Lybra Finance – $LBR

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Date 09/26/2023

Linear Process Template

| Protocol design | Comp Analysis | Make conclusions | Choose course |

Step 1

Observe

Step 2

Orient

Step 3

Decide

Step4

Act

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General Background

The Macro Liquid Staking Environment

Observe

Liquid Staking Token Basics

Buyback VS Dividend

Non-Rebase Tokens:

- Do not continually mint new tokens.
- Increase in value as staking rewards accrue.
- Examples: Rocket Pool's rETH, Binance WBETH, and Swell's swETH.
- Analogy: Comparable to a stock buyback.

Rebase Tokens:

- As staking rewards accumulate, holders gain more tokens.
- Future tokens compound based on the rebased total.
- Examples: Lido's stETH and Stakewise's sETH2.
- Analogy: Similar to a stock dividend.

Macro Environment

Current Market Assessment:
 - Bear market with low liquidity and high yield desperation.

Token Industry Narratives:
  - Stable coins address market depth but not yield.
  - Real world assets (RWAs) indirectly impact liquidity but not yield.

The Vital Role of Liquid Staking:
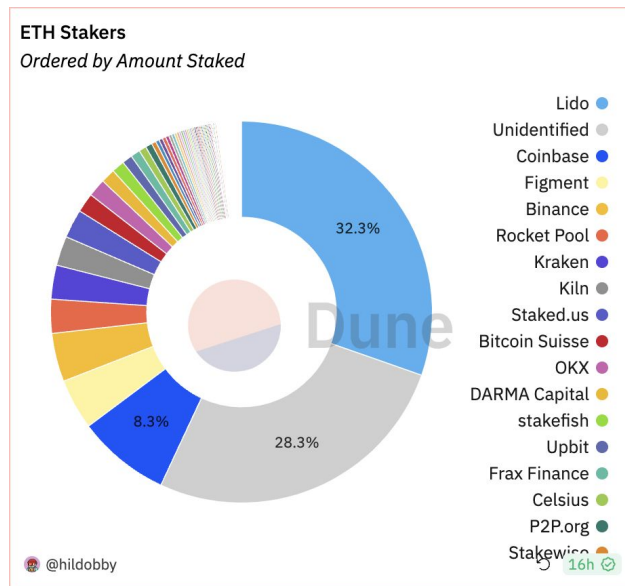 -   Liquid staking emerges as a solution that
       - Frees up previously illiquid capital
       - Captures a risk-free rate
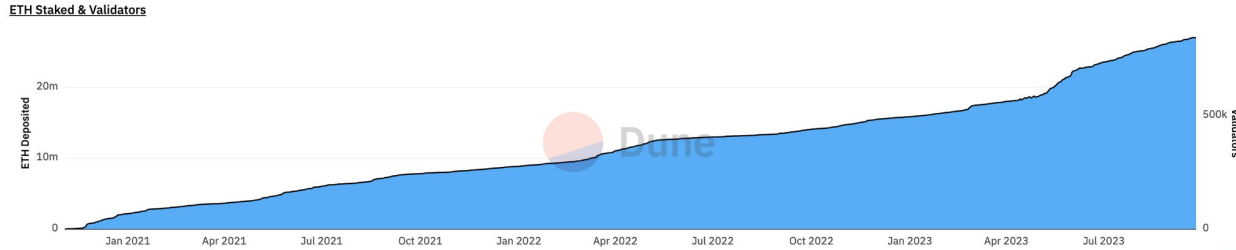   - Addresses the liquidity and yield challenges

Macro Environment

Liquid Staking Overview:

- Approximately 22.5% (27 million) of the Ethereum (ETHER) supply is staked.
- Around 32% of this is delegated to Lido, raising concerns about cartelization.
- About 8.3% of the aggregated ETHER supply is liquid staked, equivalent to 10 million Ethereum.

ETH Stakers
Ordered by Amount Staked

32.3%
28.3%
8.3%

Lido
Unidentified
Coinbase
Figment
Binance
Rocket Pool
Kraken
Kiln
Staked.us
Bitcoin Suisse
OKX
DARMA Capital
stakefish
Upbit
Frax Finance
Celsius
P2P.org
Stakewise

@hildobby

Macro Environment



ETH Staked & Validators

Ethereum's Neutral Stance:

- Ethereum is credibly neutral and unlikely to impose retrospective limits on market participants.
- Concerns about Lido's power may exist, but no imminent regulation or mitigation measures are expected.

