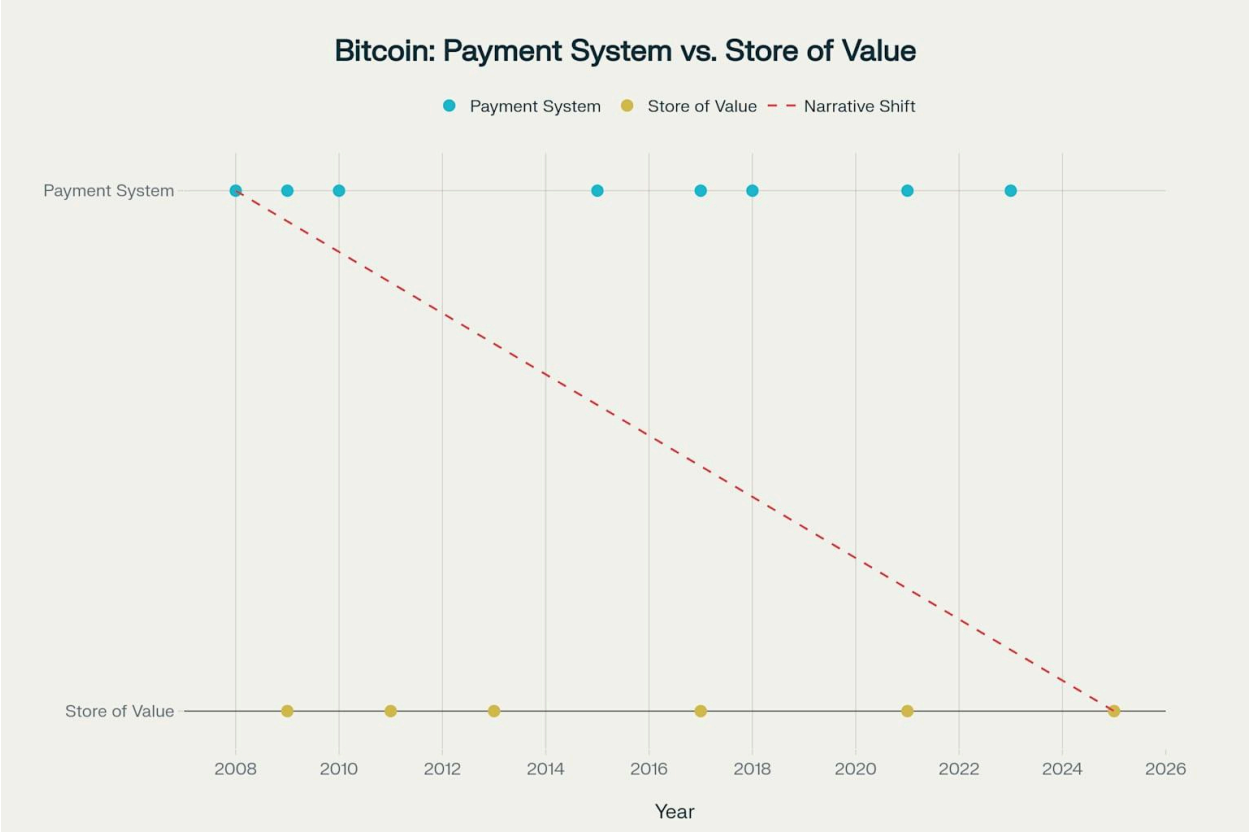
LBTC: Bringing Bitcoin Back to Its Roots as True Peer-to-Peer Cash

Bitcoin's Original Vision – and Why It Stalled

In 2008, Satoshi Nakamoto described Bitcoin as a "*purely peer-to-peer version of electronic cash*" meant to enable direct online payments without intermediaries. This vision promised a global digital currency for everyday transactions. Yet in practice, over Bitcoin's first decade, it evolved more into "digital gold" than daily cash. **Limited throughput**, **volatile fees**, and the rise of faster chains meant that *using BTC for small, fast payments* became impractical. While the Lightning Network and others have tried to scale Bitcoin for payments, mainstream crypto users often turned to **stablecoins** like USDC for quick, low-cost transactions in DeFi and retail. Bitcoin's role as *"electronic cash"* seemed to fade as it became primarily a store of value.



