

# DELPHI DIGITAL

## Centralized Borrowing & Lending Platforms Thematic Insights



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85 Broad Street  
New York, NY, 10004  
[www.delphidigital.io](http://www.delphidigital.io)

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## Analysts



Anil Lulla  
*anil@delphidigital.io*  
 



Tom Shaughnessy  
*tom@delphidigital.io*  
 

# Preface

Over the past few months, our team has extensively covered the emerging protocols and applications gaining traction within decentralized finance ("DeFi"). While that sector has certainly justified our focus, we also wanted to dedicate some time and highlight a few of the larger, centralized platforms ("CeFi") offering similar financial services, particularly as they relate to borrowing and lending.

DeFi and CeFi platforms both play an important role in servicing the market today, with each having their own strengths and weaknesses. Relative to their DeFi counterparts, CeFi platforms have the following drawbacks:

- They require users to disclose personal information and the sign up process can be lengthy. For example, BlockFi requires a social security number for US residents and potential borrowers need to wait for their loan application to be approved.
- CeFi offerings are not accessible to everyone. For example, our team couldn't open a BlockFi interest account with a NY address.
- These platforms are less transparent and typically have longer settlement times.
- CeFi platforms are also custodial.

However, as we'll see on the following slide CeFi does offer certain advantages over DeFi. Naturally, this has resulted in the platforms catering to different types of market participants based on these characteristics. For example, CeFi platforms are likely the first choice for institutions that prioritize attributes such as recourse to a counterparty, customer support and ensuring regulatory compliance. The purpose of this report will be to highlight the major CeFi platforms and compare their borrowing and lending services.

## Centralized Borrowing & Lending



# Value Proposition



Centralized borrowing and lending platforms offer certain advantages over their DeFi counterparts, many of which are appealing to an institutional user base.

## *Use Cases*

- **Lend to Earn Interest:** Users can deposit their crypto and start earning interest on their balances. This can be especially attractive to investors looking to hold certain assets over the long-term, while also passively earning income on them at competitive rates.
- **Collateralized Borrowing:** Users can take out a loan against the value of their crypto to unlock liquidity without selling their position. This allows them access to capital without triggering a capital gains tax event. With the loan proceeds, a borrower can use leverage to speculate on the market or fund personal expenditures.

## *Key Benefits*

- **Recourse & Insurance:** In the event of a collapse or hack, users may have legal recourse to the entity behind the platform. For example, with BlockFi client funds sit at the top of their capital stack, above equity holders. In addition, these platforms typically insure the collateral.
- **Regulatory Compliance:** Most CeFi platforms are regulated and follow proper procedures such as KYC.
- **Fiat Denominated Loans:** Platforms like Nexo & BlockFi can denominate their loans in fiat. This is in contrast to a platform like Maker, which lends in DAI.
- **Dedicated Customer Support:** These platforms typically have specific teams focused on customer support, which can help improve the user experience.
- **Cross-Chain Support:** Since DeFi applications are predominately built on Ethereum, borrowing or lending an asset like Bitcoin can be difficult (although WBTC can be used). CeFi platforms support borrowing & lending across chains.



## BlockFi

- The company raised \$81 million in backing from investors including Coinbase Ventures, Galaxy Digital, Fidelity, and Valar.
- The company offers flex interest payments, or the ability to open an interest account with one crypto, and earn interest in another.
- BlockFi uses Gemini as its custodian, which has a commercial crime insurance policy worth more than what they hold online in their hot wallet.

### Borrowing

- **Collateral Accepted:** BTC, ETH, LTC
- **Minimum Loan Amount:** \$5,000
- **Loan to Value:** Maximum 50% LTV
- **Interest Rate:** Starts at 4.5%
- **Loan Duration:** 12 Months
- **Interest-only loans:** Can pay loan early
- **Margin Calls:** First occurs at a 70% LTV, user has 72 hours to post additional collateral. If the LTV reaches 80%, a portion of collateral is automatically sold to bring the LTV back to 70%.

