Neutron for Tokenized Yield Issuers

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💡 At Neutron, we have built the optimal environment for issuing and maximizing the potential of tokenized yield assets. Success in this space depends on the surrounding use cases, and while most ecosystems treat applications as isolated products, Neutron enhances their interdependencies to unlock deeper utility and capital efficiency.

A Tailored Ecosystem

Credit Protocols: Enabling Greater Liquidity & Utility

Credit protocols—such as lending, borrowing, and perpetual futures platforms—require strong spot liquidity to list new assets. Greater liquidity leads to increased capacity and more favorable listing parameters.

Leverage Looping

Two of the most prominent yield-bearing assets in crypto today are **stETH** (Lido's liquid staked ETH) and **eETH** (EtherFi's liquid restaked ETH). Their dominant use case in DeFi is **leverage looping—**using the tokenized asset as collateral to borrow the underlying (ETH), redepositing it for more tokenized assets, and repeating the process.

Supply Capacity

A crucial factor for issuers is **supply capacity**—the maximum amount of an asset a credit protocol is willing to hold. Supply capacity is usually set in proportion to available spot liquidity depth on the path to USDC or another stablecoin that liquidators prefer. In the event of liquidation, liquidators must swiftly convert collateral into stable assets to mitigate inventory risk.

One industry-standard methodology is assessing how much liquidity can be liquidated at **-2% slippage**—a threshold that ensures liquidators can exit positions profitably while maintaining stability. For tokenized assets to be effectively used at scale in leveraged positions, their liquidity must be deep enough to facilitate seamless liquidations.

Maximizing Supply Capacity with Supervaults

To address this challenge, Neutron has developed **Supervaults**, leveraging two exclusive features of our smart contract ecosystem: the **enshrined oracle** and the **CRON module**.

- **Enshrined Oracle:** Publishes CEX price feeds every block as part of consensus, ensuring real-time pricing accuracy.
- **CRON Module:** Allows whitelisted smart contracts to execute automated tasks at the beginning and end of every block, eliminating reliance on external keepers.

Supervaults utilize these built-in innovations to create an **integrated market maker (IMM)** that dynamically adjusts to CEX prices every block. This enables:

- Competitive, profitable market-making with low liquidity.
- Excess liquidity deployment at a **1.5–2% discount** from the CEX price, ensuring liquidators have ample liquidity.
- Increased supply caps for credit protocols, benefiting all stakeholders:
    - **Liquidity providers** profit from well-executed trades.
    - **Lenders** ensure solvency while earning yield.
    - **Borrowers** access greater capital efficiency.
    - **Liquidators** secure deeper liquidity to offload collateral.

- **Token issuers (you)** maximize the usability of your asset in yield-bearing strategies.

Perpetual Futures, Basis Trading, and Long-Short Strategies

Another major use case for tokenized assets is their use as **collateral in perpetual futures markets**. Two of the most popular trading strategies include:

1. **Basis Trades:** Since crypto markets are often skewed long, perpetual futures holders pay funding fees to short holders. Traders can capture this yield by holding spot assets while shorting the equivalent perpetual contract (delta-neutral arbitrage).

2. **Long-Short Strategies:** Traders hedge market exposure by longing one asset while shorting another (or an index). This strategy profits when the longed asset outperforms the shorted asset.

However, current major on-chain perpetual markets (e.g., **HyperliquidX and dYdX**) only support **USDC as collateral**, making basis trading and long-short strategies capital inefficient. Traders must hold USDC separately, increasing collateral requirements and reducing capital efficiency.

Unlocking Capital Efficiency with Mars Perpetuals

Mars Perpetuals is pioneering the first major cross-margin, multi-asset collateral perpetual futures exchange, enabling traders to use **any asset as collateral**. This allows for **50% lower collateral requirements** for basis trading and long-short strategies—a groundbreaking capital efficiency unlock.

For an asset to qualify as collateral on Mars, **it must have sufficient spot liquidity**. More spot liquidity directly translates to higher supply caps, making **Supervaults** the key to maximizing collateral listing parameters. By bootstrapping liquidity in these vaults, token issuers can enhance their token's utility in perpetual markets.

Unrivaled Domain Expertise

Neutron was founded by industry veterans spun out from **Lido and P2P Validator**, two of the most impactful teams in DeFi. Having played a key role in building the largest yield-bearing protocol in existence, our mission is to **leverage deep**

expertise to create the best network for launching and scaling tokenized yield assets.

Partnering with Neutron provides access to **unmatched industry knowledge, strategic support, and a powerful network—**positioning your tokenized asset for sustained success in DeFi's most lucrative markets.