Enter LBTC: Bitcoin's Value at High Speed and Low Cost

LBTC (Liquid Bitcoin Token) is changing that narrative. LBTC brings Bitcoin's trusted value into a high-speed, low-cost, cross-chain format designed for modern DeFi and payments. In simple terms, LBTC is a token that represents Bitcoin 1:1, but can live on multiple blockchains

(like Ethereum, Base, Sui, BNB Chain, and more) where transactions are faster and fees are lower than on Bitcoin's base layer. Each LBTC is **fully backed by one real BTC** and is *fully redeemable* for BTC at any time, so holders always know that 1 LBTC = 1 BTC in value. This 1:1 peg brings Bitcoin's legendary trust and scarcity into a format that can move as efficiently as any other crypto token.

LBTC isn't just another "wrapped Bitcoin." It's bootstrapped as a **liquid staking token (LST)** that *earns yield* while you hold it. You mint LBTC by staking your BTC via the Babylon protocol, generating staking rewards that back the LBTC token. In effect, LBTC holders gain a native yield on their Bitcoin – much like Ethereum holders do with staked ETH – without giving up liquidity. ***This combination of a 1:1 peg, cross-chain mobility, and yield makes LBTC unique.*** Lombard packages Bitcoin's value into a form that is **fast, cheap, and productive,** ideal for serving as a **medium of exchange** in the crypto economy.

How LBTC Works: Liquidity, Peg, and Staking Power

Liquid and Cross-Chain: LBTC is designed to be ***natively cross-chain***, meaning it can move seamlessly across different networks and be used in many ecosystems. Wherever it goes, LBTC maintains its 1:1 value with BTC, enforced by a decentralized custody model and on-chain proof-of-reserves that prevent any fractional backing. The result is that Bitcoin's liquidity – valued in the hundreds of billions – is no longer "stuck" on the slow Bitcoin network. It can flow into **DeFi pools, DEXes, and wallets on faster chains**, enabling *lightning-quick transfers* and trades without the typical Bitcoin network delays.

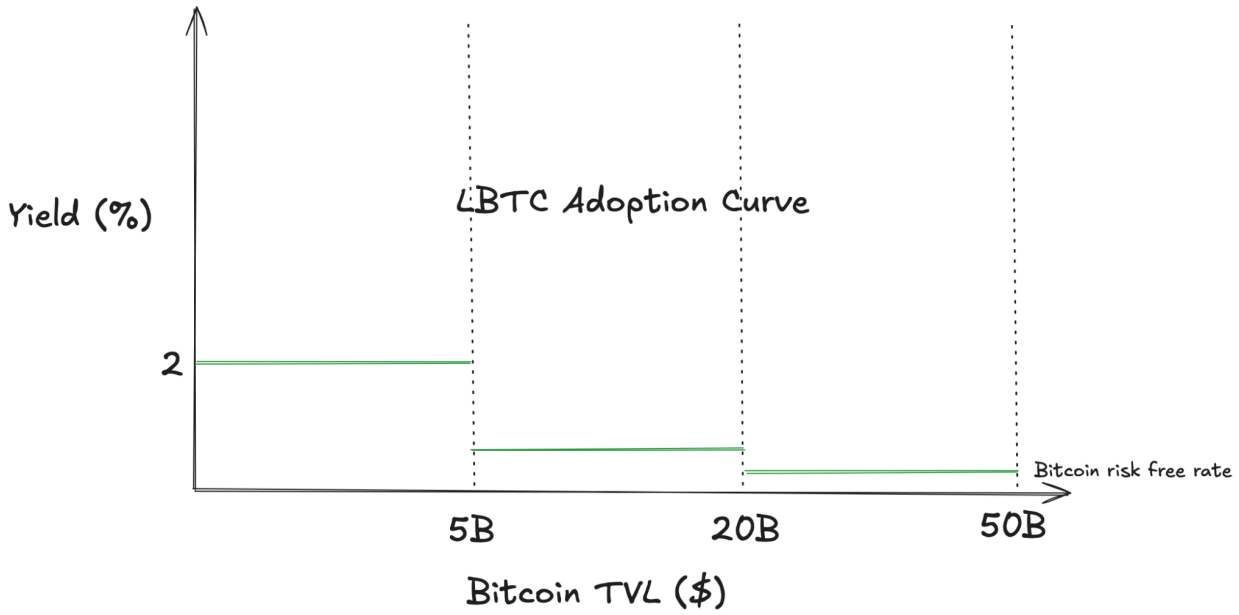
1:1 Peg and Easy Redemption: Each LBTC is **exclusively backed by native BTC** and has been fully redeemable for BTC from day one. This redeemability and transparency give LBTC a strong peg – it has **no history of "depegging"** because the backing is transparent and fully collateralized. Lombard has introduced an automated proof-of-reserves oracle to continuously verify that all outstanding LBTC are backed 1:1 by BTC. LBTC is designed to be frictionless: you simply deposit BTC to the Lombard protocol (no need to sell your BTC), and you receive an equal amount of LBTC on the chain of your choice. There's no convoluted wrapping process or whitelist; it's an open process with a **trust-minimized federation of validators** securing the bridge (validators notarize deposits and authorize redemptions, facing slashing penalties for any misconduct). *LBTC minimizes the cost and effort to hop between BTC and LBTC*, Authorized Participants will be in charge of this minting and redemption.

