

Remarks and Insights from Discussion
AJCR Session

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Staking, DeFi, ..and Regs

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****personal thoughts and opinions not legal or investment advice****

Staking

- **Staking - essentially where you lock in your crypto assets, (without giving up ownership)**
 - Used to run network of nodes for transaction validation in maintaining the operations of a proof-of-stake (PoS)-based blockchain system as opposed to proof-of-work (PoW) which relies on computational resources for
 - Earn yield (passive income) as reward for transaction validation (as opposed to just holding assets)
 - Rewarded typically in the same 'staked' crypto asset or another crypto asset
 - Staking used as an incentive mechanism by platforms (eg: centralised and decentralised exchanges) to gain adoption and liquidity, and incentives are mostly provided by a crypto asset platform to gain traction (eg: stake USDT)
 - Given rise to 'yield-farming' where traders search for highest %yields and arbitrage between different platforms and assets
- **\$359bn current Market Cap**
 - ~20% of Total Crypto Market Cap
 - Proof-of-stake (PoS) assets outperformed the overall crypto market, falling only 20% on average quarter-over-quarter
 - 7.3% Ave. yield
 - In Q2, stakers earned an additional yield of \$1.21 to \$3.59 on a \$100 initial investment compared to those who simply held an asset
 - \$12.5bn Annual Staking Reward
 - Given rise to staking-as-a-service applications

Impact on DeFi

- Staked 'economy' has increased demand for DeFi innovation
 - DeFi - key financial services (lending/borrowing, trading) executed without a centralised marketplace/exchange
 - Total value locked (TVL) in decentralized finance (DeFi) projects, currently more than 30 times greater than at the halfway point of 2020
 - **~\$90bn Total Value Locked (TVL) in DeFi**

Total Value Locked (USD) in DeFi



DeFi - Lending

- Lending (\$42bn)
 - ~ 50% of DeFi TVL
 - Leading platforms
 - Aave (~30%)
 - Maker (~30%)
 - Instadapp (~20%)
 - Compound (~15%)

Total Value Locked (USD) in Lending

[TVL \(USD\)](#) | ETH | BTC

All | 1 Year | [90 Day](#) | 30 Day



DeFi - DEXes

- DEXes TVL (\$27bn)
 - Curve (multi-chain)
 - Uniswap
 - Sushiswap



DeFi - Derivatives

- Derivatives TVL (\$3.8bn)
 - Synthetic
 - Dydx
 - Nexus Mutual
 - Ribbon Financial
 - Oyn
 - Uma
- Requires some regs
 - Growth opp

