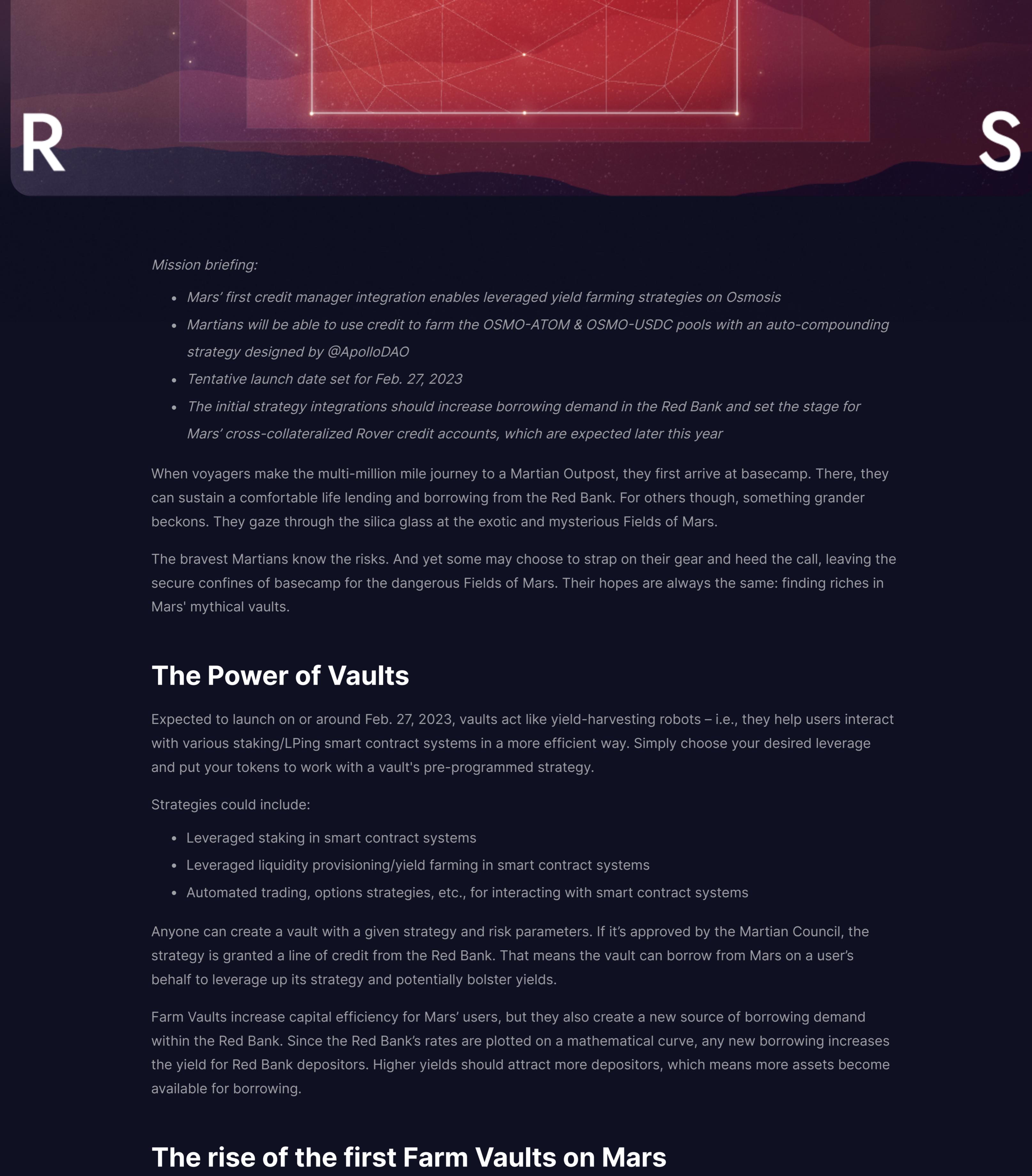


Announcements

Mars Protocol to launch Farm Vaults on Osmosis Outpost

FEBRUARY 23, 2023



Mission briefing:

- Mars' first credit manager integration enables leveraged yield farming strategies on Osmosis
- Martians will be able to use credit to farm the OSMO-ATOM & OSMO-USDC pools with an auto-compounding strategy designed by @ApolloDAO
- Tentative launch date set for Feb. 27, 2023
- The initial strategy integrations should increase borrowing demand in the Red Bank and set the stage for Mars' cross-collateralized Rover credit accounts, which are expected later this year

When voyagers make the multi-million mile journey to a Martian Outpost, they first arrive at basecamp. There, they can sustain a comfortable life lending and borrowing from the Red Bank. For others though, something grander beckons. They gaze through the silica glass at the exotic and mysterious Fields of Mars.