Yield through Staking Mechanism: Unlike static representations like WBTC, LBTC actually **earns yield** for holders by tapping into Bitcoin staking rewards. Lombard controls the payment of staking rewards, and how the yield is passed back to LBTC holders. The yield on LBTC is used to bootstrap adoption among everyday users : **holding LBTC is like holding BTC that pays interest**, turning Bitcoin into a productive asset without sacrificing its use as money. This encourages more people to hold and use LBTC, since *even when spending or sitting in a wallet, it can accrue rewards*.

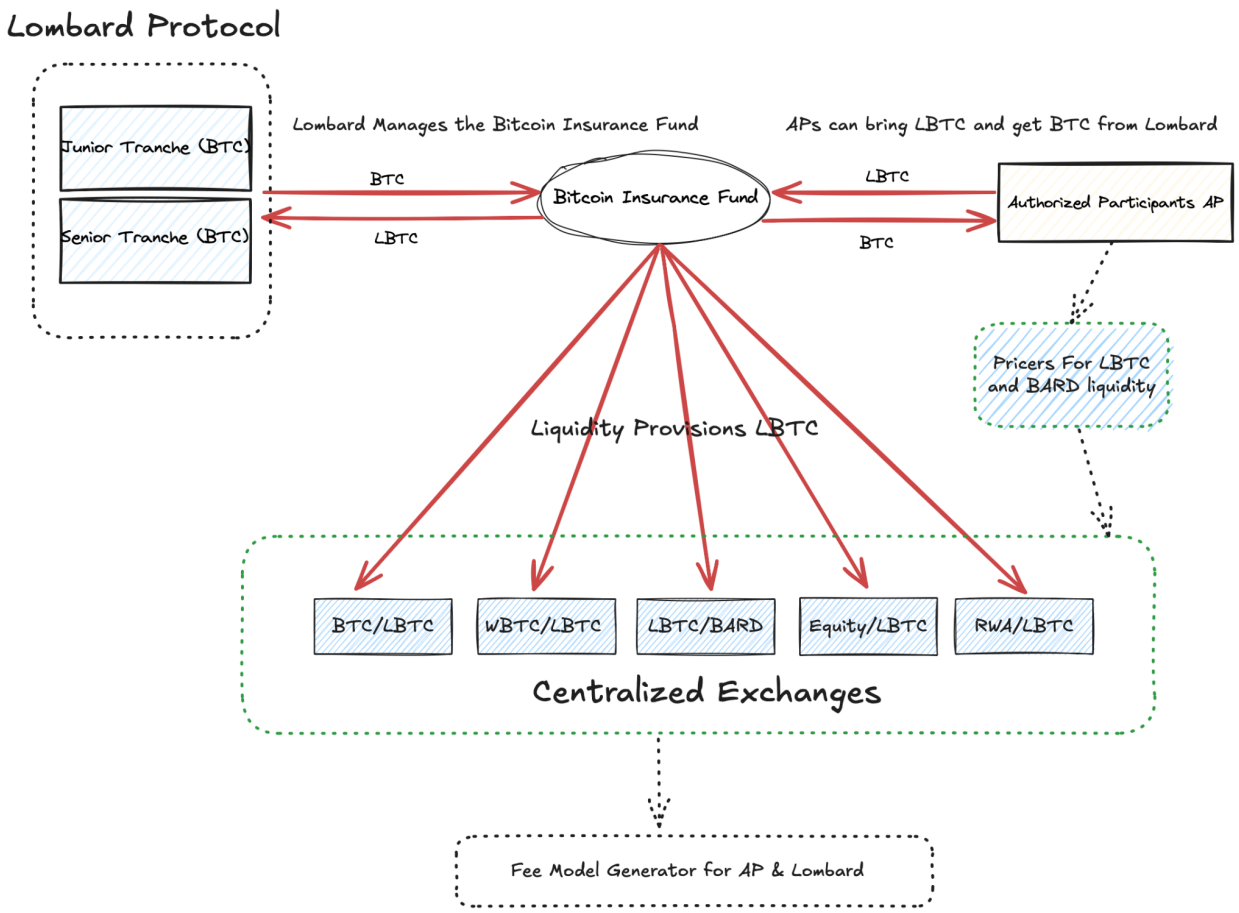
LBTC vs. USDC: Turning Bitcoin into a "Stablecoin" for Payments

To understand LBTC's impact, it helps to compare it to something familiar: **USDC**, the popular dollar stablecoin. USDC took an off-chain asset (USD in bank accounts) and made it available

on-chain with a 1:1 peg, allowing dollars to move at internet speed. It became the lifeblood of DeFi and crypto trading by combining *trust (full backing)* with *speed and low cost (blockchain transactions)*. **LBTC does the same for Bitcoin**: it takes BTC off its slow base layer and issues a 1:1 token that can move anywhere, quickly and cheaply, *with full backing*. In essence, LBTC transforms BTC into a *"stablecoin-like" medium of exchange* within the crypto world. It's important to note that LBTC is *not price-stable in USD terms* – its value follows the price of Bitcoin, not $1 – but for the huge community of Bitcoin holders, 1 LBTC = 1 BTC is the relevant stability.



By using LBTC, Bitcoin can function almost like a stablecoin in contexts where BTC is the unit of account. For example, a DeFi app can accept LBTC just as easily as it accepts USDC, knowing LBTC's value won't suddenly deviate from BTC's market price and that it can be redeemed for actual BTC. **Authorized participants would make deep LBTC/BTC pools on CEX, to make redemption of BTC for LBTC frictionless.**



Traders and users benefit from **fast settlement** (block times of a few seconds instead of 10+ minutes) and **low fees** (especially on L2s or sidechains) when sending LBTC, similar to how USDC transactions are trivial on, say, Polygon or Arbitrum. This makes ***spending or transferring value in Bitcoin as convenient as using a dollar stablecoin***. If Alice wants to pay Bob in BTC for a service, using LBTC means the transaction can be near-instant and cost cents in fees, without relying on a centralized exchange or waiting for multiple block confirmations. LBTC gives Bitcoin **"wings" similar to stablecoins**: broad compatibility, speed, and ease of use in smart contracts and payment channels. Just as **USDC helped dollars become a dominant medium in crypto**, LBTC is positioning Bitcoin to be a **spendable, programmable money** in the same vein.

