Lever: Bringing Bitcoin to Real World DeFi

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Abstract. Lever is a lending platform that transforms bitcoin into productive capital. Users lock up bitcoin, borrow stablecoins, and invest in real estate to earn crypto uncorrelated yield. The platform offers portfolio visibility and control while remaining simple. By adding more assets and financing, Lever will become the dominant channel for capital markets to access Bitcoin users. The resulting ecosystem of investors, issuers, and lenders positions Lever to evolve into a decentralized exchange for real world assets and launch a native stablecoin, LeverUSD.

1. Introduction

Bitcoin is widely adopted but underutilized as collateral. Centralized lenders face skepticism after high-profile failures[1], and DeFi lending is ignored by Maxis who dislike altcoins[2] and institutions who lack crypto natives[3]. It should, therefore, be no surprise that the home loan market outpaces bitcoin lending by 500 to 1[4]. That is despite the fact that bitcoin is real-time price discoverable and can be liquidated (in the millions) every 10 minutes. Lever's thesis is that Bitcoin users are waiting for a trustless, credible platform where they can deploy bitcoin to access commonsense yield.

Lever meets this need via an integrated lending platform. The platform aggregates capital raises for tangible business activities that are amenable to Maxis and mainstream thinkers. Through collateralized stablecoin loans, Lever allows investors to maintain long bitcoin positions and avoid taxable events, all while accommodating fiat-driven asset issuers. Notably, Lever focuses on Bitcoin, unlike today's leading real world asset apps[5]. Additionally, users decide where to custody and invest – unlike black-box brokerage services – and do so on a single platform – unlike most DeFi which expects borrowers to define their use case[6].

All of this equips Lever to launch far-reaching DeFi primitives. By becoming the dominant channel for capital markets to access Bitcoin's trillion-dollar user base, Lever will onboard a global network of Bitcoin holders, asset issuers, stablecoin lenders, capital markets platforms, and more. That ecosystem will enable Lever to grow into a decentralized exchange for real world assets. With one foot in Bitcoin and another in real world businesses, Lever will have the fundamentals to launch a globally distributed stablecoin, LeverUSD.

2. Platform

Lever brings bitcoin lending and capital markets infrastructure into a single platform. Figure 1 illustrates the flow for borrowing and investing. Investors collateralize bridged bitcoin[7] (Step 1) to borrow stablecoins from a lending partner (Step 2) by connecting their custodial or non-custodial wallet. Issuers list assets on a whitelabel capital markets platform (Step 3), which

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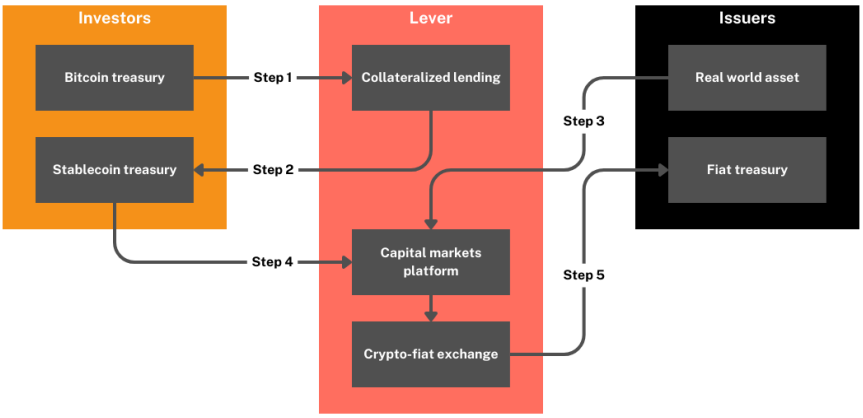
[1] Bitcoin deposit accounts from Celsius, BlockFi, and Genesis were rehypothecated, and those teams went bankrupt.
[2] Jack Dorsey's comments against 'web3' encapsulate a decade-long battle between Maxis and today's leading DeFi.
[3] The Chief Financial Officers of the three largest public company holders of BTC all spent most of their careers in legacy financial and/or energy companies (MicroStrategy, MARA, Riot).
[4] Home lending includes mortgages and home equity lines of credit. Bitcoin lending is at $9 billion annually.
[5] Tokenization platforms like Securitize and Centrifuge, tokenized US Treasury products like Ondo and Hashnote, and on-chain debt like Goldfinch have all developed focused on web3 and TradFi asset managers instead of Bitcoin.
[6] Mature players like Coinbase offer standalone lending. Other attempts to connect lending with real world use cases are early, like Battery and Lava.
[7] Mainchain bitcoin escrows are technically complex. To avoid waiting on R&D, Lever starts by onboarding smart contract compatible bridged bitcoin assets like WBTC, CBBTC, FBTC, and TBTC – a $16 billion total market.