Total Value Locked (USD) in Derivatives

TVL (USD) | ETH | BTC

All | 1 Year | [90 Day](#) | 30 Day

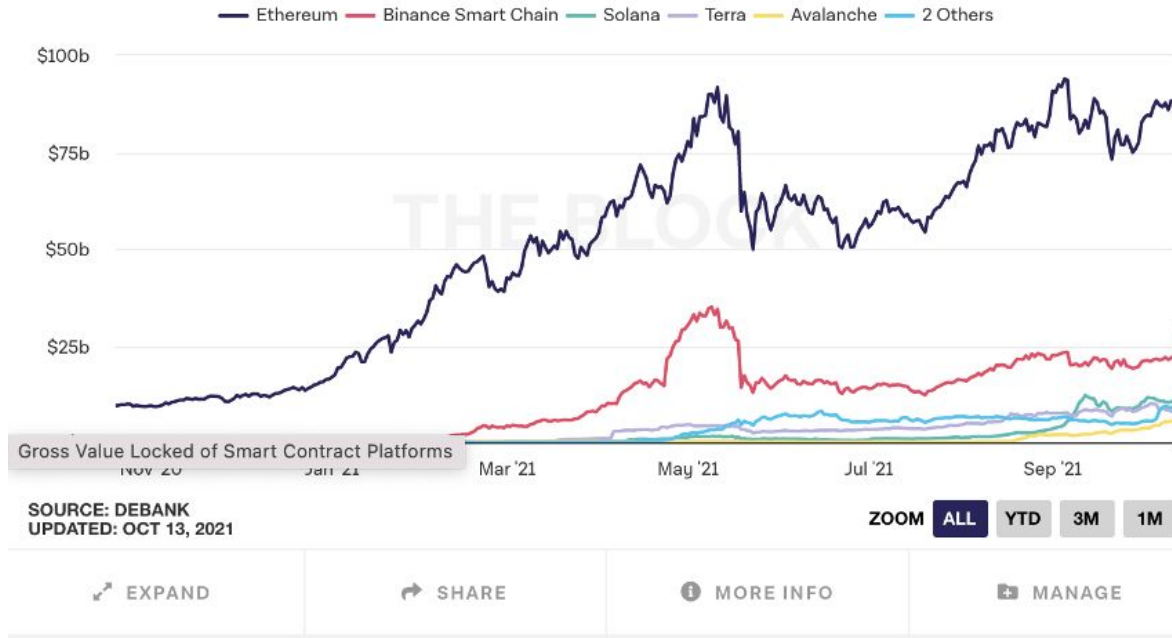


DeFi Gross Value Locked across Platforms

- DeFi only 25% of Staked Market Cap
- Mostly Eth traffic
 - Specific use cases (Sol)
 - Exchange
 - Derivatives
 - Opportunities for growth

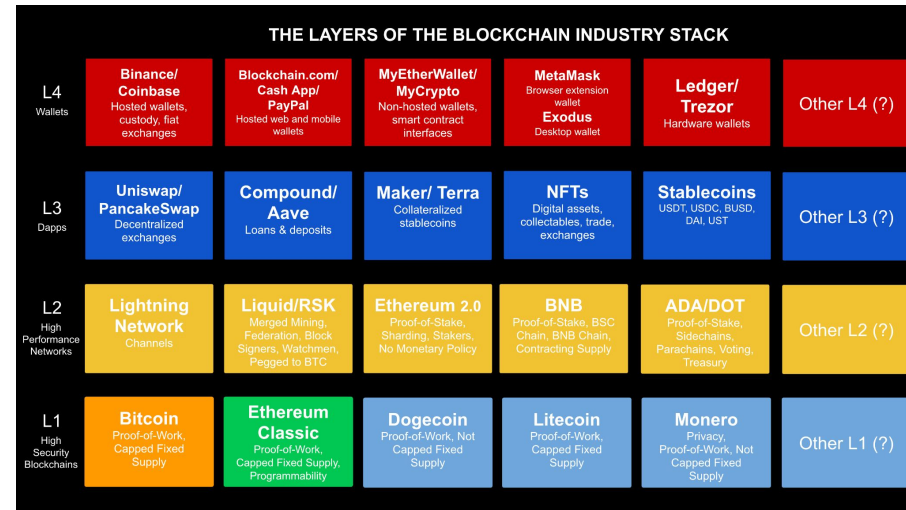
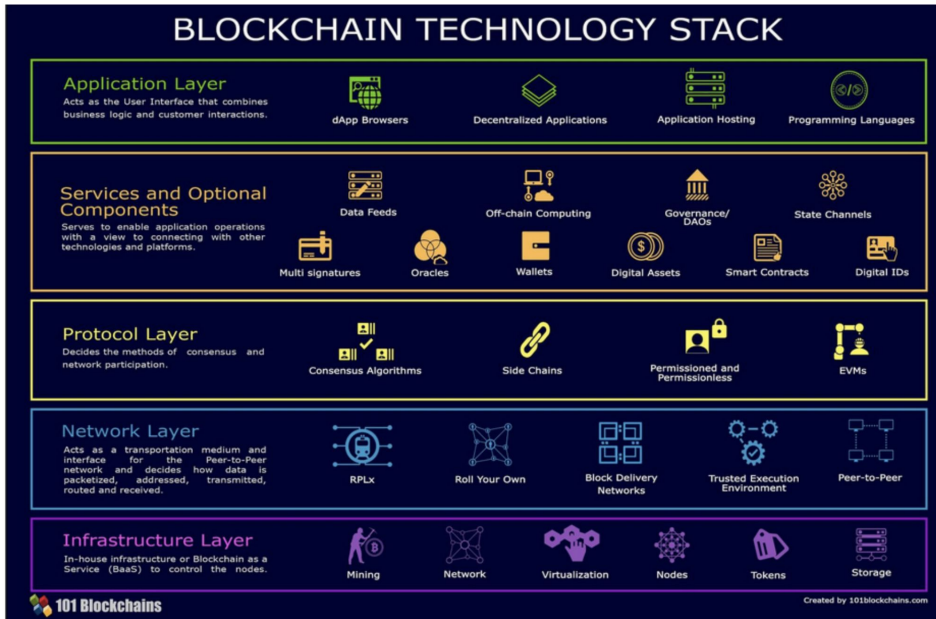