The Future of ETH LST market

Growth Potential:

- With 8% of ETHER liquid staked, there's significant upside potential.
- Lybra is well-positioned to capture a portion of this potential.
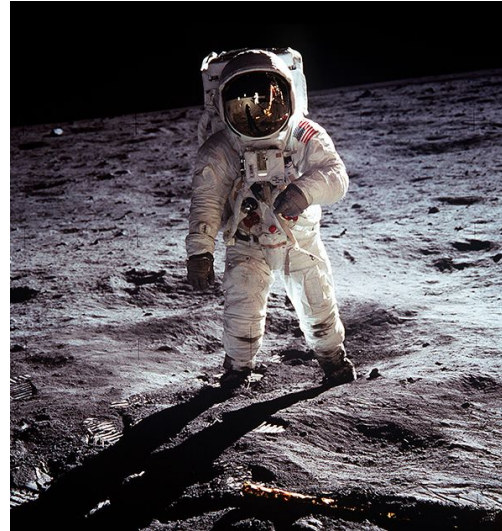
"Important resources on the Moon include: Hydrogen, water ice and

Liquid staking tokens

Lybra Finance Background

The nature of LSDeFi

Observe

Lybra Finance Background

- Lybra Finance launched in April 2023 and has expanded its market dominance by introducing V1 and V2, which provide a wider range of collateral options.

- Lybra Finance accommodates both rebase and non-rebase LSDeFI tokens, positioning itself to mint and utilize its stablecoin, achieving initial product-market fit.

LSD Stablecoins %   [Market Share]

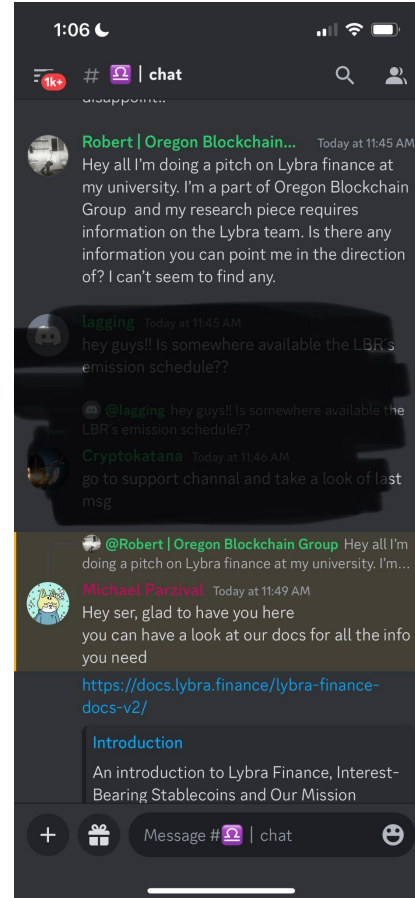GRAI
R
eUSD

https://dune.com/defimochi/lsdfi-summer
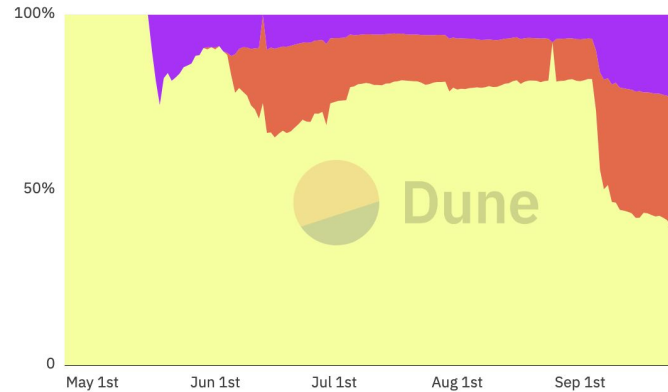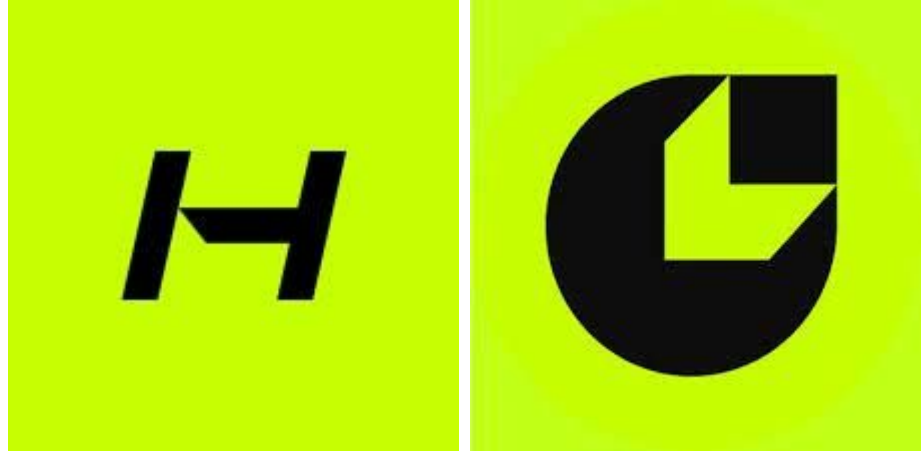
Who is Developing Lybra Finance