### Executive Team



**Zac Prince, CEO & Founder**

- Prior to starting BlockFi, Zac led business development teams at Orchard Platform (a broker dealer and RIA in the online lending sector) and Zippy (an online consumer lender).



**Flori Marquez, Co-Founder and VP of Growth**

- Flori has spent her career managing alternative lending products. She helped build, scale, and optimize a \$125MM for Bond Street (acquired by Goldman Sachs).

### Lending

- **Earn Interest On:** BTC, ETH, GUSD
- **Minimum Deposit:** None
- **Fees:** One free withdrawal per month, then 0.0025 BTC (~\$21) and 0.0015 ETH (~\$0.28).
- **Interest Paid In:** With BlockFi Flex, users choose which asset they want to be paid interest in (BTC, ETH, GUSD).
- **Interest Paid Out:** Beginning of every month
- **Interest Rate:** Ranges from 0.5% to 8.6% APY. Different tiered interest rates for varying assets and amounts.

# Celsius Network



- 80% of total revenue is given back to their community of CEL tokenholders each week, with \$5,286,275 earned by the community so far. The remaining 20% is used to fund operations, grow the business and buy back CEL tokens.
- Users also receive a 30% discount if they pay interest in CEL.
- In addition to borrowing & lending, they offer CelPay which is an app that makes sending crypto through SMS or email easy.
- Celsius uses BitGo as its custodian, which has a \$100m insurance policy from Lloyds.

## Borrowing

- **Collateral Accepted:** BTC, ETH, BCH, XRP, LTC, DASH
- **Minimum Loan Amount:** \$1,500
- **Loan to Value:** Maximum 50% LTV
- **Interest Rate:** Varies based on asset, LTV and if user pays with the CEL token.
- **Loan Duration:** 6 month, 1 year, 2 year or 3 year terms
- **Margin Calls:** Thresholds unclear

## Executive Team



**Alex Mashinsky, CEO & Founder**

- One of the inventors of VoIP (voice over internet protocol), Alex has already founded two and exited two companies (Arbinet and Transit Wireless).



**S. Daniel Leon, Co-Founder and COO**

- An entrepreneur with a proven track record of growing early-stage companies and building organizations from the ground up.

## Lending

- **Earn Interest On:** ETH, BTC, DASH, BCH, LTC, ZEC, CEL, BTG, XRP, OMG, TUSD, GUSD, PAX, USDC, DAI, and ZRX
- **Minimum Deposit:** None
- **Fees:** None
- **Interest Paid In:** In-Kind or In-CEL (higher interest if paid in CEL)
- **Interest Paid Out:** Weekly
- **Interest Earned:** Up to 7.5% depending on crypto.



- Nexo pays 30% of its Net Profit in the form of dividends which are available to all NEXO token holders. Similar to Celsius, there are perks for tokenholders. Users get a 50% discount on interest payments when repaying with NEXO or using it as collateral.
- Nexo has fiat on/off ramps and supports 45+ fiat currencies. The company states that they have processed over \$700m in loans for 200k+ users.
- Nexo uses BitGo as its custodian, which has a \$100m insurance policy from Lloyds.

## Borrowing

- **Collateral Accepted:** BTC, ETH, NEXO, BNB, XRP, LTC, TRX, XLM, BCH, ADA, DASH, EOS, ETC, IOTA, KIN, XMR, NEO, etc.
- **Minimum Loan Amount:** None
- **Loan to Value:** LTV percentages of each asset are dynamically determined by the Nexo Oracle algorithms. The company says it's safe to assume it is ~50% for BTC & ETH.
- **Interest Rate:** 5.9% if paid using NEXO, otherwise 11.9%
- **Loan Duration:** up to 12 Months but can be renewed w/o repayment
- **Margin Calls:** Threshold unclear

## Executive Team



### Antoni Trenchev, Co-Founder

- Prior to starting Nexo, Antoni was a member of the BoD for MDL Ltd. and a Member of Parliament for the National Assembly of the Republic of Bulgaria.



### Georgi Shulev, Co-Founder

- Prior to Nexo, Georgi was a member of the advisory board of Credissimo and a co-founder of Conestimate Inc.

