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discussions-to: [Treasury Utilization Opportunity with OUSD](#)

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Origin Protocol References:

- [Origin Core Website](#)
- [OUSD Website](#)
- [dApp](#)
- [Analytics](#)
- [Gitbook](#) (docs)
- [Github](#)
- [OUSD Contract](#)
- [Audits](#)
- [Blog](#)
- [Discord](#)
- [Twitter](#)
- [Telegram](#)

## Summary

Lido will convert up to 15% of the idle DAI in the treasury into Origin Protocol's OUSD to generate passive yield for the Lido DAO.

## Abstract

The core team/treasury manager will convert up to 15% of the idle treasury DAI (up to ~2,056,215 DAI) into Origin Protocol's stablecoin OUSD to generate yield, within 60 days of proposal ratification, or within 90 days if the core team, Steakhouse, DAO, and greater community would like to include a month for OUSD test transactions to ensure yield is generating properly into Lido wallets.

## Motivation

Per the [forum post](#) in January, the Lido DAO treasury needs a plan for lengthening the DAO's runway. At the time of the post, the DAI savings rate was the proposed solution, which would generate up to 1% (up to 0.2m) in additional revenue for the DAO. In a [forum post](#) the following month, ideas were floated to deploy the stablecoin within permissionless money-markets, and to diversify the Lido treasury stablecoin.

The goal of this proposal is to generate yield for the Lido treasury, while checking the boxes of the previous forum posts regarding diversification, utilization of money-markets, and amount of yield generated. We believe that the Origin Dollar will be the key component to this.

## Specification

Overview

The Origin Dollar (OUSD)

OUSD is an ERC20 stablecoin that generates yield while sitting in your wallet. Backed 1:1 by USDC, DAI, and USDT at all

times; holders can go in and out of OUSD as they please. Yield is paid out daily and automatically (sometimes multiple times per day) though a positive rebase in the form of additional OUSD, proportional to the amount of OUSD held. OUSD yield, currently ~5% APY, comes from a combination of:

1. Lending collateral to Aave, Compound, Morpho, Curve, and Convex
2. Reward tokens (AAVE, COMP, CRV, and CVX) are automatically claimed and converted to stablecoin
3. A 25bp exit fee is charged to those who choose to exit OUSD via the [dapp](#) (completely avoidable if using DEX or CEX), this fee goes back to OUSD holders
4. OUSD sitting in non-upgradable contracts (more than half the OUSD in existence) does not rebase, instead the interest generated from those tokens is provided to those that can rebase

These 4 yield generating functions combined enable OUSD to generate higher yields than lending directly to any single protocol manually. Each week a [governance vote](#) is held to determine the best allocation of OUSD collateral between the whitelisted strategies, voted on by OGV holders. OGV is the governance token for OUSD, and any token holder can participate in these votes after staking their OGV for veOGV. OGV holders also have the ability to propose new yield strategies for OUSD.

There is no set emission schedule for OUSD - similar to stETH, OUSD is minted on demand when users lock their stablecoin into the protocol, and burned on demand when users exit OUSD for the collateral stablecoin. OUSD is completely non-custodial, there are no lock-ups, terms, or conditions. Any web3 wallet should be able to support OUSD and its rebasing function, including hardware wallets and multi-sigs. There's no need to ever again give up the keys to a 3rd party platform, such as Celsius, Blockfi, or FTX, to earn yield.

In early 2022, OUSD reached a [market cap \\$298m](#), with no issues, and without diminishing the daily [rebase payments](#); OUSD can easily function with scale. Since OUSD is backed 1:1 by its collateral assets at all times, and OUSD and its collateral are stablecoins, OUSD market cap = OUSD supply = OUSD TVL. The current OUSD market cap is ~\$34.8m as of March 30, 2023, growing each day with each rebase.

#### Rationale

The reasoning for this proposal is that Lido can generate a significant amount of yield with OUSD, without having to deploy the entire treasury, and without leaving the treasury wallet, all while being diversified among multiple stablecoin simultaneously.

With the current size of the treasury, deploying all idle treasury DAI to the DSR at 1% would yield about 137k over the year, while deploying 15% of the treasury into OUSD would generate between \$84k - \$4.076m per year (\$230 - \$11,168 per day) at the OUSD APY over the past month, before accounting for compounding interest.

#### Estimated Return

Please use [this calculator](#) to estimate the OUSD return per month and per year over 16 quarters. On the calculator, cells in green are investments made at the beginning of the month (if the DAO would like to initiate recurring swaps into OUSD) while cells in orange are months with no additional OUSD investment. Parameters you may want to change and explore in the calculator are cells B70 - B73, B76 - E79, and B81 (outlined in bold boxes). To change the OUSD APY, investment amount, or test transaction amount, select File > Make a Copy.