The bravest Martians know the risks. And yet some may choose to strap on their gear and heed the call, leaving the secure confines of basecamp for the dangerous Fields of Mars. Their hopes are always the same: finding riches in Mars' mythical vaults.

The Power of Vaults

Expected to launch on or around Feb. 27, 2023, vaults act like yield-harvesting robots – i.e., they help users interact with various staking/LPing smart contract systems in a more efficient way. Simply choose your desired leverage and put your tokens to work with a vault's pre-programmed strategy.

Strategies could include:

- Leveraged staking in smart contract systems
- Leveraged liquidity provisioning/yield farming in smart contract systems
- Automated trading, options strategies, etc., for interacting with smart contract systems

Anyone can create a vault with a given strategy and risk parameters. If it's approved by the Martian Council, the strategy is granted a line of credit from the Red Bank. That means the vault can borrow from Mars on a user's behalf to leverage up its strategy and potentially bolster yields.

Farm Vaults increase capital efficiency for Mars' users, but they also create a new source of borrowing demand within the Red Bank. Since the Red Bank's rates are plotted on a mathematical curve, any new borrowing increases the yield for Red Bank depositors. Higher yields should attract more depositors, which means more assets become available for borrowing.

The rise of the first Farm Vaults on Mars

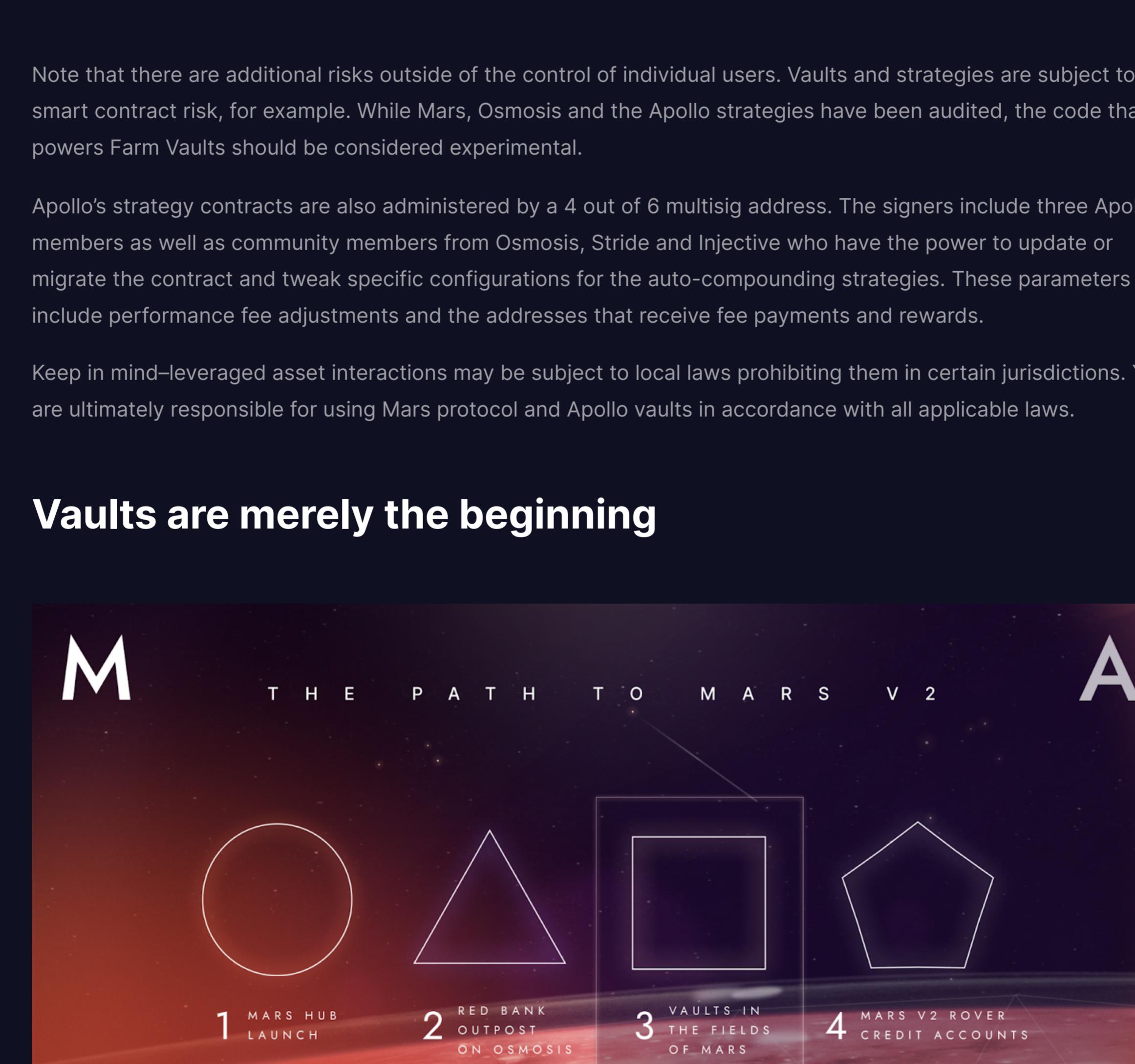
The yield farming automation protocol [Apollo DAO](#) is focused on deploying yield automation strategies throughout the Cosmos. Mars and Osmosis contributors collaborated with Apollo to develop auto-compounding vaults on Osmosis.