Gross Value Locked of Smart Contract Platforms



Unlocking Layers

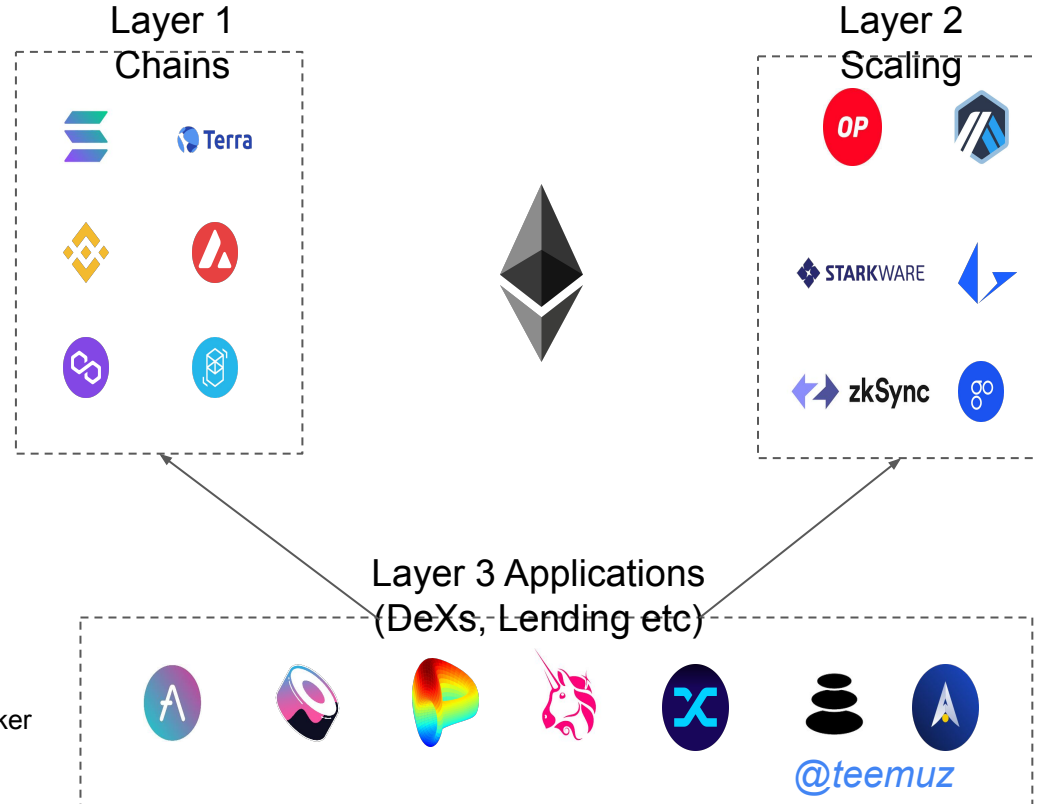
- L1 is becoming stable/mature
 - L4 - liquidity layer/battles



(Lichtigstein, Web 3.0 Will Be Powered by Blockchain Technology Stack, 2018). Most likely derived from the [OSI model](#).