#### Monitoring and Reporting

While there is no need to actively manage an OUSD position due to the automated features of OUSD, monitoring of the current OUSD APY, strategies, and backing collateral, is always available in real time on the [OUSD Analytics](#) page. A three month day-to-day OUSD APY can be seen on [this page](#) on the analytics site, updated daily, while a longer history of the OUSD APY is available via this [Dune query](#). API endpoints containing OUSD data are also available via the [API page of the OUSD docs](#). To assist with reporting and decision making, the Lido/Stakehouse team can use [this link to join](#) the distribution list that will receive a weekly OUSD analytics report. Here is an example analytics email from November 2022:

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Analytics email

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](<https://europe1.discourse-cdn.com/business20/uploads/lido/original/2X/e/e2782fa10fcb25ee0145c5c819af6e561ad40742.jpeg>)

#### Exiting OUSD

There are no lockups with this proposal, Lido can move in and out of OUSD as the core team, Steakhouse, DAO, and greater community desires. OUSD remains completely liquid at all times, and can be spent in the same way as its backing stablecoins, or unwound at the speed of the Ethereum blockchain, if unexpected expenses were to arise. When the core

team, Steakhouse, DAO, and greater community decide enough yield has been generated for the treasury from OUSD, Lido can exit OUSD using any of the same methods used to enter OUSD. OUSD on-chain liquidity is in the tens of millions, with the [Curve Factory Pool](#) having the majority of the liquidity, followed by [Uniswap](#).

## OGV Bonus

Should Lido invest \$5M or more DAI into OUSD, Origin would be willing to include bonus incentives to Lido in the form of OUSD's governance token, OGV.

As a token of appreciation and to align incentives over the long term, Origin will give Lido up to 0.15% of the current total supply of OGV. Origin will provide Lido a payment of 0.05% of the initial OGV supply (2m OGV) over 4 years on this schedule, should Lido continue and not dissolve or reduce below its \$5M OUSD allocation at which point all pending OGV payments described in this section would be removed:

### \$5m OUSD OGV allocation schedule

- 0.5m OGV after year 1
- 0.04166665m OGV per month for the 36 months following year 1

If during the first 6 months of initial deployment into OUSD, Lido has an average balance greater than \$5M OUSD, there will be a linear increase to the amount of OGV provided to Lido up to a maximum of 0.15% initial OGV supply (6m OGV) at \$30M OUSD allocation. If Lido decides to dissolve or reduce its OUSD position below the initial 6-month average established, the future OGV payment schedule will be recalculated based on the reduced allocation rather than the initial 6-month average.

By holding OGV, Lido will have the opportunity to participate in OUSD governance and will have a say in OUSD's future. Additionally, OGV recognizes that Lido could be a key strategic partner and would like to offer an aligned incentive structure that encourages mutual success.

If the Lido treasury wallet holds less than \$5M OUSD, it will still receive the daily OUSD rebase rewards, but will not be allocated any OGV tokens.

## Security Considerations

### Risk Mitigation

There are four risks when using OUSD, and Origin is making sure to reduce each risk as much as possible:

#### Counter-party risk

- OUSD is governed by stakeholders around the world. Everything from yield generation to fee collection and distribution is managed by a set of smart contracts on the Ethereum blockchain. These contracts are upgradeable with a timelock and are controlled by hundreds of governance token holders. While the initial contracts and yield-earning strategies were developed by the Origin team, anyone can shape the future of OUSD by creating or voting on proposals, submitting new strategies, or contributing code improvements. We intend for all important decisions to be made through community governance and all smart contracts are now owned by the DAO.

#### Smart contract risk of the yield strategies

- Origin is only using platforms for yield generation that have a proven track record, have been audited, have billions in TVL, maintain a bug bounty program, and provide over-collateralized loans. Over-collateralization in itself, combined with liquidations, provides a reasonable level of security for lenders.

#### Stablecoin risk

- Origin has chosen 3 of the largest stablecoins to ever exist to back OUSD, and they have stood the test of time and maintained their peg quite well through multiple bull and bear cycles. They have also demonstrated significant growth in circulating supply, so the Origin team is confident that the 3 stables will maintain or re-gain their peg and that OUSD will remain stable. OUSD is also using Chainlink oracles for pricing data for DAI, USDC and USDT to ensure accurate pricing at all times. In situations where DAI, USDC and USDT fall below the \$1 peg, [OIP-4 disables minting](#) of additional OUSD tokens using the de-peged asset.