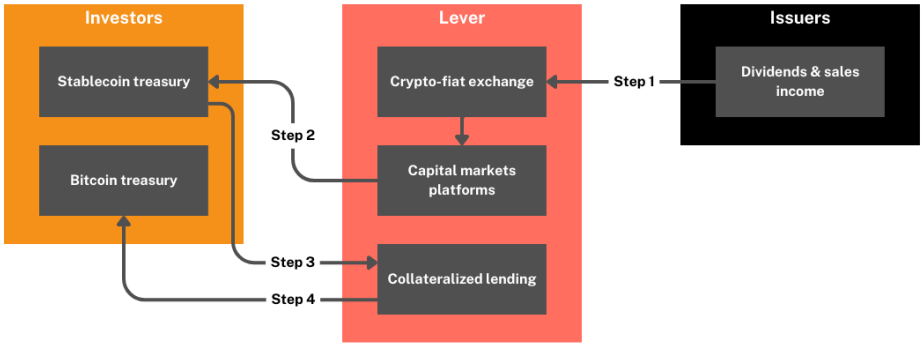
Investors browse and use to make stablecoin investments (Step 4). Issuers will mostly off-ramp stablecoins directly through an exchange partner (Step 5), or connect their wallet to manage off-ramping themselves. A capital markets partner certifies transactions with licensed transfer agents, manages the ledger, and facilitates secondary trades (where Investors become Issuers).

Figure 1: Borrow and Invest Flow



When it comes time to exit, Lever allows Investors to collect income and pay back loans. Figure 2 depicts this. Issuers on-ramp dividends and asset sales into stablecoins (Step 1), and Investors get paid based on the ledger of the capital markets platform (Step 2). Investors then pay back stablecoins, plus interest, to the lender (Step 3). The exit is complete when Investors withdraw their bridged bitcoin collateral (Step 4). Lever makes money by taking a cut from the interest on stablecoin loans and revenue splitting with capital markets partners.

Figure 2: Exit Flow



Investment demand is driven by the spread between real world asset yields and borrowing costs. That clearing rate will not be high like today's DeFi[8], as that would repel

[8] Protocols like Ethena made headlines for offering yields over 50% in 2024.

Bitcoin users. Lever's goal is to offer DeFi skeptics a reliable, modest income stream, in line with prime brokerage services (not speculative day trading). Indeed, large enterprise bitcoin treasuries have historically sought single-digit yields when lending out millions[9].

Issuers are, nevertheless, screened to minimize risks for borrowers. Lever works with capital markets and legal experts to evaluate an Issuer's compliance history, industry reputation, cash flow evidence, and broader secondary market liquidity. The early focus on real estate comes from a desire to onboard legacy businesses with sufficient capital depth for large bitcoin holders. Indeed, $952 billion is expected to go into global real estate investing in 2025[10]. Long term, Lever will support many assets and decentralize Issuer screening.

Borrowing costs are minimized by sourcing novel lenders. Lever's first lending partner, Collar[11], hedges collateral to offer low single digit interest rates. This is vastly better than most DeFi and brokerage services[12], who frequently charge double-digit rates that would consume the yield on flagship real estate. Moreover, Collar's fixed-term loans reduce the need for real-time oracles[13] and avoid unpredictable liquidations like most of DeFi. As Collar and others develop more innovative strategies, Lever will expand its lending options for Investors to choose.