Furthermore, LBTC's inherent yield and its deep integration in DeFi protocols make it even more attractive for fast economic activity. USDC (and other stablecoins) kicked off the *DeFi payment and lending boom*, but they don't offer holders any native yield without lending them out. LBTC, by contrast, *automatically generates yield* just by existing (via staked BTC rewards), which can be seen as analogous to interest-bearing dollars – a compelling feature for a currency. This could encourage wider adoption of LBTC for payments and DeFi, because users get the ***best of both worlds*: Bitcoin's value (and upside) and stablecoin-like utility**. LBTC creates *"the Universal Liquid Bitcoin Standard, yield-bearing, natively cross-chain, and backed 1:1 by BTC"* – essentially doing for Bitcoin what USDC did for fiat, while even adding a native yield on top.

A currency is only as useful as the ecosystem that accepts and supports it. LBTC has quickly gained **deep market support and credibility** since its launch, thanks to strategic integrations and backing from major players. **Deep liquidity, multi-chain availability, and a security-first approach** – have catalyzed LBTC's adoption. Within months of launch, LBTC was already **leveraging integrations with Babylon, partnerships with DeFi protocols, and incentive programs** (like Babylon Points and Lombard's Lux rewards) to bootstrap usage. LBTC's goal is not just to exist, but to **revive Bitcoin's role** in everyday crypto life – safely, at scale, and across the board.

Reviving Satoshi's Dream: Bitcoin as Everyday Money, Modernized

Satoshi's original dream of a peer-to-peer electronic cash lives on – and LBTC is helping *modernize that vision for today's multi-chain world*. By making Bitcoin **fast, versatile, and yield-generating** without compromising its core value, LBTC essentially brings Bitcoin *full circle* to its intended purpose: a currency you can freely spend, send, or deploy in financial applications. The difference is that now **it can be done on any chain, at any speed, not just on Bitcoin's base layer**.

At Lombard, we Imagine a future where you could walk into a store and pay with LBTC from your phone, and the merchant instantly receives it with minimal fees – *no waiting 10 minutes for confirmation, no worrying about conversion from BTC to some other token*. Or consider a freelancer living in a high inflation country, on Upwork can get paid in LBTC for their work. **LBTC essentially turns Bitcoin into *"internet cash"***, using Bitcoin's global acceptance with the convenience of modern fintech.

It's also important to note that LBTC doesn't compete with Bitcoin's base network but complements it. Bitcoin remains the ultimate settlement layer and store of value; LBTC simply extends its utility. LBTC enables *broader financial utility on-chain at scale* by integrating BTC into smart contracts, DeFi, and cross-chain operations for many payment scenarios.

Bitcoin didn't become the everyday transactional currency early on due to scalability limits and the emergence of altcoins and stablecoins that filled that role. Now, LBTC is *reclaiming that ground for Bitcoin* by piggybacking on those very alt chains and DeFi protocols. It's a clever synergy: use the flexibility of other networks, but anchor everything in the **sound money of Bitcoin**. This could drive a paradigm shift: instead of selling BTC for USDC or ETH to participate in DeFi or make a quick payment, people can keep their holdings in Bitcoin form (via LBTC) and do all the same activities. It lowers the barrier for Bitcoin's vast holder base to actually *use* their BTC without "spending" it in the traditional sense (since they can always unstake later).

LBTC and the ecosystem around it (Lombard, Babylon, etc.) mark the beginning of Bitcoin's **next evolutionary step** – from passive store-of-value to *active* player in the decentralized economy. It realigns with Satoshi's vision by making Bitcoin *practical as a day-to-day currency*, while also aligning with how crypto has evolved (multi-chain, yield-focused, composable finance). Bitcoin's **value and trustworthiness** are now married to **speed, liquidity, and utility**.