I unfortunately have no clue →

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General Auditing Background

Audits have been completed by:
- Code4rena Audit Report: Link
- Consensys Audit Report: Link
- Halborn Audit Report: Link
- Immunefi Bug Bounty: Link

Lybra Finance Protocol Functioning

How the protocol functions

Observe

Lybra's Unique Approach to Stablecoins & Liquidation

Types of Stablecoins:
- Fiat-backed, algorithmic, and digital asset-backed stablecoins.
- Lybra adopts the digital asset-backed approach, distinct from others.

Importance of Liquidation:
- Sustainable overcollateralization strategy relies on an efficient liquidation engine.
- Understanding Lybra's liquidation logic is crucial, which requires exploring its product offering.

Lybra Stablecoins

Lybras product offering are stablecoins called eUSD and pegged eUSD that can be minted in three methods:

- **Eth:** If ETH is deposited it instantly gets exchanged
- **Rebase:** The user locks up 150% of their target eUSD amount. In doing so they agree to sell their rebased LST rewards to redeemers. The exchanged eUSD materializes into interest for the minter/borrower.
- **Non-Rebase:** The user deposits at least 150% of their target peUSD (pegged eUSD) amount. In doing so they automatically earn interest on their LST without selling rewards to redeemers.

stables

collateral

eUSD

peUSD

Eth   Rebase   Non Rebase
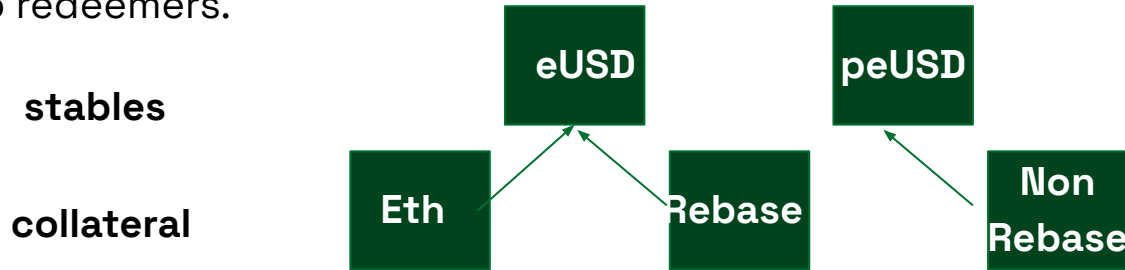
eUSD and peUSD: Borrow Rates, Omnichain Compatibility, and Stability

Borrow Rates:
- Both eUSD and peUSD have a 1.5% annual borrow rate.
- Borrowing fees are distributed to esLBR holders (Lybra's governance token).

peUSD's Purpose:
- peUSD serves as an Omnichain Fungible Token compatible with most DeFi protocols.
- Only users who initially minted eUSD can convert between peUSD and eUSD.

Lybra's Fundamental Goals:
- Address liquidity and yield issues in DeFi.
- Align with the stablecoin narrative of the current cycle.

stables

collateral

eUSD   **1.5% IR**   **peUSD**   **1.5% IR**

Eth   **Rebase**   **Non Rebase**
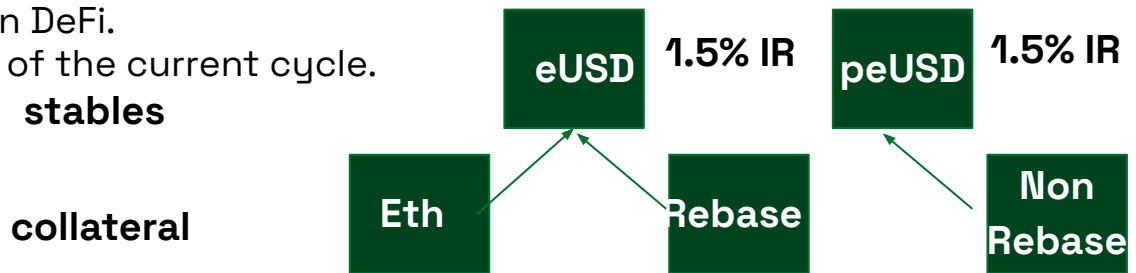
Stability Mechanisms

 All for nothing if the protocol can't maintain stability and solvency.