Regarding compliance, Lever seeks to build on others. Lever initially whitelabels Globacap[14] to perform due diligence on Issuers and Investors, oversee investment transactions, and manage portfolio ledgers. By doing so, Lever launches with a complete product to facilitate millions worth of its pipeline real estate deals. Lever will add new asset classes to Globacap's ledger, and eventually serve as a financing tool for other external capital markets platforms. What Lever seeks to avoid is to become a tokenization or compliance platform itself.

Lever's platform will be upgraded to maximize distribution. Some developments depend on unfinished, on-chain technologies. The list includes:

- Integrate mainchain bitcoin collateral
- Automate bitcoin purchasing with asset yields
- Build an AI assistant to evaluate investment collateral
- Offer tranche-based lending rates, varying on credit worthiness

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[9] Consider MARA's 7K bitcoin loan.
[10] Global real estate investing is expected to balloon to $952 billion in 2025.
[11] Collar's lending market operates uniquely from most crypto lending apps. Borrowers agree to cap the upside on their bitcoin collateral but, in exchange, get to borrow on fixed terms with high LTV ratios.
[12] AAVE's USDC borrow APY on Ethereum has averaged 8% for the past year and 10% for the past month. Most of Morpho's borrow APYs are around 10%. Centralized lenders like FalconX and Arch Lending offer similar rates. Collar's rates are between 2% and 3%, much lower than top DeFi and brokerage lenders who offer 8%.
[13] Real estate assets are hard to appraise continuously. An investor with a variable rate loan will thus have trouble evaluating their clearing rate (or profitability) at any given time.
[14] Globacap has the regulatory licensing and technology infrastructure to facilitate billions in capital raises.

- Embed borrowing and investing flows into enterprise custody platforms
- Integrate more on-chain oracles to improve real-time portfolio management

3. Governance

Lever's growth will create an ecosystem that enables ambitious DeFi. Bringing more lending options means onboarding more investment funds and trading firms. Bringing more asset classes means onboarding more business owners and asset managers, with real world needs that attract centralized exchanges and oracles. As Lever evolves into a decentralized exchange for real world yield, that attracts more on-chain enterprises, whales, and retail users. When LeverUSD launches, Lever's lending and investment apparatus becomes a funnel for issuing stablecoins that attract diverse users like traders, payers, and savers.

Lever prepares for this sprawling ecosystem by creating a decentralized governance process. Voting is a central component. Anyone can submit a proposal, but only power users[15] vote. Voters are awarded loyalty incentives – which can be spent on accessing oversubscribed investments and exclusive events – and large incentive holders get more voting power. Initially, community voting will decide which Issuers and lenders to integrate. Eventually, it will grow in scope to include managing capital markets providers and managing whitelisted collateral assets and stablecoins. After LeverUSD launches, governance will be formalized into a decentralized autonomous organization, the LeverDAO, which will oversee voting, incentives, and LeverUSD smart contracts. All of this is intended to make Lever's choices of industries, lenders, assets, and partners guided by demand, instead of a single operating team.

4. Stablecoin

LeverUSD will launch when governance is robust enough to handle peg stability and risk management. Its technical design draws on smart contracts from MakerDAO[16].

Fundamentally, LeverUSD represents a collateralized debt position. Users mint[17] it after collateralizing bridged bitcoin[18] and can only withdraw collateral after returning the mint with a fee. If a user's mint and fees exceed 60%[19] of their collateral's value (the LTV ratio), their

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[15] Initially defined as anyone who has invested, lent out, or issued at least $100,000 on Lever.
[16] For more on the USDS stablecoin (formerly Dai), see MakerDAO's whitepaper.
[17] Minting will likely happen on an Ethereum compatible chain to maximize compatibility with today's dominant stablecoin standard, ERC-20.
[18] As mentioned before, this will include mainchain bitcoin when on-chain technology permits it.
[19] Though MakerDAO enforces a lower collateralization ratio, Lever adds in a buffer like most bitcoin prime brokerage lenders. Eventually, this collateralization ratio will be lowered.