[Audited by Oak Security](#), Apollo's strategies give Osmonauts the ability to farm two Osmosis pools (OSMO-ATOM and OSMO-USDC) with auto-compounding for boosted APY. When accessed via Mars' Farm Vaults, users can apply leverage from the Red Bank.

Note that the first Farm Vaults, formerly known as the Fields of Mars, will launch with the following deposit caps:

- OSMO-ATOM: \$2 million
- OSMO-USDC: \$750,000

The Martian Council will have the ability to raise or lower those caps based on the performance of the vaults.

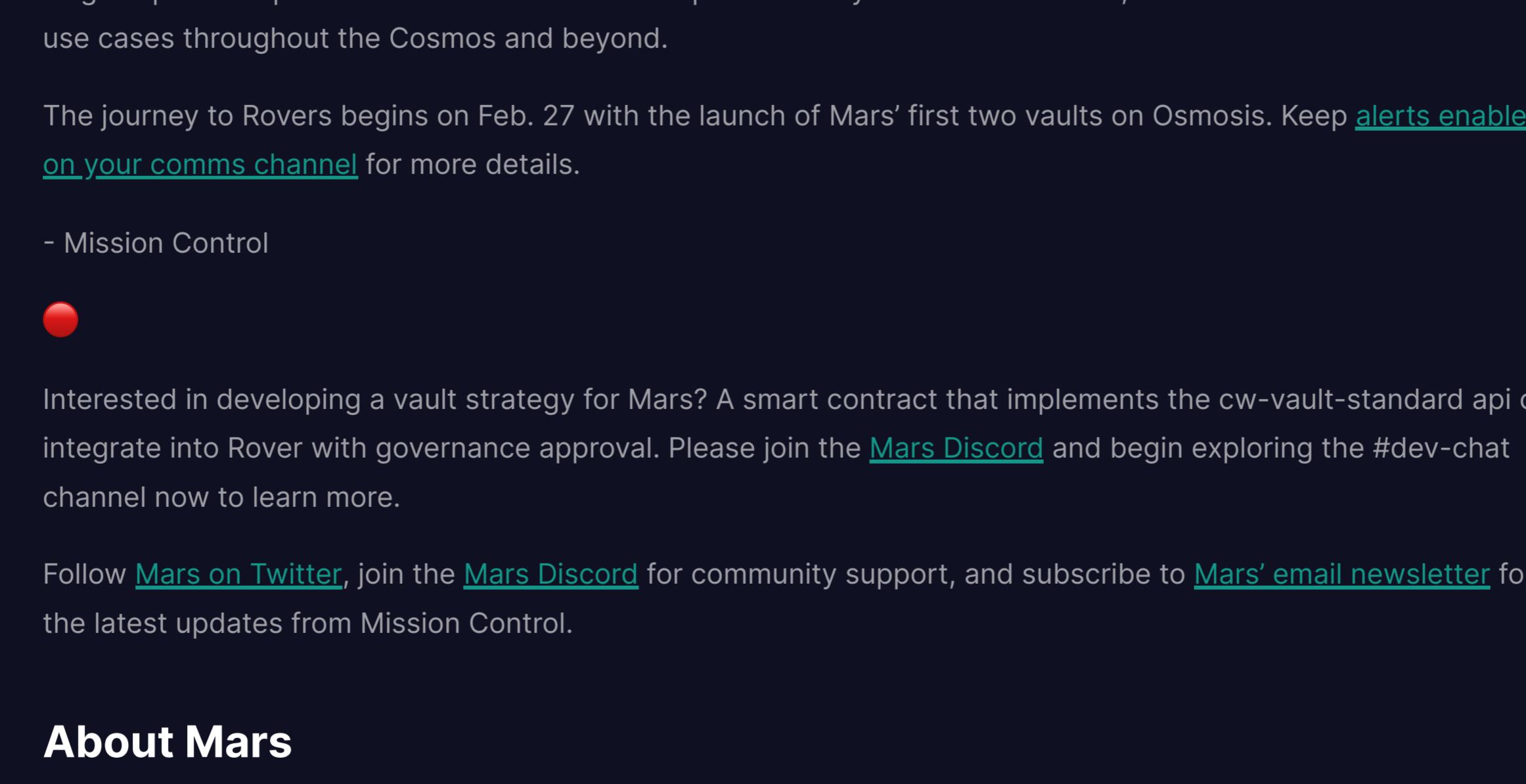


Upon launch, users will be able to visit the "FARM" tab on [osmosis.marsprotocol.io](#) to deposit an asset (i.e. ATOM, OSMO, or USDC). Then, they can borrow the vault's other required token to leverage up their positions.

For example, imagine a trader who wants to enter the OSMO-ATOM pool. They can deposit ATOM, then borrow OSMO to initiate a leveraged vault position. On the backend, Mars smart contracts will deposit ATOM and OSMO into the relevant liquidity pool on Osmosis, then send the LP tokens to Apollo DAO's auto compounding vault to stake the resulting LP tokens.

From that point forward, depositors will collect trading fees from the pool. The vault will also automatically harvest all rewards and use them to auto-compound the underlying LP position.

The image below shows at a high level how the OSMO-ATOM strategy works.



To earn the highest possible rewards when LPing on Osmosis, a 14-day bonding period is typically mandatory. Since Mars vaults require the ability to liquidate at-risk positions in real-time, Apollo submitted a [successful governance vote](#) on Osmosis to bypass the bonding period *if and only if* a leveraged position requires liquidation.

The vote successfully passed on Feb. 21, 2023, and it ensures Apollo's contracts can liquidate and sell LP tokens without waiting for the bonding period to pass.

Risk and reward in the Farm

Leverage offers farmers the ability to earn far more than they otherwise might. For example, with 2x leverage, an Osmosis liquidity pool that's yielding 15% could be boosted to 30% on Mars – minus any borrowing costs. If borrowing OSMO from the Red Bank costs 5%, for example, the boosted yield on a 2x position would be around 25% (30% yield minus 5% borrowing costs).

In general, if the value of your underlying collateral rises or stays flat, your earnings should rapidly outpace your borrowing costs, and you'll continue to grow your share of the underlying Osmosis liquidity pools.

Higher rewards also come with higher risks, though. If the value of your collateral falls for any reason, you may need to deposit additional collateral or close your vault position at a loss. Should you fail to do that (and your account health factor falls below 1), a portion of your LP share could be liquidated.