Overcollateralization & Third-Party Arbitrage
 - Overcollateralization mitigates market risk in digital assets.
 - Third-party arbitrage promotes price stability.
 - Both mechanisms enhance protocol solvency.

Premium Suppression Mechanism
 - Facilitates protocol-operated arbitrage between eUSD, peUSD, or USDC.
 - Rewards from this mechanism benefit esLBR holders.

Earning esLBR Emissions
 - Users must provide liquidity to LBR/ETH pool, equal to at least 2.5% of their minted eUSD value.
 - A bounty mechanism is triggered if the ratio drops below the desired level.
 - Unclaimed esLBR emissions are sold over the counter for eUSD or LBR(OTC).
 - Proceeds go to the protocol's reserve funds or burn LBR.

Purposeful Design for Stability
 - These four stability mechanisms are deliberate and well-designed, forming a robust foundation.
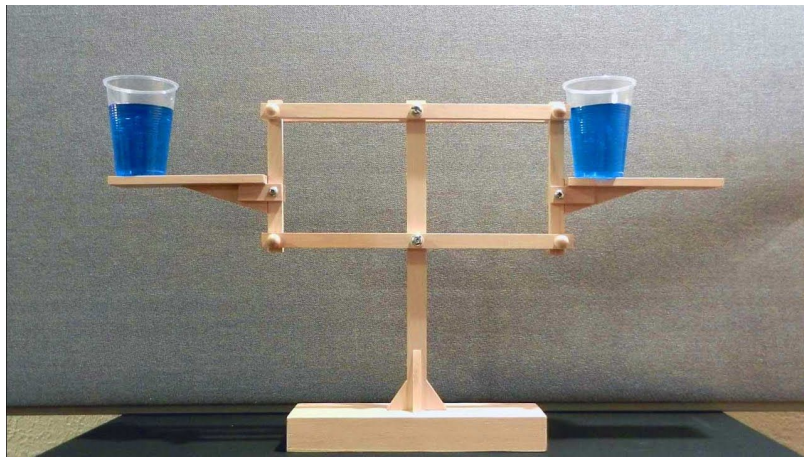
Liquidation Logic

Minimum Safe Collateral Rate and Average Collateral Rate:
 - Current minimum safe collateral rate: 150%
 - Actual average collateral rate: Approximately 350%

Scenario: Falling Below Safe Ratio (149%):
 - Three available paths:

    - Path 1: Rigid Redemption
      - User chooses Rigid Redemption services.
      - Debt is repaid, recovering a portion of the collateral.
      - Minimum safe collateral rate is re-established.

    - Path 2: Liquidation (LTV between 125% and 150%)
      - Keeper monitors borrower's state and notifies liquidators.
      - Keeper can liquidate the borrower with capital supplied by the liquidator, earning a 1% commission.
      - Maximum collateral lost capped at 50%.

    - Path 3: Overall Liquidation Mode (LTV below 125%)
      - Protocol permits "overall liquidation mode."
      - All collateral is liquidated by keepers and liquidators.

1   <150% → partial → <125% → full

2   RR → partial
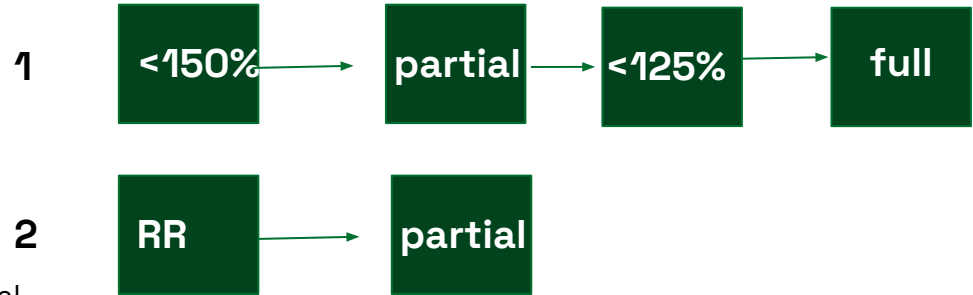
Liquidation Logic Example

For Example: #

- Alice deposits 10 ETH (~$14,800) and mints 10,000 eUSD against her collateral.

