# Solana Lending Proposal

A major problem with bridging assets from ETH DeFi onto Solana is that it creates an opportunity cost for users, losing potential yields on ETH. This is a chicken an egg problem for Solana DeFi, where yield is low because there is no TVL, and TVL is low because there is low yield.

We think that an opportunity to solve this problem is to use existing yield earning tokens on ETH L1 as the basic building blocks for Solana DeFi. Instead of forgoing yields & fees on ETH L1 to participate in Solana DeFi, our proposal is to make it possible for LP holders to use Sushi & Curve LP tokens as collaterals on Solana's lending product.

LP holders will be able to keep earning fees on ETH, and yet be able to use the bridged LP tokens as collaterals to borrow USDT, and lever up by buying more BTC on Serum.

However, using LP tokens as borrowing collaterals would likely make the lending market unbalanced, there being MORE demand to borrow USD-pegged stables to leverage up, and few reasons to borrow LP tokens. There may not be enough stablecoin supply to keep up with borrowing demands.

Therefore we also propose to allow the use of collaterals to generate debt-like synthetic assets. This effectively creates infinite supplies for borrowing demands, and make yield earning assets even more useful as collaterals.

## product roadmap

- Iteration 1: Stake Sushi LP, Thor LP, Curve LP as collaterals to borrow USDT
- Iteration 2: issue synthetic USD debt from LP collaterals
- Iteration 3: Using the same collaterals, users should be able to generate any supported synthetics and trade between synthetics without slippage

**Spec for iteration 1:**

No token incentives for iteration 1, to see if there is organic use case to lend & borrow stables against LP tokens

- User should bridge over Sushi LP as SPL token
- User should be able to stake Sushi LP in the lending product as collaterals
- User should be able to borrow stables: USDT, USDC
- User should be able to use the borrowed USDT USDC to buy more BTC on Serum
- Borrowers should keep collateral ratio above 150%
- USDT/USDC lenders should be able to collect interests based on utilization
- Liquidation should have price feeds to track SLP collateral value, and settle positions by paying back the debt (not against Serum, since there's no book for LP...)
    - Integrate the price feed with the Serum crankers.

This is doable with current SPL and bridge, no need for anything like ABI or bridge message relay.

Launch target: 4 weeks for MVP, and 8 weeks for polish.

**Spec for iteration 2:**

Basically generate USD debt (xUSD) using LP tokens.

- User should be able to stake LP tokens and generate xUSD
- If using Curve LP, should be able to generate debt at near 1-1 ratio. say 110% if you have $100 worth of LP collateral, you should be able to generate ~$90 in xUSD<br>If using volatile LP (Sushi LP) keep collateral ratio high at 150%
- User should be able to trade USDT/xUSD USDC/xUSD
- User should be able to trade BTC/xUSD ETH/xUSD (maybe)
- xUSD is structured like maker. user pays the protocol an interest based on utilization rate of debt ceiling

Idea: would be cool to build a streaming payment solution. An LP holder can continuously stream salary to a receiver, and the receiver can incrementally convert the received xUSD to BTC.

Launch target: 8 weeks

**Spec for iteration 3:**

If the protocol gets traction for the previous two rounds… will look to raise to keep going.

Using LP collaterals to generate synthetic BTC/ETH/SOL/etc, and allow zero-slippage swap.