



THE DEFIHEDGE PROTOCOL & EXCHANGE

DEFIHEDGE, LLC

Julian Traversa, Founder

MARKET

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

RISK

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

TRADITIONAL INTEREST- RATE SWAP MARKETS



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






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
<div><div>Yield</div><div></div></div>	<div><div></div></div>	<div><div></div></div>

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">1. Dai to cDai2. cDai collateralized to yDai3. Sell yDai to lock in Fixed Rate (Hope not to get liquidated)4. Purchase yDai5. Repay yDai/remove collateral6. cDai to Dai <p>Total: 4-6 Transactions</p>	<ol style="list-style-type: none">1a. Place maker order, avoiding tx1b. Place taker order, pay tx2a. Wait for release, avoiding tx2b. Release funds, pay tx <p>Total: 0-2 Transactions</p>

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

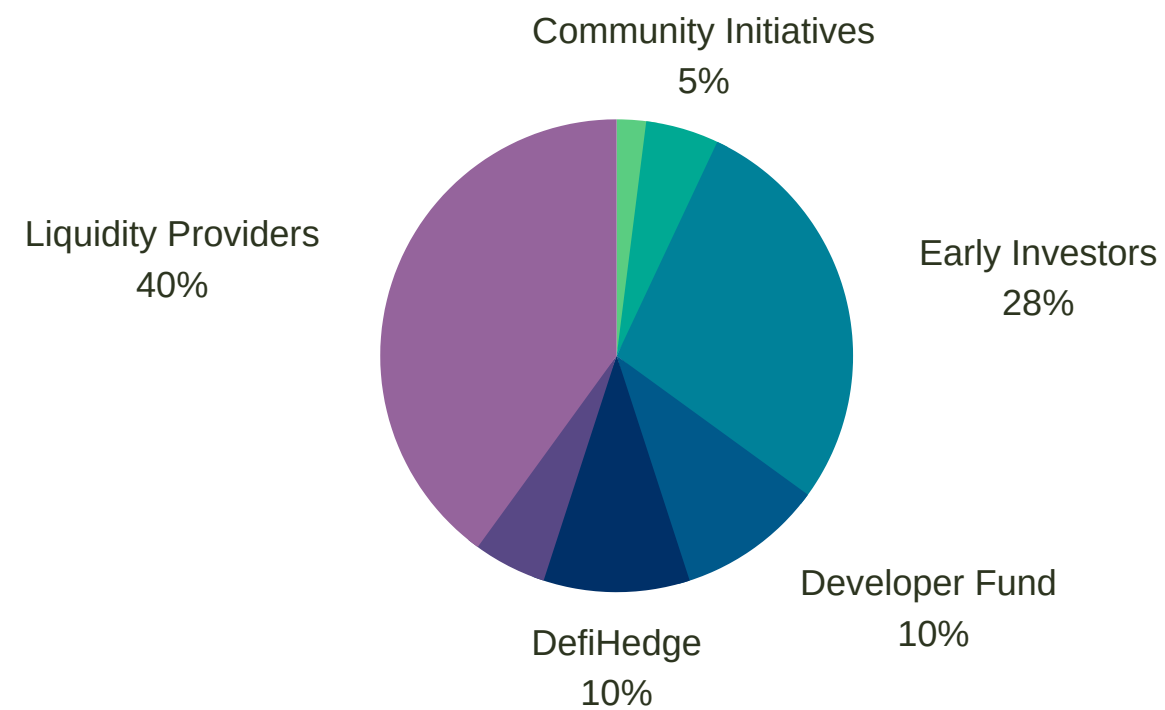
PROPOSED DISTRIBUTION

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

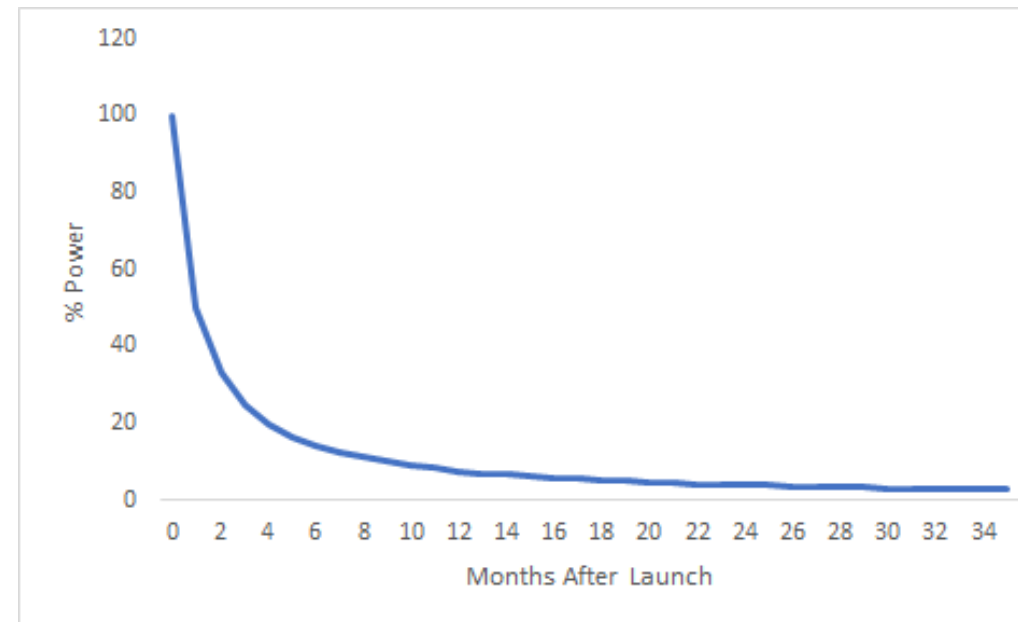
10% Retained by DefiHedge
5% Founding Team
40% Market Making/Liquidity Providers

