Exploring Collaborative Use Cases across Ethereum, Cosmos, and Polkadot : Frax

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Welcome to the inaugural article of our series "Exploring Collaborative Use Cases across Ethereum, Cosmos, and Polkadot." This series aims to shed light on the innovative possibilities that arise from cross-ecosystem collaborations enabled via the extension of the Inter-Blockchain Communication (IBC) protocol to Ethereum by Composable.

In this article, we explore the potential of collaborating with[Frax](#) to integrate their specialized ecosystem assets, such as sFRAX and sfrxETH, into the Cosmos and Polkadot ecosystems. By leveraging Composable's extension of the IBC protocol to Ethereum, Frax could introduce its novel and enhanced offerings into Cosmos and Polkadot.

Use-case explored: Frax x Cosmos x Polkadot via Composable's IBC

[Composable](#), the leading force in extending the IBC protocol to all ecosystems, and[Frax](#), a strong force in Ethereum for algorithmic stablecoins and staking solutions, could soon collaborate to launch sFRAX and sfrxETH on Cosmos and Polkadot via IBC. These assets offer unique financial benefits: sFRAX

aims to yield interest rates in line with the federal rate, whilesfrxETH

offers some of the highest yielding APR in Liquid Staking Derivatives (LSD).

Composable's IBC technology could serve as the secure connection for these assets, ensuring their smooth transition into the Cosmos and Polkadot ecosystems. This would enable sFRAX and sfrxETH to be integrated into various DeFi applications within Cosmos and Polkadot, thereby greatly expanding their utility and adoption.

[Composable's Ethereum IBC Connection](#)

Introducing sFRAX:

sFRAX is an ERC4626 staking vault that aims to yield interest rates close to the Interest on Reserve Balances (IORB) rate of the United States Federal Reserve. The vault's APY is based on a utilization function that adjusts to keep the bottom APY close to the IORB rate. Every week, newly minted FRAX stablecoins are added to the sFRAX vault, making it an attractive asset for risk-averse investors.

https://docs.frax.finance/frax-v3/sfrax

Introducing sfrxETH:

sfrxETH is an ERC-4626 vault designed to accrue the staking yield of Frax ETH validators. Users can exchange frxETH for sfrxETH, allowing them to earn staking yield. The exchange rate of frxETH per sfrxETH increases over time as staking rewards are added to the vault. This makes sfrxETH a high-yield asset, similar to other auto-compounding tokens like Aave's aUSDC and Compound's cUSDC.

https://docs.frax.finance/frax-ether/frxeth-and-sfrxeth

Use-case examples:

TL;DR

Via Composable's extension of IBC to Ethereum, Frax could introduce its specialized assets such as sFRAX and sfrxETH to new ecosystems such as Cosmos and Polkadot.

Meaning:

- sFRAX — a new decentralized stablecoin enters the Cosmos and Polkadot ecosystems.

- sfrxETH — a new blue chip asset could be introduced into the Cosmos and Polkadot ecosystems.

The Result:

- More assets.

- Increased liquidity.

- Cross-ecosystem user-base attraction: as Frax users may enter the Cosmos and Polkadot ecosystems and vice versa.

Liquidity Provision and Yield Farming

DEXs, such as [Osmosis](#), [Astroport](#), and [Pablo](#), could significantly benefit from the integration of sFRAX and sfrxETH. On the liquidity provision side, sFRAX could serve as a stable asset when paired with other native Cosmos or Polkadot assets like ATOM or OSMO, DOT or PICA, thereby stabilizing trading pairs and offering yield farming opportunities. sfrxETH, with its high-yield nature, could attract liquidity providers looking for diversified, risk-adjusted returns.

In addition to liquidity provision, Astroport, Osmosis, and Pablo could facilitate seamless cross-chain swaps between sFRAX, sfrxETH, and other native Cosmos or Polkadot assets, further abstracting the cross-ecosystem user experience. These platforms could also introduce lending markets featuring sFRAX and sfrxETH, allowing users to lend or borrow these specialized assets to optimize their financial strategies.

Benefits to other dApps and Users

For any dApps within the Cosmos and Polkadot ecosystems, the integration of sFRAX and sfrxETH could mean access to increased liquidity, new users, as well as access to stable and high-yield assets that can be used in a variety of financial products, from lending protocols to synthetic asset platforms. This could lead to increased user engagement and potentially unlock new value streams for these applications.

For users, the benefits also go further, as the potential for these assets to be used as collateral in lending markets or as liquidity in trading pools provides users with more options to optimize their financial activities without having to explore multiple ecosystems with varying wallets and infrastructures.

Looking Ahead: Expanding Utility

As we project into the future, Composable IBC to Ethereum has the potential to open up even more avenues for cross-ecosystem financial innovation and utility. Notably, assets from both the Cosmos and Polkadot ecosystems could flow seamlessly into Ethereum and vice versa. For instance, the future collaboration between Composable and Frax would allow tokens like ATOM, DOT, stATOM, and liquid staked DOT to soon find utility within the Frax ecosystem. Beyond mere integration, there's potential for these tokens to be accepted as collateral for minting FRAX stablecoins, further enriching the options and overall cross-ecosystem experience for DeFi users.

Looking even further, this kind of collaboration could pave the way for FRAX to be minted directly on the Cosmos network via the Composable Virtual Machine (CVM), thereby expanding the availability and utility of native FRAX. This forward-looking vision underscores the transformative potential of Composable's IBC to Ethereum as well as a potential Composable-Frax collaboration. All these teams aim to create a more interconnected and versatile ecosystem for users and developers, and soon these visions can be converged to bring exponential value to all stakeholders.

In summary, the potential integration of Frax's sFRAX and sfrxETH into the Cosmos ecosystem via Composable's IBC could open up a plethora of opportunities for both dApps and their users. It's a prospect that promises to make the Cosmos ecosystem even more robust, versatile, and user-friendly.