# Summary

Following the declaration of intent for investment in T-Bills in February 2022, MakerDAO has invested $2B in short-term bonds through off-chain structures, Monetalis Clydesdale and BlockTower Andromeda have provided a significant first mover advantage to MakerDAO. Since then, Tokenized T-Bills offerings have expanded greatly and should be explored to push Asset-Liability Management to the next level.

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# Related threads:

- MIP13c3-SP12: Declaration of Intent - Invest in short-term bonds

- Steakhouse Tokenized T-Bills Review 2023

- Some tokenized proposals

- Backed bIB01/bIBTA proposal

- Ondo fDAI

- Franklin Templeton BENJI

- Matrixdock STBT

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# Motivation

Following the declaration of intent for investment in T-Bills in February 2022, MakerDAO has invested $2B in short-term bonds through off-chain structures, Monetalis Clydesdale and BlockTower Andromeda providing a significant first mover advantage to MakerDAO. As laid out in a previous forum post (see below), the journey to MakerDAO success, these off-chain T-Bills investments aren't the endgame, but only a first step.

Modeling DAI maturity

Step 1: Off-chain ETF managed by a Foundation/Trust under the control of MakerDAO

Step 2: On-chain tokenized ETF

Step 3: On-chain tokenized ETF that we can use as collateral on repo-markets (Aave) to get liquidity if needed

Step 4: On-chain tokenized ETF that we use for market-marking (UNniswap LP, additional revenues) and that can be used as collateral on repo-markets to get liquidity if needed.

Step 5: The US Gov issue bonds in a permissionless tokenized form because the market is so efficient that it's cheaper than TradFi. MakerDAO is the primary dealer.

We propose a plan to the MakerDAO community to move from Step 1 to Step 2, i.e. investing in on-chain tokenized T-Bills. While this market didn't exist a year ago, it is now a >300M industry with strong growth and a diversity of players.

Moving to tokenized T-Bills products would bring the following benefits to MakerDAO:

- Higher transparency:oOff-chain structures are by definition more opaque and getting transparency is difficult and costs internal resources. For tokenized T-Bills, those processes are streamlined. For instance here are Ondo daily attestations.

- Simpler accounting: off-chain investing generates revenues lag as the profits need to be returned manually. With a tokenized T-Bills product, you just need to multiply the amount of tokens with a daily price feed.

- Less complexity: managing off-chain structure and dealing with them is complex and time intensive due to the many

parties involved in the process. DAOs are probably not the best structure to manage this complexity.

- More easily automated: with tokenized products it will become possible to automate the Asset-Liability Management which is currently manual and slow.

- Faster redeemability: with some on-chain products, redeemability for stablecoins is much faster than selling for fiat off-chain and moving back into stablecoins

On the other side, tokenized T-Bills exposes the protocol to higher counterparty risk. A competitive market should nevertheless favor the more secured ones.

# Different liquidity/yield profiles

The offerings are diverse and cover different needs. They would allow MakerDAO to diversify and leverage different trade-offs without recreating the wheel. We see three interesting kinds of products. We provide one example product every time for illustration only.

## Super liquid non volatile products

Those products are technically more Repo-like products than tokenized T-Bills, i.e. lending protocols where the tokenized T-Bill is the collateral. There is always some instant liquidity or incentive to create some. One key feature is that the value of this investment is only going up and never down (beside tail-risks) which removes the risk of selling at a bad time.

A good example is Flux fDAI which is a lending market against OUSG collateral (Ondo tokenized T-Bills product). It earns a bit less than the 3-Month T-Bill on average but provides intrablock liquidity (that we can estimate 10% of the lending market). Should it become illiquid, it favors borrowers to unwind shortly (a few days) or refinance with another currency (USDC for instance).

This kind of product would be perfect as the first line of defense of the peg to absorb daily fluctuations of the demand for DAI.

## Frictionless products

Frictionless products might take time to subscribe and redeem but they don't have minting/burning costs. They should be able to provide better rates than the previous category as the subscription/redemption process can take time (up to a few days, so not instant liquidity).

An example is Maple Cash USDC, the tokenized T-Bills product of Maple. It also has the feature of having only upward prices (beside tails risks).

## Longer term products

Finally, the last category of product is those that take transaction fees (either subscription/redemption cost on the primary issuer or trading fees on the secondary markets) and have some price volatility (price of the token can go down a bit due to interest rate fluctuations and duration risk.

Good examples here are bIB01 and bIBTA from Backed Finance. Those would be kept as backbone and sold last (or used on lending markets to borrow USDC).

# Experimentation

We suggest that MakerDAO consider allocating up to 100M to develop and experiment with tokenized T-Bill products.

We don't foresee reducing significantly or taking down Andromeda or Clydesdale in the foreseeable future.

# Next steps

- Steakhouse will provide legal and financial competencies

- PhoenixLabs will provide technical competencies

- BlockAnalitica will contribute to help understand some risks where we lack knowledge (lending protocols)

- Community can provide comments, discussions, support or pushbacks. Every input will help us provide next steps that are more tailored to MakerDAO governance wishes.