COMMUNITY GOVERNANCE

INITIAL VOTING POWER

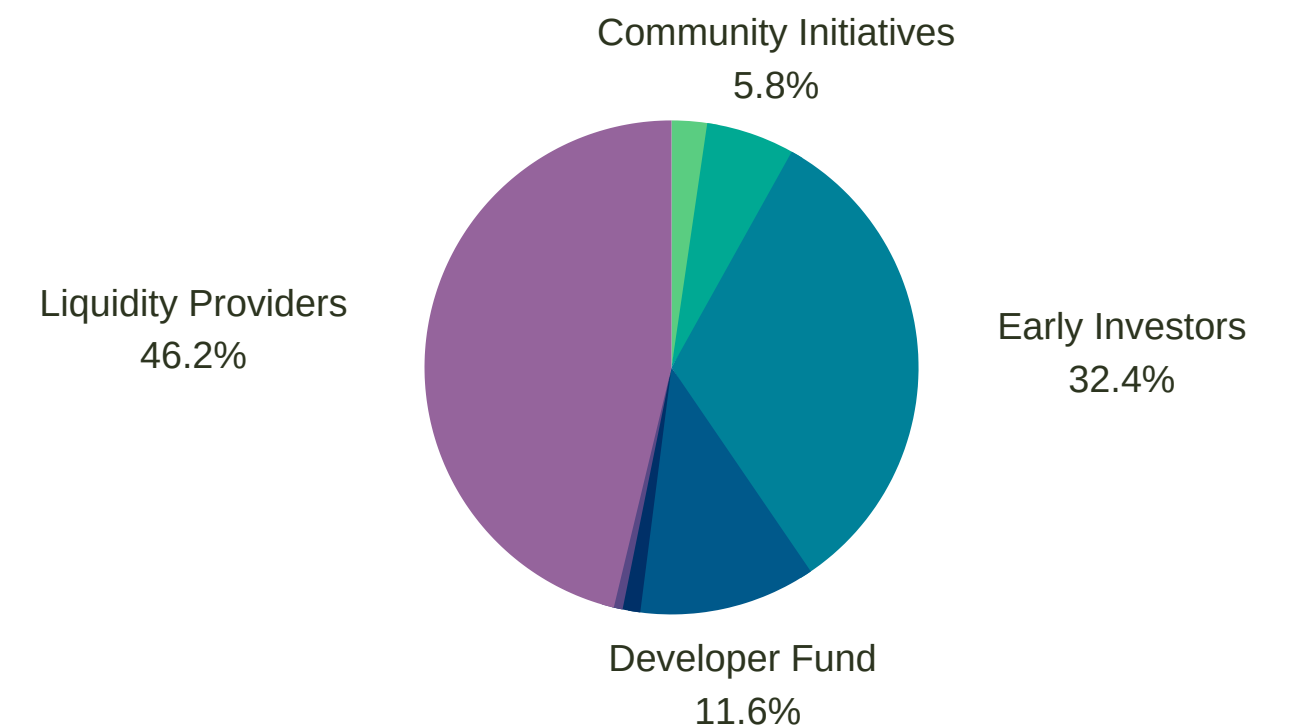


FOUNDER VOTING POWER



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

AFTER 3 YEARS



CURRENT STATUS

CONTRACTS

Basic MVP contracts complete

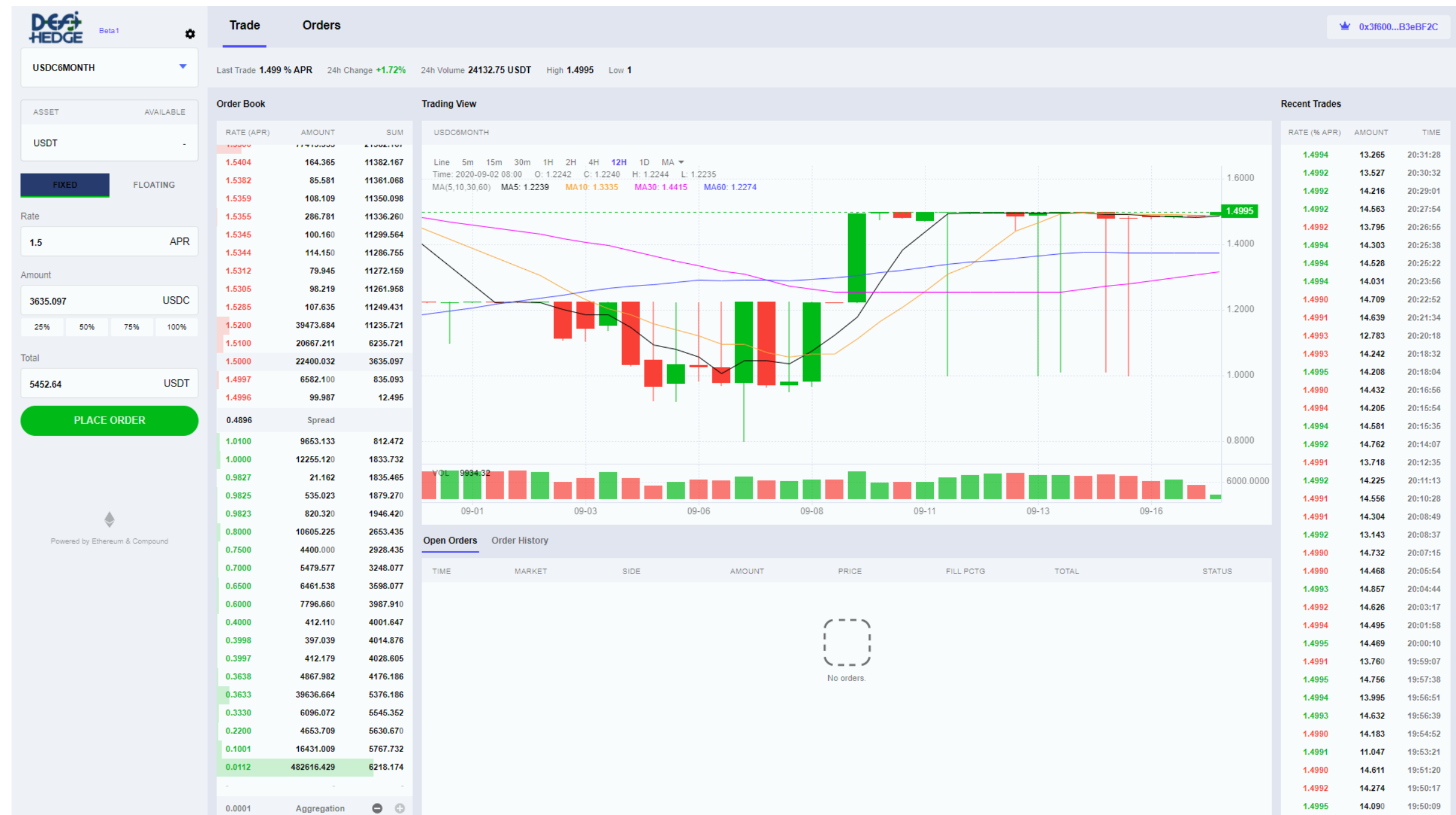
(Order Matching, EIP712 Signature Validation, siloed on/off chain orderbooks)

EXCHANGE

Major UI components complete

REST API established; websockets in progress

Optimistic Release Q4 2020





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

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