In addition to liquidation risks, all astronauts will need to actively monitor their positions for:

- Increased borrowing costs from the Red Bank
- Impermanent loss – that is, losses incurred by volatility or changes in the Osmosis pool's composition, which could lead to the value of your LP shares falling below what they would be if you had passively held the two individual assets instead of providing them into a liquidity pool

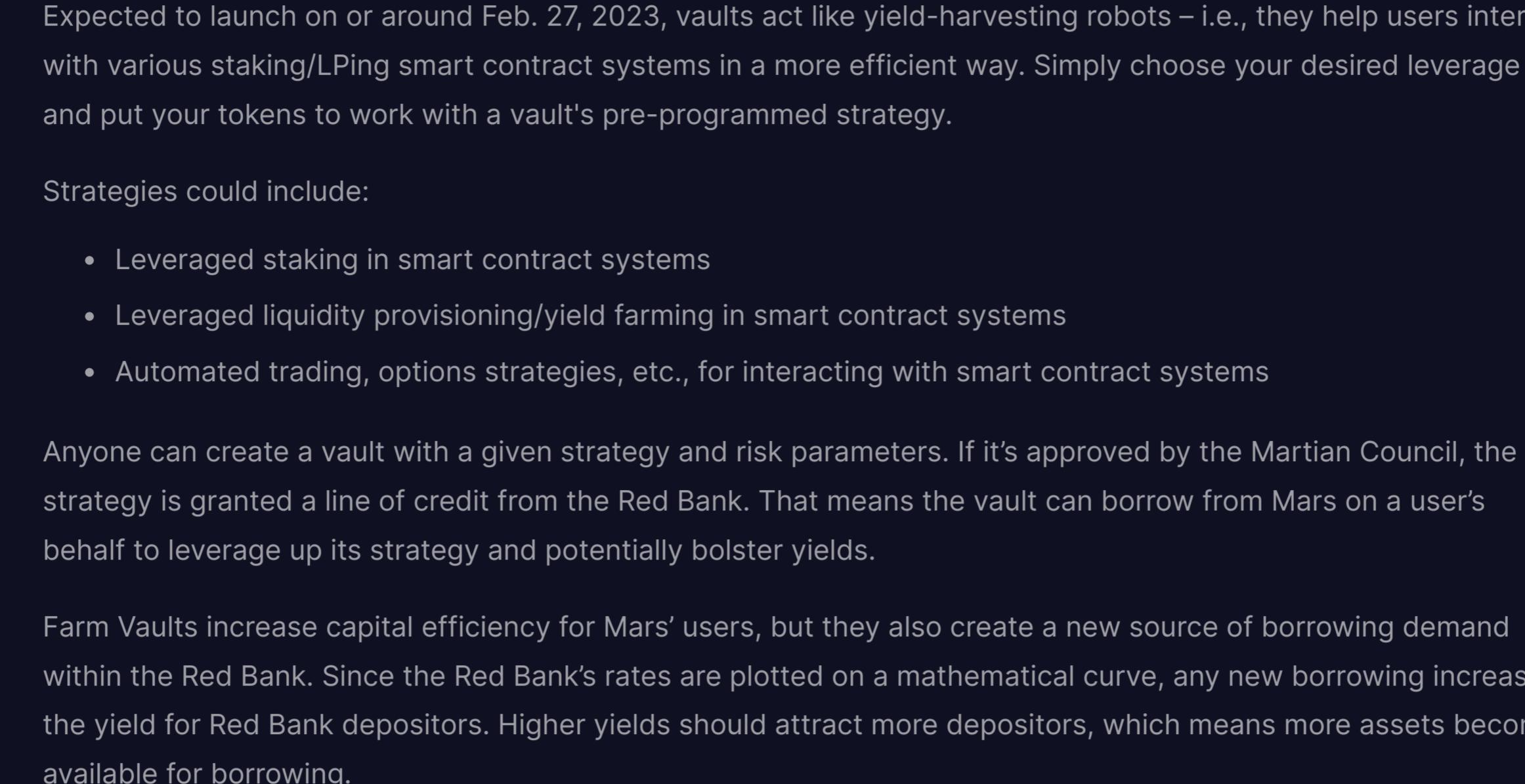
With careful stewardship, though, Farm Vaults coupled with leverage provided by the Red Bank have the potential to dramatically boost yields for LPs throughout the Cosmoverse.