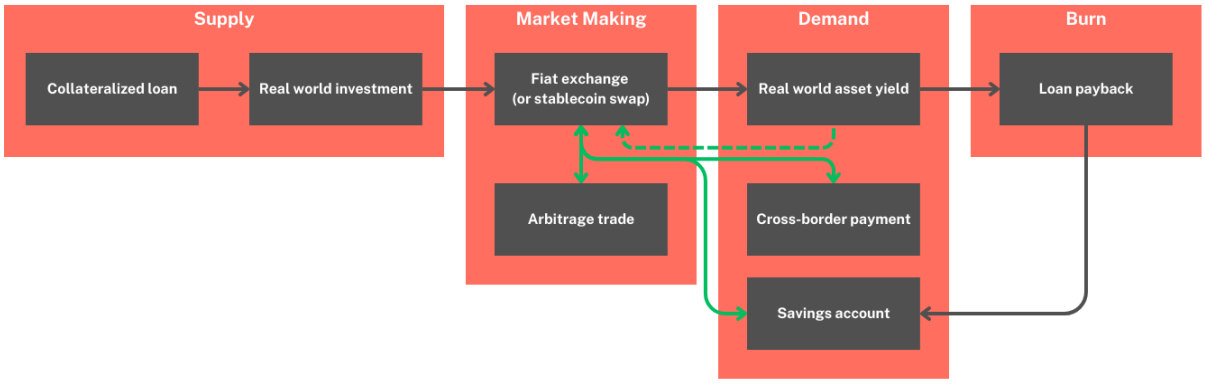
collateral is liquidated. Like before, Investors access real world assets by deploying LeverUSD. Users will also still be able to borrow from lenders like Collar, who have an opportunity to adopt LeverUSD into their operations. Unlike before, users can deposit LeverUSD into a smart contract and earn a savings yield. The LeverDAO manages these functions to maintain the 1:1 peg between LeverUSD and USD. For a complete list of features, see Table 1 in the Appendix.

The primary risk LeverUSD mitigates is the impact of third-party stablecoin issuers. Even the (purportedly) safest stablecoins have suffered serious depeggings[20], leaving Lever at the mercy of outside treasuries and private fiat deposits. A native stablecoin gives Lever visibility over its collateral and agency over risk management. Even if the LeverDAO whitelists real world asset collateral, LeverUSD will still depend mostly on the collateral efficiency of bitcoin.

LeverUSD's greatest benefit is that it helps Lever scale. The barrier to crypto lending is the high cost of stablecoin capital, as lenders expect sky-high DeFi yields. With mainstream distribution, stablecoin lending would be cheaper. Emerging markets seeking inflation-protected USD savings are one opportunity, and on-chain cross-border payments with lower fees and faster settlements are another. If the platform onboards real world asset owners globally, Lever will have many ecosystem partners to disrupt the trillion-dollar savings and payment industries.

This provides Lever with additional value capture opportunities. Figure 3 illustrates the life cycle of LeverUSD. Whereas collateralized lending is the engine for supply, the fiat needs of Issuers (and other yield earners) lead LeverUSD into centralized exchanges and stablecoin swaps. These market makers are entry points for traders, payers, and savers. LeverUSD gets burned when loans are paid back (or via liquidations). Lever makes money from debt, transaction, and liquidation fees, and LeverUSD savers get a portion of debt fees.

Figure 3: Life Cycle of LeverUSD



[20] Consider Circle's USDC depegging in 2023 which roiled markets and cast doubt on flagship audits.

A successful rollout of LeverDAO and LeverUSD provide opportunities to launch other products. These need to be further studied and are also dependent on the evolution of other on-chain technologies. The list includes:

- Build a native blockchain, LeverChain, with ecosystem participants as validators
- Create standalone platforms for lending, borrowing, and saving LeverUSD
- Offer on and off-ramping for LeverUSD into fiat currency
- Deploy LeverUSD natively on mainchain Bitcoin

5. Risks

Users should be aware that Lever, like any centralized financial service or DeFi product, comes with risks. These risks are listed below:

- Illiquid investments: real world assets are often less liquid than crypto, leaving borrowers exposed to margin calls while holding insufficient stablecoins.
- Adverse issuer selection: issuers who fail to raise in traditional markets are, naturally, incentivized to try again in DeFi.
- Collateral liquidation: users may neglect the platform and get bitcoin liquidated inadvertently, or external lending partners may mismanage and lose collateral.
- Insolvency: collateral values may drop suddenly and leave external lenders or the LeverDAO with excess bad debt, leading to a crash in LeverUSD's price.
- Protocol exploits: DeFi technology is still early and liable to attacks, many of which have happened on the industry's largest players.
- Lost private keys: users who lose these may permanently lose funds[21].

