We'll begin this with a brief introduction to the yield ecosystem that's being constructed on Web3 infrastructure. At the core of this conversation is the stablecoin Dai, which plays a vital role in Web3 as a decentralized stablecoin. We will also explore the potential of a SubDAO in creating a user interface that addresses the unique challenges faced by Dai holders as they navigate the complex and diverse yield ecosystem being built on web3. The ultimate goal is to simplify the process of selecting the right yield source by providing all necessary information at their fingertips.

Dai is a key instrument for earning yield, essentially placing it at the center of the yield universe.

## Role of stablecoins in yield protocols

Stablecoins are particularly suited to serve as the base tokens for various yield protocols, thanks to their low volatility risk. While ETH staking yields a risk-free return denominated in ETH, holders face considerable volatility in the asset's price itself. In contrast, decentralized stablecoins like Dai are better equipped to serve as the underlying base assets for yield protocols due to their inherent robustness.

## Yield ecosystem on Web3

The roots of yield in Web3 can be traced back to MakerDAO. This platform pioneered the current rate accumulator model, enabling smart contracts with limited computing resources to continuously distribute yield to a large group of holders using a single transaction. MakerDAO was also the first to offer a yield product in Web3, namely Pooled ETH (PETH). PETH allowed ETH holders to use their ETH as a liquidation backstop asset, earning yield from liquidation penalties in return.

Web3 offers a plethora of benefits to yield protocols, whether they generate yield natively on the blockchain through staking, farming, and lending, or from off-chain yield generated from government bills, etc. Users greatly benefit from the transparency of the mechanism and the deposits held by the yield protocol.

## Lack of comparative analysis to select the best yield source as a Dai holder

Currently, Dai holders have to independently evaluate each yield source or place their trust in a yield aggregator such as Yearn to generate yield for them. Yield sources like Aave and Compound typically concentrate on their own mechanisms, aiming to attract as many depositors as possible. However, there is a significant lack of information that would help Dai holders navigate the entire spectrum of available yield sources. Further, they need details that can specifically assist them in performing a comparison analysis as Dai holders. Higher yields generally come with greater risks, and sometimes it might be more prudent to choose another yield source with lower returns.

## SubDAOs can take on unique governance challenges and risks

SubDAOs present a unique opportunity to curate a superior user experience specifically tailored to Dai holders by specializing their community intelligence and governance capabilities solely on this task. They can curate information about yield sources to specifically meet Dai holders' needs. Moreover, SubDAOs can also assume some of the risks associated with yield as an aggregator, ensuring that individual holders can access novel products that might not otherwise be available. While MakerDAO adopts a holistic approach to managing the stablecoin and RWA assets, the SubDAO can take on a specialized role in managing native yield products like Term Dai and Notice Dai. Due to the immense complexity in the yield space, the SubDAO is well positioned to spawn more ephemeral or permanent ChildDAOs as well.