PROPOSAL NAME

Unlocking $APE' potential: Building a credit market with MYSO Finance

PROPOSAL CATEGORY

Ecosystem Fund Allocation

TEAM DESCRIPTION

At MYSO, we are changing the way users borrow and lend. Our mission is to become the Amazon for crypto loans, where users can find a vast selection of loan options like nowhere else. By using the so-called Zero-Liquidation Loans primitive, we bring together borrowers who don't want liquidation risk with lenders who want exposure to a payoff similar to a covered call.

Our core team comes from a varied background of finance and engineering and has several years of professional experience in crypto. We have a deep understanding of both DeFi and TradFi (in particular financial derivatives), which allows us to synthesize concepts from both worlds.

- Aetienne, Founder & Developer

- Jamie, Lead Full Stack Developer

- Mykola, Senior Full Stack Developer

- Denis Golub, Growth and Research

- Matan, Designer

- dominic, Operations and Partnerships & Author of this proposal

ABSTRACT

MYSO Finance is building a novel peer-to-peer DeFi lending and borrowing protocol, using Zero-Liquidation Loans (ZLLs). ZLLs are a novel DeFi primitive that allow (i) borrowers to borrow without liquidation risk and (ii) lenders to lend in underdeveloped credit markets with higher yield potential.

For DAOs, ZLLs are a powerful new tool to increase the utility of their native token and to enable them to use their reserves in a more productive and strategic way.

We propose the creation of a lending market for $APE, utilizing MYSO's v2 protocol. This initiative can offer community members access to non-liquidatable loans, thereby enhancing the utility of the $APE token. If there is confidence in the continuous growth of $APE and a desire to offer more incentives to $APE token holders, establishing a non-liquidatable lending market is an effective way to achieve this objective.

BENEFIT TO APECOIN ECOSYSTEM

By using above described convertible Zero-Liquidation Loan product, it is possible to::

- Create credit markets for the $APE token without lengthy governance processes, oracle integrations, etc.

- Lend treasury reserves in a more strategic way that creates value for the overall community.

- Provide a unique borrowing experience to the ApeCoin's community, without liquidation risk.

- Reduce selling pressure for the $APE token and incentivize long-term holding.

- Fully customize and control the loans one underwrites.

- Signal high conviction on the $APE token and participate in a possible synthetic buyback strategy.

SPECIFICATIONS

Using MYSO, it's possible to offer fully customizable loan options to $APE token holders by simply setting up a lending vault and specifying the loan terms desired for lending.

For example, the grant recipient (i.e. Governance Working Group [GWG], see below) could set up a vault to lend out USDC (or any other token) and accept its native $APE token as collateral. The GWG can create multiple loan offers concurrently and define at which LTVs, tenors, and interest rates they'd feel comfortable lending. Updating/deleting these loan offers is also possible in a matter of minutes.

From a financial risk-reward perspective, the lender bears default risk that a loan may become undercollateralized and not be repaid. This resembles a deep in-the-money covered call strategy with a low delta. It's worthwhile to mention that the risk premium is set by the GwG and can be hedged outside and independently of MYSO, if needed.

MYSO's protocol fee starts at 0.1% and scales linearly to +0.4% for a loan with a duration of 1 year. To illustrate, the protocol fee for a loan with a 90 day tenor would therefore be at 0.2% of the collateral amount. Worthwhile to highlight that MYSO's protocol fee is currently set at 0.00%.

MYSO v1 was deployed on Ethereum in January 2023. MYSO v2 was deployed on Mantle end of August 2023, on Ethereum end of September 2023 and on Arbitrum mid of October 2023. As of today, MYSO has a $1.25m TVL.

Other organizations that have successfully implemented MYSO's lending protocol include:

- Olympus DAO

($500k pilot project for a gOHM/DAI lending market)

- Mantle

(created a lending market for $MNT), Rocketpool (we launched the first RPL/rETH credit market for their community)

- Pendle

(seeded a lending market for PT-sDAI Token), IndexCoop (to seed a lending market dsETH)

KEY TERMS

- Zero-Liquidation Loans (ZLL)

: Zero-Liquidation Loans are crypto-collateralized loans that are non-liquidatable. This means that borrowers will not have their collateral liquidated in case of market downturns or other risk factors. There are no liquidation thresholds and health factors to consider and borrowers can always reclaim their collateral as long as they repay their loan before expiry

- Loan-to-Value (LTV)

: Loan to Value is the ratio of a loan amount to the value of the collateral asset, expressed as a percentage

- Liquidation

: In DeFi, a liquidation is the forced closing of a loan position that occurs when the value of a borrower's collateral falls below a certain (liquidation) threshold

- Covered Call

: A covered call is an investment strategy where the investor sells call options (i.e. the buyer has the right but not the obligation to buy this asset) on assets they already own to generate income from the option premiums

- Buyback strategy

: A buyback strategy in DeFi directly involves repurchasing an asset to reduce its supply and potentially increase its value

PLATFORMS & TECHNOLOGIES

MYSO v2 smart contracts (three comprehensive audits: Trail of Bits, Omniscia and Statemind) deployed on Ethereum. To date, there have been no instances of bugs or exploits identified in MYSO v2.

STEPS TO IMPLEMENT & TIMELINE

The following steps are necessary to set up an $APE credit market and can be completed in under one hour:

- Governance Working Group to create a lender vault on MYSO v2

- Governance Working Group to add the respective lending currency to the newly created vault (e.g. $USDC).

- Governance Working Group to create fully customizable loan offers/quotes by defining the accepted collateral currency (e.g. $APE), the lending currency (see previous step, e.g. $USDC), the loan tenor, the LTV and the fee structure (see screenshot below). It's important to highlight that MYSO has created a Loan Risk Tool as well as a Loan Pricing Tool to support the GwG creating these quotes. Moreover, MYSO would also be more than happy to offer bespoke support in creating these quotes.

- Governance Working Group to delete/update loan offers/quotes where they see fit

It's important to emphasize that MYSO is built with utmost flexibility in mind. MYSO not only supports multi-sig setups but also offers the option for the GWG to delegate loan quoting to an on-chain representative, where the GWG would only need to sign off the already created quotes. Additionally, there is also a whitelisting function that allows the GWG to create customized loan offers that can only be executed by eligible borrowers.

[

1600×729 129 KB

](https://global.discourse-cdn.com/apecoin/original/2X/a/a43900fb57856afafa40d83ea9b6bb1263fcdbbe.png)

OVERALL COST

$750,000 USD

In order to enable meaningful borrowing capacity, MYSO would recommend seeding $750k. It's important to note that the GWG retains full control over their lender vault, as well as the credit markets and loans they underwrite. The GWG also has the flexibility to withdraw their funds at any time, excluding the portion currently being lent out, or add more funds to their lender vault if they wish to do so.