- Alice's Collateral Rate = 100% * 14800 / 10000 = 148%

- Alice is at risk of getting liquidated, and the maximum amount that can be liquidated is 5 ETH.

- Bob is a Liquidator holding 3,000 eUSD.

- Cathy is a Keeper and decides to conduct liquidation on Alice.

- Bob, the liquidator, repays 3,000 eUSD on Alice's behalf and receives stETH = 3000 / 1480 * 109% = 2.209459, worth 3,270 eUSD.

- Cathy, the Keeper, receives stETH = 3000 / 1480 * 1% = 0.02027, worth 30 eUSD.

- Alice's updated debt is 10,000 - 3,000 = 7,000 eUSD, her collateral is 10 - 2.209459 - 0.2027 = 7.77 ETH, and her current collateral rate is 1480 * 7.77 / 7000 = 164%.

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Liquidation Tooling

Liquidation Challenges:
  - Liquidation methods require sufficient capital from liquidators or redeemers.
  - High costs hinder user alignment with profit-seeking objectives.

Introducing Flash Tooling:
  - Lybra allows for flash tooling to address this issue.
  - Transferring eUSD to peUSD locks the eUSD, which can then be used for flash loans.

Flash Loans Explained:
  - Flash loans are undercollateralized and unsecured loans.
  - Liquidators borrow a set amount within a block and repay it within the same block.
  - If not repaid, the transaction is voided.

Lybra Finance
Why It Matters

Observe

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Why Consumers Should Care

Initial Doubts:
- Questioned the need to stake and overcollateralize ETH for reduced returns.
- Considered the idea unattractive.

Finding the Reason:
- Realized that collateralized debt positions provide exposure to collateral while enabling liquidity use.
- The trade-off between opportunity costs drives the appeal of overcollateralized stablecoins.

Universal Use Case:
- Across all stablecoins, the goal is the same: deploy more capital without or with minimal cost to the underlying position.

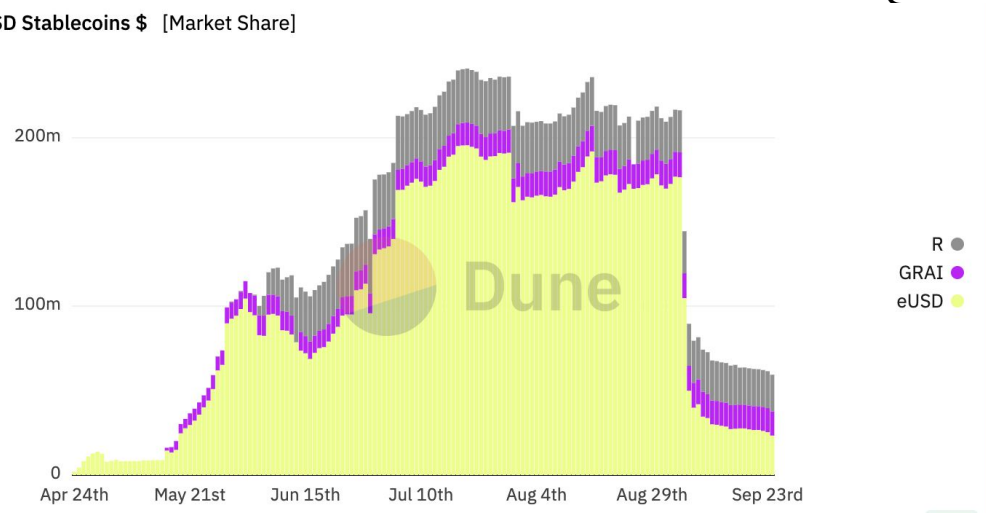# Why Consumers Should Care

Market Trend and Expansion:

- The market is showing significant growth in liquid derivatives and points towards LST expansion.
- Lybra leads with a 41% market share in LSDeFi stablecoins (excluding DAI), valued at $26 milli...

LSD Stablecoins $ [Market Share]

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Lybra Finance Competitive Analysis

Is Lybra really a market leader?