## Lending

- **Earn Interest On:** USDT, TUSD, USDC, PAX, DAI; BTC, ETH & XRP coming soon
- **Minimum Deposit:** None
- **Fees:** None
- **Interest Paid In:** In-Kind
- **Interest Paid Out:** Daily
- **Interest Earned:** Up to 8% per year



- In August of 2019, Binance launched a lending business to attract customer deposits.
- Essentially, the cryptocurrency from Binance Lending goes to the borrowers in the margin trading section of the platform. Those margin borrowers effectively pay the interest rates.
- Binance Lending has become known for their 14-day fixed term lending products where subscription is on a first-come-first served basis.

## Borrowing

*Binance currently only offers borrowing for their margin accounts.*

## Executive Team



**Changpeng Zhao, CEO & Founder**

- Before starting the world's largest cryptocurrency exchange by trading volume, CZ was a member of the team that developed Blockchain.info and also served as CTO for OKCoin.



**Yi He, Co-Founder and CMO**

- Yi was a Co-Founder of OKCoin, where she oversaw user operations management as well as online marketing. At Binance, she oversees the venture investment arm and all marketing efforts.

## Lending

- **Earn Interest On:** USDT, BNB, BTC, BUSD (Flexible deposits, fixed deposit collateral varies)
- **Types:** Binance offers flexible deposits (redeem anytime, lower interest) and fixed term (higher interest)
- **Minimum Deposit:** No minimums, max caps on per deposit amounts per person, per day.
- **Fees:** Withdrawal Fees
- **Interest Paid In:** In the deposited asset
- **Interest Paid Out:** Daily on flexible deposits, after term ends on fixed deposits.
- **Interest Rate:** Varies by asset & if rate is flex or fixed

# Borrowing LTV & Rate Comparison

BlockFi							
Loan-To-Value	BTC	ETH					
20%	4.50%	4.50%					
35%	7.90%	7.90%					
50%	11.25%	11.25%					

celsius							
Loan-To-Value	BTC	ETH	BCH	XRP	LTC	DASH	
25%	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%	
33%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	
50%	8.95%	8.95%	8.95%	8.95%	8.95%	8.95%	

(Paying Interest With CEL Token; 30% Discount)							
Loan-To-Value	ETH	BCH	XRP	LTC	DASH	NEXO	BNB
25%	3.46%	3.46%	3.46%	3.46%	3.46%	3.46%	
33%	4.87%	4.87%	4.87%	4.87%	4.87%	4.87%	
50%	6.26%	6.26%	6.26%	6.26%	6.26%	6.26%	

nexo									
Loan-To-Value	BTC	ETH	BCH	XRP	LTC	DASH	NEXO	BNB	XLM
15%							11.90%		
17%									11.90%
30%									
30%				11.90%					
33%									
40%			11.90%						
40%									
50%	11.90%								

(Paying Interest With NEXO Token; 50% Discount)									
Loan-To-Value	BTC	ETH	BCH	XRP	LTC	DASH	NEXO	BNB	XLM
15%							5.90%		
17%									5.90%
30%									
30%				5.90%					
33%									
40%			5.90%						
40%									
50%	5.90%								

To the left, our team has laid out the different rates borrowers can expect to pay based on the platform, asset and LTV. As seen with Celsius and Nexo, borrowers can take advantage of discounted interest rates if they pay interest using each platform's respective token. It's important to keep in mind that these rates will fluctuate over time.