Conclusion: Bitcoin as Currency, Reborn

After years of Bitcoin being hailed as “digital gold,” LBTC makes Bitcoin to be used as *digital cash*. By **wrapping Bitcoin’s value into LBTC**, we get the best of both worlds: the robustness and **scarcity of BTC** and the **agility of a cross-chain token**. With LBTC, Bitcoin is stepping back into the ring as a medium of exchange for the crypto era, powering everything from quick payments to complex DeFi strategies.

LBTC makes **Bitcoin circulate freely and usefully as dollars, euros, or stablecoins do today**, without requiring us to abandon the Bitcoin standard. It revives the peer-to-peer cash ideal, but updates it – Bitcoin can now interact with smart contracts, provide collateral for loans, earn interest, and move at the speed of the internet. All the while, it remains the Bitcoin we trust at its core (1 LBTC will always get you 1 BTC). LBTC is enabling Bitcoin to *fulfill its original purpose* by **unlocking its liquidity and usability**. It’s turning Bitcoin hodlers into active participants, and turning what was once “locked” value into a fluid currency.

Satoshi’s electronic cash via LBTC – is ready to transact, building a future where Bitcoin is both **an investment and a spendable currency**.

Appendix (Authorized Participant Design)

The algorithm outlines a potential alignment for incentives between liquidity providers, a leveraged token, and an insurance fund. It focuses on economic incentives, alignment of interests, and reflexivity between LBTC liquidity and the BARD token’s performance.

1. **Deep Liquidity Provision by APs:** Authorized Participants (APs) commit to providing deep liquidity across all LBTC trading pairs on major centralized exchanges (CEXs). By acting as dedicated market makers, APs ensure tight bid-ask spreads and high volume in LBTC markets, giving traders confidence in price stability and minimal slippage.
2. **BARD Token as a Leveraged Liquidity Position:** The BARD token represents a leveraged stake in the LBTC liquidity pool and reflects the **“exit velocity”** – the rate at which liquidity might leave the market. APs are also responsible for market making in BARD, which directly ties BARD’s market performance to the state of LBTC’s liquidity. The design creates a **reflexive relationship**: strong LBTC liquidity and controlled outflows lead to positive performance for BARD, while a thriving BARD market incentivizes APs to maintain or deepen LBTC liquidity. In essence, the better the LBTC liquidity, the more value BARD can accrue, and as BARD’s value rises, it further encourages APs to support LBTC liquidity – forming a positive feedback loop between the two.
3. **Exclusive Insurance Fund via Lombard Protocol:** To reinforce their commitment and manage risk, APs are given exclusive, whitelisted access to a Bitcoin-denominated **insurance fund** managed by the Lombard Protocol. This fund is structured as a **tranched liquidity pool**, offering layered coverage where each tranche provides a different level of risk protection. The insurance fund acts as a safety net for APs’ market-making activities – if unforeseen market events occur or if they face losses while providing liquidity, the fund covers a portion of those losses. This protective mechanism aligns incentives by lowering the downside risk for APs, encouraging them to sustain deep LBTC liquidity. It ensures that APs remain committed liquidity providers even

during volatile market conditions, knowing that the Lombard-managed insurance pool shares in the risk.

4. **Fee Sharing and BARD Buy-Back Mechanism:** Every trade facilitated by this structure (on both LBTC pairs and the BARD token market) generates trading fees. These fees are **pooled and shared** between the APs and the Lombard Protocol, rewarding APs for their liquidity provision and giving the protocol a revenue stream. Crucially, a portion of the accrued fees is earmarked to **automatically buy back BARD tokens** from the open market. This fee-funded buy-back mechanism provides constant buy pressure on BARD, supporting its market value. The result is a virtuous cycle: APs earn fees (incentivizing them to keep providing liquidity), the protocol earns its share (ensuring sustainable operation and insurance fund health), and BARD's value is bolstered through buy-backs (directly linking the success of LBTC liquidity provision to the token's performance). This alignment means all parties – APs, token holders, and the protocol – benefit from maintaining deep LBTC liquidity and an active BARD market, achieving a balanced, reflexive system that is attractive for investors and participants alike.