Orient

	Stable	Collateral Ratio	LST Collateral	Borrowing Rate	Upfront fee	Real Yield	Real Yield Rate
Lybra	eUSD/ peUSD	150%	stETH, wstETH, rETH, BETH, swETH, sETH2	1.5%	X	✓	5.43%
Maker	DAI	150%	wstETH	1% - 9%	X	✓	3.51%
Curve	crvUSD	110% - 170%	wstETH	3% - 5%	X	✓	4%-31%
Raft	R	120% - 150%	wETH, wBTC, swETH, wstETH, rETH, cbETH	0.5% - 3%	X	✓	3.5%
Gravita	GRAI	150%	WETH, rETH, wstETH	X	0.5%	✓	3-4%

	Stable	Collateral Ratio	LST Collateral	Borrowing Rate	Upfront fee	Real Yield	Real Yield Rate
Lybra	eUSD/ peUSD	150%	stETH, wstETH, rETH, BETH, swETH, sETH2	1.5%	X	✓	5.43%
Maker	DAI	150%	wstETH	1% - 9%	X	✓	3.51%
Curve	crvUSD	110% - 170%	wstETH	3% - 5%	X	✓	4%-31%
Raft	R	120% - 150%	wETH, wBTC, swETH, wstETH, rETH, cbETH	0.5% - 3%	X	✓	3.5%
Gravita	GRAI	150%	WETH, rETH, wstETH	X	0.5%	✓	3-4%

Competitive Position of Lybra

Competitive Borrowing Rate:
- Lybra Finance's borrowing rate is competitive in the wider market.

Broad Collateral Selection:
- Compared to competitors, Lybra offers users a wider range of collateral options.

Strong Real Yield Rate:
- Lybra provides consumers with a competitive real yield rate compared to competitors like Raft and Gravita.

Quantitative Strength:
- From a quantitative perspective, Lybra is well-positioned.

Qualitative Considerations:
- But what about qualitative factors?

Qualitative Analysis of Stables

	Wants	Whys
Borrower	Wants a low minimum collateral ratio	Because of higher capital efficiency
Borrower	Wants a low borrowing rate	Because cheaper to lease capital
Lender	Wants a high minimum collateral ratio	Because they want to be paid back
Lender	Wants a high borrowing rate	Because they are compensated for their risk
Trader	Wants an interoperable stablecoin that is battletested and scalable	Because they want to use their money in DeFi and be assured of its longevity
Trader	Wants a large collateral list	Because they own different digital assets

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Qualitative Competitive Analysis Lybra

	Collateral Ratio	LST Collateral	Borrowing Rate	Battle Tested
eUSD/ peUSD	High	Large	Low	No
DAI	High	Small	High	Yes
crvUSD	Middle	Small	Middle	No
Raft	Low	Large	Low	No
Gravita	High	Middle	NA	No

Qualitative Competitive Analysis Lybra

Success Conjecture for eUSD:
- Consider the market leader, DAI, which already accepts stETH, dominating 70% of the LST market.
- Opt for cooperation over competition.

Digital Asset Market Realities:
- In the digital asset market, identical products don't always achieve the same success.
- Unique selling propositions matter.

The Importance of Liquidity and PMF:
- Winning the title of "most liquid" depends on achieving Product-Market Fit (PMF).
- Others may reach the lower bounds of the Pareto distribution.

Example: Lido's stETH vs. Binance staked ETH:
- Look at Lido's stETH compared to its closest competitor, Binance staked ETH.
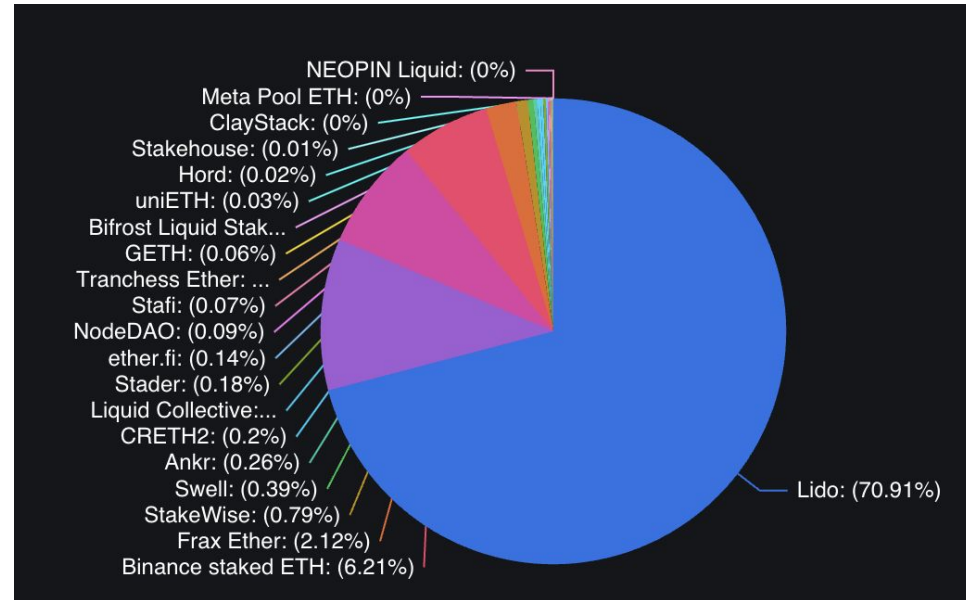
The Moat of Stable Coins

The moat of an overcollateralized stablecoin protocol is longevity, thereby the liquidation engines and stability mechanisms are what enable competitive advantages.