Note that there are additional risks outside of the control of individual users. Vaults and strategies are subject to smart contract risk, for example. While Mars, Osmosis and the Apollo strategies have been audited, the code that powers Farm Vaults should be considered experimental.

Apollo's strategy contracts are also administered by a 4 out of 6 multisig address. The signers include three Apollo members as well as community members from Osmosis, Stride and Injective who have the power to update or migrate the contract and tweak specific configurations for the auto-compounding strategies. These parameters include performance fee adjustments and the addresses that receive fee payments and rewards.

Keep in mind-leveraged asset interactions may be subject to local laws prohibiting them in certain jurisdictions. You are ultimately responsible for using Mars protocol and Apollo vaults in accordance with all applicable laws.

Vaults are merely the beginning



This release's most radical innovation happens behind the scenes. It's Mars' credit manager, which makes vaults possible and will enable more innovation in the future.

The credit manager is a smart contract that gives Martians the ability to create and interact with credit accounts. Specifically, credit accounts:

- Are granted permission to borrow from the Red Bank on a user's behalf
- Monitor the health factor and LTV ratio of positions and – when required – manage liquidations
- Wrap each credit account in a transferrable NFT
- Grant vaults access to credit account assets for specific actions (i.e. auto-compounding LP positions)

Initially, each deposit into a Farm Vault creates its own standalone credit account. [Later this year](#), Mars aims to launch cross-margin credit accounts dubbed Rovers.

Rather than holding a single position, Rovers will allow you to create many positions in a single credit account. All the collateral in those positions can be aggregated and used to borrow more capital from the Red Bank.

That means users could enter a vault and use that position as collateral to enter another vault or – pending approval by the Martian Council – engage in spot trading, margin trading, leveraged staking, lending, borrowing directly from the Red Bank and more.

Since everything's on-chain, all the positions in a specific Rover will be cross-collateralized and managed by a single liquidation point. Each Rover will also be represented by a transferable NFT, which should unlock novel DeFi use cases throughout the Cosmos and beyond.

The journey to Rovers begins on Feb. 27 with the launch of Mars' first two vaults on Osmosis. Keep [alerts enabled on your comms channel](#) for more details.

- Mission Control

Interested in developing a vault strategy for Mars? A smart contract that implements the cw-vault-standard api can integrate into Rover with governance approval. Please join the [Mars Discord](#) and begin exploring the #dev-chat channel now to learn more.

Follow [Mars on Twitter](#), join the [Mars Discord](#) for community support, and subscribe to [Mars' email newsletter](#) for the latest updates from Mission Control.

About Mars

Mars is a novel interchain credit protocol primitive facilitating non-custodial borrowing and lending for the Cosmos ecosystem and beyond. Its hub and outpost architecture allows Mars to operate on any chain in the Cosmoverse, and enables a new primitive: the Rover. Rovers can give their pilots DeFi superpowers to engage in virtually every activity they might encounter on a centralized exchange: spot trading, margin trading, lending and borrowing – all in a single decentralized credit account represented by a transferable NFT. Explore it now at [marsprotocol.io](#) or in the [Mars v2 Whitepaper](#).

DISCLAIMER

It is important to keep in mind that vaults and the smart contracts they help automate interaction with are all simply on-chain copies of software. We call these automation patterns "strategies", but they are really just efficient patterns of user interaction with smart contracts.

You are not borrowing from or lending to a counterparty, no counterparty is promising to pay you any interest rate or return, the vaults are limited to their programmed interaction scripts (i.e., there is no discretionary manager of your vault funds), and the ultimate source of "yield" is simply governance token emissions and fees generated autonomously by various smart contract systems.

Users are free to interact with those smart contract systems without Vaults as well—the Vaults merely automate certain ministerial actions like periodic harvesting and re-staking of governance token awards) that would otherwise need to be undertaken by each user manually.

Remember, Cosmos, Osmosis, and Mars are experimental technologies. This article does not constitute investment advice and is subject to and limited by the disclaimers and other information contained or referenced in the [Mars FUD Bible](#) which you should review before interacting with the protocol.

Previous post

Farm Vaults deployed on Osmosis Outpost

Next post

Outpost established: Mars deploys the Red Bank on Osmosis