#### Smart contract risk of OUSD

- Origin is taking every step possible to be proactive and lessen the chance of losing funds. Security reviews of OUSD are prioritized over new feature development, with regular audits being done, and multiple engineers are required to review each code change with a detailed checklist. There are timelocks before protocol upgrades are launched, and deep dives into the exploits of other protocols are constantly being done to make sure the same exploits don't exist on Origin contracts. Security is extremely important to the Origin team. 7+ audits have been done since 2020, all of which can be seen on [Audits - OUSD](#), and OpenZeppelin is now on retainer. On-chain insurance protocol InsurAce awarded OUSD the highest possible security rating of AAA, of which only four projects on the InsurAce platform have received.

Origin also holds two of the top four spots on the [Immunefi leaderboard](#) when sorted by average response time to pay or close a bug bounty.

## Technical Specification

Very little work is necessary to implement this proposal. If Lido would like to keep the funds within the Aragon client, the required steps are:

1. Using the Aragon agent app, convert the DAI into OUSD via any of the following methods:
2. Minting on [OUSD.com](#)
3. Swapping on [Curve](#)
4. Swapping on a DEX [aggregator](#)
5. Lido will "Opt in" by calling the `rebaseOptIn()`

function

Yield generation for Lido will begin within 24 hours of holding the OUSD within the Aragon client wallet.

If using a Gnosis Safe-connected wallet instead, Lido will convert the DAI into OUSD using the OUSD dApp within Gnosis, and then will "Opt in" to yield generation by clicking the Opt in button within Gnosis or

by calling the `rebaseOptIn()`

function.

A screenshot of the Opt in button on Gnosis can be seen here:

[

Gnosis

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](<https://europe1.discourse-cdn.com/business20/uploads/lido/original/2X/9/95a31326a27f124b06bdd6222bbf3a79046483e3.png>)

OUSD is also available for purchase via various centralized [exchanges](#), as well as via OTC desk with Origin's market maker.

## Test Cases

A test case for converting idle DAO treasury stablecoin into OUSD can be seen with Popcorn Network:

- Proposal - [\[PIP-14\] Treasury Management with OUSD](#)
- Token swap transaction: [Ethereum Transaction Hash \(Txhash\) Details | Etherscan](#)
- Recurring yield to the treasury: [Popcorn Yield](#)

OUSD is going through the governance process for DAO treasury investment with several other DAOs, including:

- Rook - [Treasury Utilization Opportunity with OUSD](#)
- Aavegotchi- [Origin Protocol's OUSD for Treasury Yield](#)

Several OUSD integrations are also in process, including:

- Aave - [Add support for Origin Dollar on Ethereum V3](#)
- Ondo - [Adding OUSD Support](#)
- dForce - [Proposal to add OUSD as a Supply/Borrow Asset](#)
- PoolTogether V5 - [Using OUSD for yield generation](#)

## Peg Stress Test

Since OUSD is partially backed by USDC and DAI, the price of OUSD also fell below \$1 for a period of time during the weekend of March 10, 2023. During this time, arbitrageurs were able to buy OUSD at the cheaper price on AMMs, then redeem the OUSD via the dApp into a basket of stables (USDC, USDT and DAI), which they sold back to the market for a

profit. With each dApp redemption, OUSD collected a fee (#3

on the yield generation section above), and there were lots of redemptions during this weekend. When the price for USDC and DAI returned to peg, the entire cost was borne by those that sold their USDC and DAI for less than \$1. If the price stayed down, LP's will have traded more valuable OUSD for the less valuable USDC, and will have taken a loss.

In either case, OUSD holders have more stablecoins than they started with, with external parties bearing both the risk and the loss. OUSD holders made a total of \$120K in yield during the market events. OUSD APY increased from ~4.6% to [~42%](#) (7-day trailing) and was trading back at 0.99 within 17 hours of losing its peg. The 1/3 backing of OUSD by USDT helped prevent the OUSD peg from falling as low, and for as long, as USDC and DAI.

As mentioned earlier in the proposal, in situations where the price of DAI, USDC or USDT fall below \$0.998 [OIP-4 disables minting](#) of additional OUSD tokens using the de-pegged asset. OUSD fully restored to \$1 within 36 hours as opposed to USDC and DAI which remained severely depegged for almost 3 days.

Many members of the Origin team, including both founders, are holding a significant portion of their personal wealth in OUSD. Origin Protocol's corporate treasury is also holding millions of dollars in OUSD. We have skin in the game and are willing to put our own money at risk with the code we have written.

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