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Moat for Liquidation Engine

Redemption Mechanisms:
- Lybra, Raft, and Gravita all deploy redemption mechanisms.

Flash Loans for Liquidation:
- Lybra and Raft offer flash loans as a liquidation tool.

Stability Pools for Solvency:
- Lybra and Gravita provide stability pools to ensure solvency.

Is This Enough?

Unfortunately, no.

Collateral Comparison:
- Maker DAO's DAI has approximately 626 million wstETH as collateral.
- Lybra, Raft, and Gravita combined have only 62 million in various LST collateral.
- LSDeFi stablecoins make up only 10% of the market.

195,425,737.78 / 225,425,737.78	5.25%	286,037
Dai from WSTETH-A (3.54%)	WSTETH-A Stability Fee	WSTETH-A Locked (in WSTETH-A)
Debt Ceiling: 750,000,000	Last Drip: 2023-09-23 4:27:47 PM	WSTETH-A Supply Locked: 9.26%
Gap: 30,000,000 Ttl: 12h	Collateral Ratio: 150%	Value Locked: $518,114,318.24
Last Change: 2023-08-20 7:25:23 AM	Dust: 7,500	
Utilization: 86.69%		
397,403,051.01 / 449,428,533.99	**5.00%**	**596,923**
Dai from WSTETH-B (7.2%)	WSTETH-B Stability Fee	WSTETH-B Locked (in WSTETH-B)
Debt Ceiling: 1,000,000,000	Last Drip: 2023-09-26 8:20:11 AM	WSTETH-B Supply Locked: 19.33%
Gap: 45,000,000 Ttl: 12h	Collateral Ratio: 175%	Value Locked: $1,081,239,542.19
Last Change: 2023-08-20 7:25:35 AM	Dust: 3,500	
Utilization: 88.42%		
26,109,540.44 / 30,658,425.47	**5.25%**	**38,124**
Dai from RETH-A (0.47%)	RETH-A Stability Fee	RETH-A Locked (in RETH-A)
Debt Ceiling: 75,000,000	Last Drip: 2023-09-23 8:50:11 AM	RETH-A Supply Locked: 7.20%
Gap: 5,000,000 Ttl: 8h	Collateral Ratio: 150%	Value Locked: $65,671,188.37
Last Change: 1969-12-31 4:00:00 PM	Dust: 7,500	
Utilization: 85.16%		

So What?

Lybra is the first to offer a similar product for LSDeFi to Maker DAO while it is unlikely to flip the LST collateral of DAI it is well positioned to hold its current market position while the broader liquid staking category continues to develop.

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Lybra Finance Tokenomics

Decide

Tokenomics

As a LBR staker:
-   a user receives esLBR as a
    governance token
-   receive protocol revenues of 1.5%
    eUSD/peUSD supply,
-   emissions,
-   governance rights over LP
   incentives, future roadmap, and the
    treasury.

Lybra Finance

Tokenomics

The first sink strategy:

- The dLP Token Burn Mechanism kicks in when a user's stake falls below the minimum 2.5%.
- When this happens, that user loses the chance to claim any unclaimed esLBR earnings.
- Meanwhile, a bounty is offered, which is equal to the earnings the ineligible user would have received.
- Other users can purchase this bounty at a generous 40% discount in either LBR or eUSD.
- The LBR used for purchasing the bounty is permanently removed from circulation.
- **This introduces buying pressure on LBR to purchase discounted esLBR while creating a token sink ultimately increasing price.**
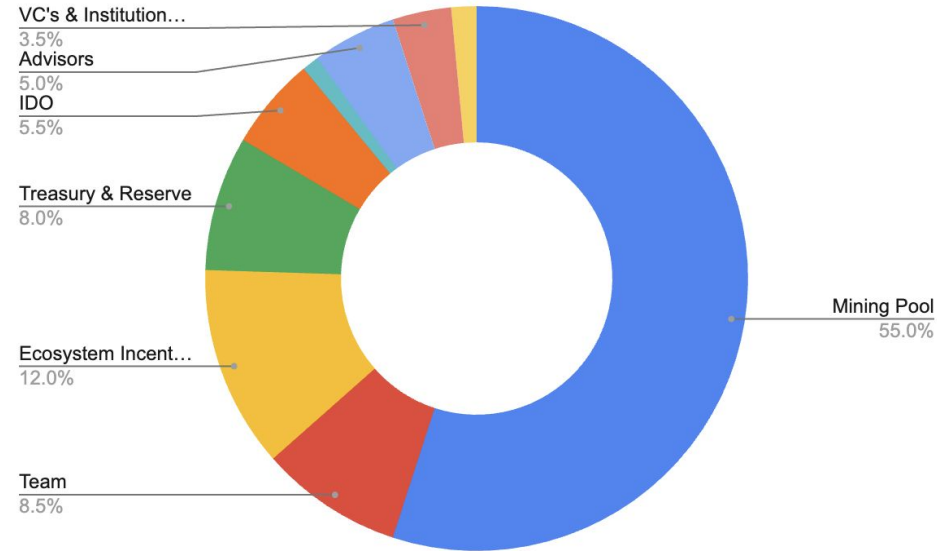

LBR circulating

esLBR ●
circulating_lbr ●

@lybra-finance

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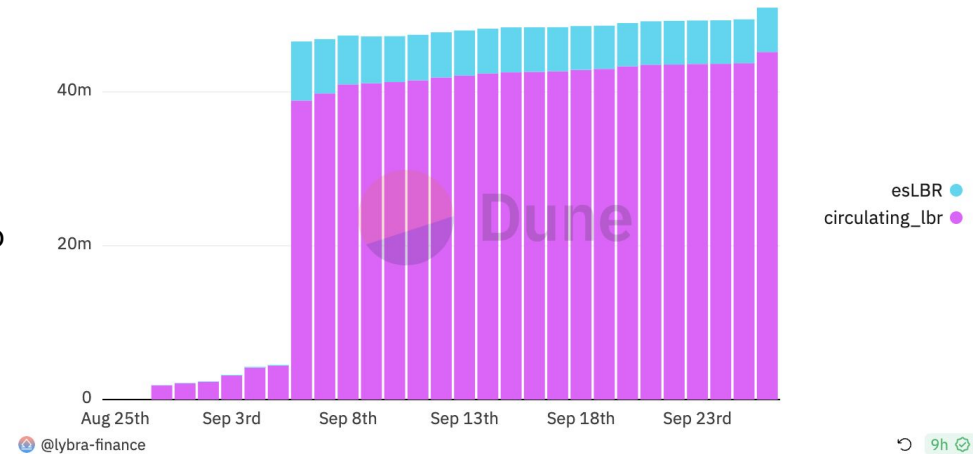
Tokenomics

The second sink strategy:

- While the standard vesting period for converting esLBR to LBR on Lybra V2 is 90 days, users have the flexibility to vest their tokens earlier if they wish.
- However, there's a catch: for each day a user vests earlier than the 90-day norm, they will receive a proportionally reduced amount of LBR. For instance, vesting 4 days ahead of schedule would result in a 95% penalty on the LBR received.
- Similar to the dLP mechanism, any tokens forfeited by users who opt for early vesting are offered as a bounty.

VC's & Institution...
3.5%

Advisors
5.0%

IDO
5.5%

Treasury & Reserve
8.0%

Ecosystem Incent...
12.0%

Team
8.5%

Mining Pool
55.0%

Roadmap/Timeline Template

Quarter 1 2023

Open Source Contracts
Community Growth
Testnet Launch

Quarter 3 2023

V2 Testnet Launch (Arbitrum)
OFT Contracts (peUSD & LBR)
V2 Audits (Code4Rena,
Consensys, Halborn)
Immunefi Bug Bounty
V2 Official Launch (Arbitrum)

Quarter 1 2024

V3 Development: Minting
eUSD/peUSD on L2's
Lybra Grants Programme

Quarter 2 2023

LBR Public Sale (IDO)
Launch on Ethereum
Mainnet
Protocol Audits

Quarter 4 2023

Lybra DAO Launch peUSD
Partnerships
L2 Rollout (Mantle, ZkSync)
Multichain Strategy

Quarter 2 2024

Decentralized Perpetual
Exchange

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Lybra Finance Tokenomics

ACT

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Fund Recommendation

LBR

Current Price:

$0.93

Action:

Buy 1 ETH

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Questions?