finance)