The most important tool for risk mitigation is community governance. Screening votes are designed to leverage experts and power users to diligence assets, partners, collateral stewards, and whitelisted tokens. Lever prioritizes track records, makes investment collateral public, considers high yield offers dangerous, and tries to cultivate a platform for reliable, passive income generation. These processes are likely to attract power users who are well capitalized and share similar investment priorities, creating a positive flywheel on community governance. This helps diminish the risks of illiquid investments, adverse issuer selection, collateral liquidation, insolvency, and protocol exploits.

A second tool for risk mitigation is Lever's compatibility with external capital markets platforms. Many tokenization and private markets software companies were built with resilient licenses and technologies, which Lever does not seek to recreate. The responsibility of

[21] Lever can only mitigate this by reminding users to take care of their private keys, as any other on-chain platform.

evaluating investments ultimately lies with investors, but Lever works with teams whose business models revolve around providing guarantees and sourcing quality investments. Lever is built to be a financing tool, embeddable into any capital markets platform. This helps diminish the risks of illiquid investments and adverse issuer selection.

Lever's long term risk mitigation revolves around its commitment to DeFi. Centralized services can provide simpler user experiences, but such platforms force users to sacrifice visibility and control over their portfolios. Lever's evolution into a decentralized exchange with community governance makes users agents in their financial futures, minimizes financial surprises, reduces intermediary overhead costs, and unlocks faster, flexible settlement. Lever represents an alternative not only to esoteric DeFi like staking, but also to crypto's long history of centralized rehypothecation.

APPENDIX

Table 1: LeverUSD Feature Set

Feature	Description	Impact
Stability Fee	Variable interest on minted balances, must be paid to unlock collateral.	Higher fees reduce minting and raise LeverUSD prices.
Liquidation	Dutch auction where traders buy collateral with LeverUSD.	Earnings burned to lower bad debt and reverse drops in LeverUSD prices.
Debt Ceiling	USD limit to the total amount of LeverUSD that can be minted.	Lower ceilings reduce minting to raise LeverUSD prices.
Savings Rate	Yield on LeverUSD savings, raised from the Stability Fee.	Raising rates increases demand to raise LeverUSD prices.
Stablecoin Swaps	Swaps for arbitraging between LeverUSD and other stablecoins.	Constant trading erases price differences to maintain the USD peg.
Reverse Auction	LeverUSD auction where traders pay collateral to reduce excess liquidation.	Returns LeverUSD into circulation to mitigate liquidation price hikes.
Liquidation Penalty	Extra sum sold from liquidated collateral.	Extra burning reduces LeverUSD circulation to reverse price drops.
Lever Buffer	Fund for covering bad debts, raised from Stability Fee and Liquidations.	Deploying buffer reduces bad debt to reverse LeverUSD price drops.
Emergency Shutdown	Triggered to protect against extreme market volatility, attacks, or upgrades.	Freezes circulation to leave LeverUSD price constant.
Vault Differentiation	LeverUSD supports multiple collateral assets with different rules.	Enforcing higher collateralization for risky vaults avoids risk of bad debt.
Real World Collateral	LeverDAO can add support for real world collateral assets.	Stable collateral with yield reduces bad debts but adds legal complexity.
Intermediary Oracle	Relay system for oracle data of collateral and LeverUSD.	Relays after a delay, with freeze option, to protect smart contracts from attacks.
Stepwise Liquidation	Collateral is not entirely liquidated, only a portion is to reach solvency.	Gets debt slightly below LTV ratio to reduce excess LeverUSD burning.
Freeze Function	LeverUSD balances can be frozen according to legal requirements.	Improves LeverUSD's ability to access regulated, real world markets.
Vote Execution Delays	Votes go through 2 rounds, and final votes take up to 24 hours to execute.	Delays give time for extra security screening and technical evaluation.