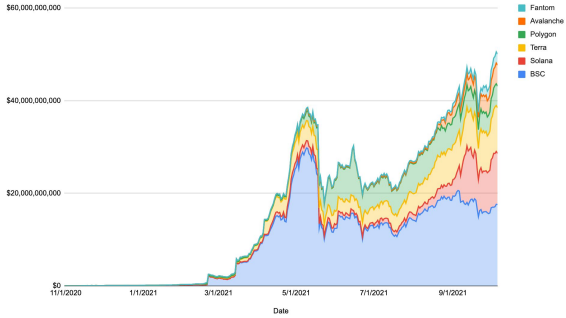
Unlocking Staked - infrastructure

- Over 100 PoS chains - \$350bn+ locked
 - individual ecosystems grow, L1 chains develop their own unique strengths (security, throughput, cheaper transactions, better privacy, etc)
 - Interoperability of chains has drastically improved
 - L1 & L2 volumes increasing

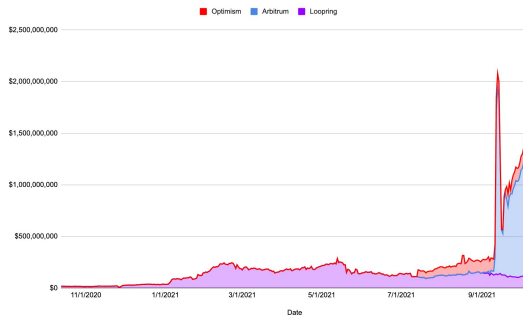


DeFi growth

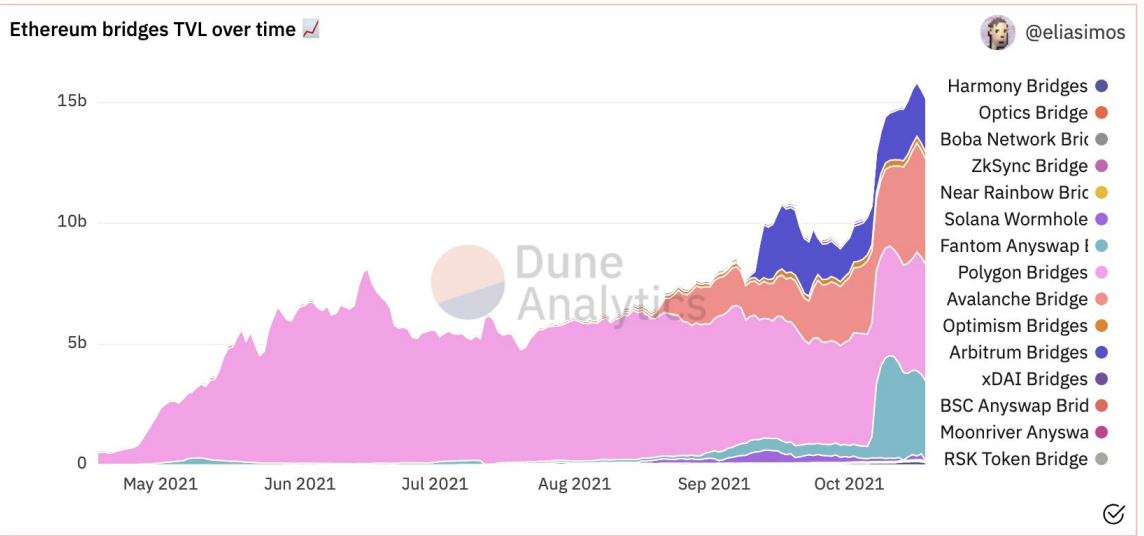
L1 Growth (\$50bn+ TVL)



