Mars Updates

Mars and Terra 2.0

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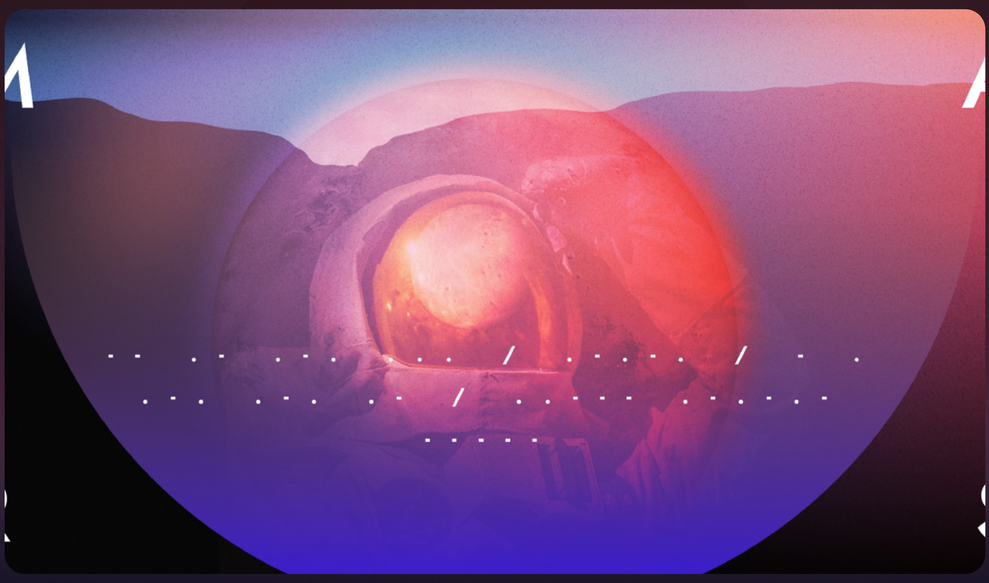

A fleet of Mars rovers has been deployed to explore launching an outpost of Mars' Red Bank on Terra 2.0. Early data suggests it's possible and in the article below, we'll explain how Mars gets there.

Recently, Mars contributors announced the rise of Mars Hub and an outpost on Osmosis. Mars Hub will be a sovereign chain, with its own set of validators securing the network. And outposts will deploy isolated instances of the Red Bank on different Cosmos chains, starting with Osmosis. This marks the beginning of Mars as a modular and flexible credit protocol that can serve not just a single chain, but the entire Cosmos ecosystem.

In a recent post on the Mars forum, @larry0x from Delphi Labs highlighted an overview for a potential Mars Hub architecture. In it, he describes "satellite markets" as self-contained lending protocols that are fully functional within their own chain, as well as the potential for market synchronization across different chains and interchain collateralization.

Given the potential architecture for Mars Hub, Terra 2.0 is a strong candidate for a Red Bank outpost. However, there are some hurdles that must be overcome.

First, a lending protocol only makes sense if the chain has a strong demand for borrowings, such as from leveraged trading or yield farming. It is uncertain at this point whether Terra 2.0 will have high levels of DeFi activities and demand for borrowing.

Second, credit protocols largely rely on oracles for asset price feed information. This determines the value of collateral and debts, as well as the appropriate loan-to-value ratios of user positions. For example, if an oracle's price feed is miscalculated and returns a lower value for a certain asset, a user can exploit the credit protocol by borrowing more of the miscalculated asset than they should be able to. On the other hand, if the miscalculation returns a higher value for an asset, a user can deposit the miscalculated asset and borrow more than they should be able to as well. Either direction, precise and reliable oracles are required for credit protocols to flourish.

What makes a good oracle?

Because off-chain oracle providers such as Chainlink are not always available for relatively new blockchains, using on-chain sources such as DEXs is often the only option. In such cases, what is required is deep liquidity for pairs. More precisely, research suggests a DEX pair (such as LUNA-USDC) typically requires liquidity of at least $100 million to deter most price manipulation attacks. This requirement can be lowered if the lending market uses conservative risk parameters, outlined in the Red Bank Asset Listing Framework. To learn more about oracles, price manipulation, and risk parameters, Delphi Labs has published a research report on the attack cost and profit from manipulating TWAP oracles in DeFi protocols.

Liquidity is king. The Red Bank relies on it to ensure security and liquidations with little slippage. With Terra 2.0 still in bootstrapping mode, Mars cannot deploy there immediately. As soon as a stable DEX with deep liquidity arrives, though, a Red Bank outpost could potentially be deployed on Terra 2.0 soon after.

For now, Osmosis has developed deep liquidity for ATOM and OSMO pairs. That makes it the perfect site for Mars' first Red Bank outpost.

Ultimately, though, Mars should go where users want and need its service. A future where Mars protocol provides Terra users with credit services is entirely possible as soon as liquidity and/or oracle requirements are met.

The future awaits.

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Unveiling the Mars airdrop and snapshot data

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The rise of Mars Hub and an outpost on Osmosis