What is lending and borrowing?

Drift Protocol is also a decentralised money markets protocol that supports the borrowing and lending of assets.

As a decentralised money markets protocol, you can:

- deposit assets into Drift Protocol and earn yield; or
- borrow assets deposited by other Lenders at a variable interest rate.

Lenders provide liquidity to the market to earn yield on their assets, while borrowers are able to borrow from available liquidity pools in an over-collateralised fashion. Any interest earned from lending is vested immediately and automatically compounds.

Example 1 - Borrowing:

You have 100 SOL worth 10,000 USD. You want access to USDC however you don't want to sell your SOL. What can you do?

You can deposit your SOL into Drift Protocol and borrow up to 50% of the value you deposited in USDC. For 100 SOL worth 10,000 USD, you can borrow up to 5,000 USDC.

The borrowed amount can then be used to do anything, including to get leveraged exposure to particular assets via spot trading.

Example 2 - Lending:

You have 100 SOL worth 10,000 USD. You have conviction in SOL and you're not going to sell any time soon but you also don't want it to sit around idly doing nothing. What can you do?

You can deposit your SOL into Drift Protocol. The SOL you deposited can be lent out to Borrowers in the protocol. In return for lending out your assets, you'll earn a variable Deposit APR.

More information on lending APY will be released soon.

Delegated Accounts Supply & Borrow APY