L2 Growth (\$2bn+ TVL)



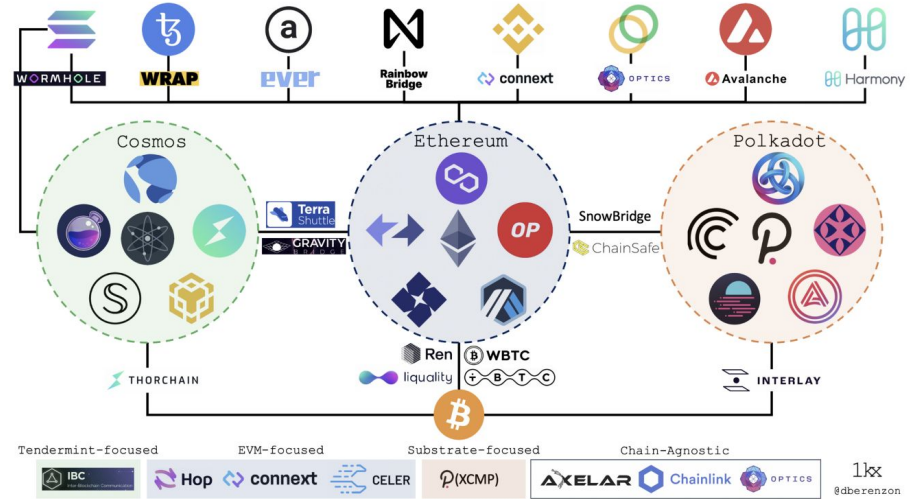
Bridges - *Ethereum only* (\$15bn+ TVL)



[https://dune.xyz/eliasimos/Bridge-Away-\(from-Ethereum\)](https://dune.xyz/eliasimos/Bridge-Away-(from-Ethereum))

DeFi Infrastructure

- Staking-as-A-Service
 - Shift from PoW to PoS
 - Stake 'public' infrastructure
- Bridges
 - Over 100 different chains
 - All have different favourable features
 - Increased interoperability
- New applications and use cases increase DeFi adoption:
 - Sending DAI to Terra to buy a synthetic asset on Mirror or earn yield on Anchor
 - Sending a TopShot from Flow to Ethereum to use as collateral on NFT
 - Using DOT and ATOM as collateral to take out a DAI loan on Maker
- Bridges = Web 2.0 API upgrade (Stripe 3.0?)
 - Moving funds between layers?
 - Emerging Native Apps and marketplaces



	Binance	Solana	Terra	Avalanche
DEX	PancakeSwap	Raydium	TerraSwap	Trader Joe
Lend/Borrow	Venus	Sollend	Anchor	BENQI

@sidshaker

Regulations..

- Stablecoins, stablecoins, stablecoin
 - Retail/trade use cases all settle in USDT
 - Diversification of fiat peg
 - Gold
 - Real estate
 - Tokenisation of assets
 - Bitcoin (USD backed by BTC? Fractional reserve implications?)
 - Wholesale adoption
 - DDP settlement
 - 'Unlocking' Capital provisions
 - CBDC Opportunity
 - CBDC = stablecoin
 - Cross border opportunity to emerging markets
 - Evolution CeX to DAOs due to reg pressure
 - Regs clamp down on CEX (Binance)
 - CeXs to DeXs (Uniswap)
 - Regs clamp individuals - DeXs to DAOs (Maker)
 - ...Regulators *cannot* 'control' crypto as laws are coded into crypto protocol
 - Not in their interest? Out of their jurisdiction..
 - Opportunity to influence - truth machine?

Who to trust?

Private (Facebook/Diem) vs Gov (FED) vs Retail vs Liquidity Markets (Paypal) vs Wholesale (JPM) vs Internet (crypto)