**At lower LTV ratios, BlockFi offers the lowest rates at 4.50% for BTC and ETH, with one exception. If borrowers on Celsius pay interest using the CEL token, they receive the best rate at 3.46%.**

**At higher LTV ratios of 50% and without a token discount, Celsius is the cheapest option at 8.95% and Nexo is the most expensive at 11.90%. However, when token discounts are taken into account Nexo becomes the cheapest option at 5.90%.**

# Lending Rate Comparison

	BlockFi	nexo	BINANCE (Flexible)	BINANCE (Fixed)	celsius
BTC	6.2% (up to 5 BTC), 2.2% (>5 BTC)		0.22%	3.00%	4.15%
ETH	4.1% (up to 200 ETH), 0.5% (>200 ETH)			6.00%	3.60%
GUSD	8.60%				8.30%
USDT		8.00%	3.08%	6.00%	8.30%
TUSD		8.00%			8.30%
USDC		8.00%		7.00%	8.30%
PAX		8.00%			8.30%
DAI		8.00%			6.50%
BUSD			1.61%	10.00%	
BNB			0.40%	6.00%	
LINK					
XRP					3.00%
ETC					
EOS					4.25%
LTC					4.30%
OMG					3.75%
BCH					3.50%
ZRX					4.50%
BTG					6.50%
ZEC					4.00%
XLM					3.00%
DASH					6.00%

\*Table as of November 15th, 2019 - Not exhaustive\*

Similar to the previous slide, here we've highlighted the different interest rates lenders can earn by platform and asset.

For each asset, we've highlighted the best return in **green** and the worst return in **red**. **BlockFi offers the best rate for lending BTC up to a deposit of 5 BTC. Overall however, Celsius Network offers 4.15% which isn't subject to a maximum limit.**

One thing to take note of is the difference between Binance's Flexible Lending plan and Binance's Fixed Lending. As we can see, Binance's Fixed Lending offers some competitive returns - however, as the name suggests, this is only for a 14-day fixed period and subscription is based on a first-come basis.

Meanwhile, Nexo and Celsius both offer attractive interest on stablecoins - with each platform offering a higher rate depending on the day we checked. To provide a fair comparison, these rates don't reflect users who leverage the platform's tokens.

# Leader Commentary



**Below, we've included commentary on CeFi platforms from each project's leadership. The topic - "How does your platform differentiate itself from its peers?"**



**Zac Prince**  
Founder of BlockFi

*"In addition to offering the best rates, BlockFi is the only lender that offers products for retail and has institutional investor backing (Fidelity, Galaxy, Susquehanna, Valar etc.). We have a US centric compliance approach - with federal MSB registration and numerous state lending licenses. We are also the only platform to offer the ability to "flex" your interest payments into another currency. In the near future we will offer fee free trading and are planning to launch a Bitcoin rewards credit card in 2020. BlockFi never conducted an ICO and we have had perfect lending portfolio performance since inception. We differentiate on trustworthiness and unparalleled client service."*



**Alex Mashinsky**  
Founder of Celsius Network

*"Celsius Network was founded in 2017 with the mission to fundamentally change the world's banking system by leveraging blockchain technology. Our goal since day one has been to provide fair, transparent, and accessible financial services without all the restrictions and roadblocks one typically encounters at a traditional bank. We're creating value in the same way a bank creates value for its shareholders and leadership, but we're focused on paying that back to our community rather than to those at the top."*

*Source: [@CryptoGlobe](#)*



**Antoni Trenchev**  
Founder of Nexo

*"Our process automation expertise is rivaled by few and hence our platform provides instant crypto-backed loans, the emphasis being on "instant". No one else is nearly as fast as us. You can check out the plethora of testimonials of happy Nexo customers on Twitter. Most companies in the crypto-lending space deploy archaic manual processes and receiving their loans can sometimes take weeks! The 21st century is fast, the blockchain space is even faster. Fewer and fewer people are willing to wait for something they believe should be instant and distributed technology proponents are amongst the most impatient ones."*

*Source: [@CryptoRand](#)*

# Disclosures

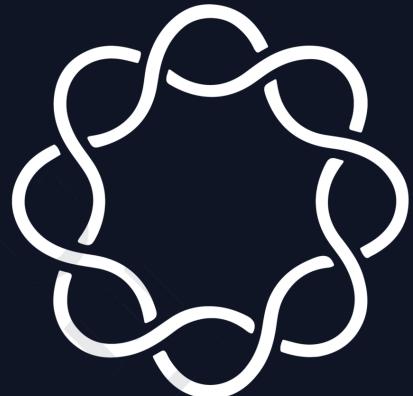
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