



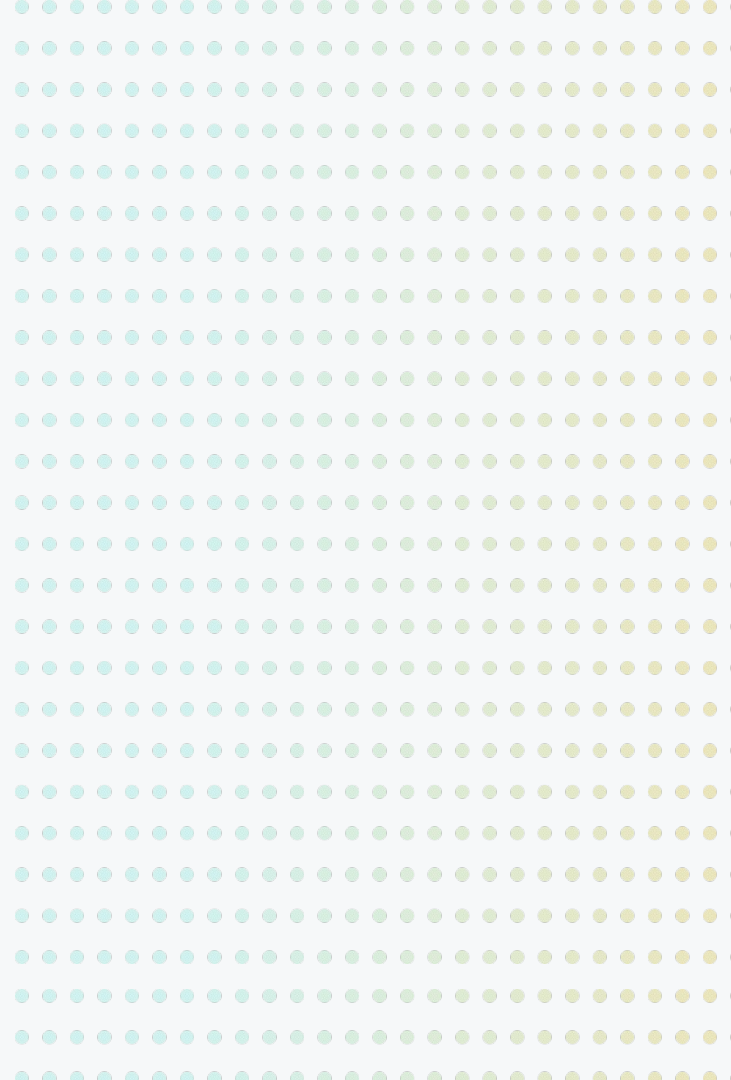
# Decentralized Finance and MakerDAO

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# Agenda

## Intro to DeFi

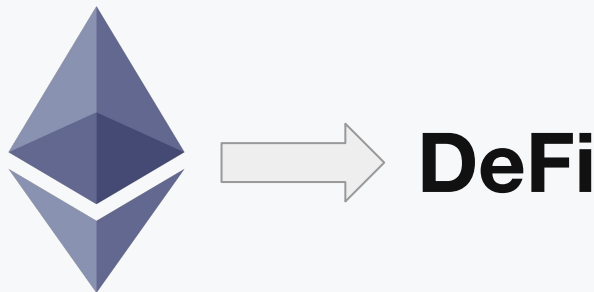
- Benefits & Challenges
- DeFi Ecosystem Overview

## Dai & Maker Protocol

- Why Stablecoin Is Needed?
- How Dai keeps the peg, how does it work?
- Maker Protocol

## Use Cases

- Relevant Use Cases & Partnerships



Ethereum was the first, and is today the largest, blockchain optimized for **programmability** (or digital “contracts”).

It is not just *“Alice sends cryptoasset X to Bob”* but *“Alice sends cryptoasset X to Bob only after Carol also agrees with this transaction.”*

This functionality opens the door to the **Decentralized Finance**:  
Rethinking virtually every type of service offered by the financial industry  
using the “programmable transactions” capability

# What is DeFi

“DeFi generally refers to the **digital assets and financial smart contracts, protocols, and decentralized applications** (DApps) built on Ethereum. In simpler terms, it's **financial softwares** built on the blockchain that can be pieced together like **Money Legos.**”

*DeFi Pulse*

# Benefits and Challenges of DeFi

## Benefits

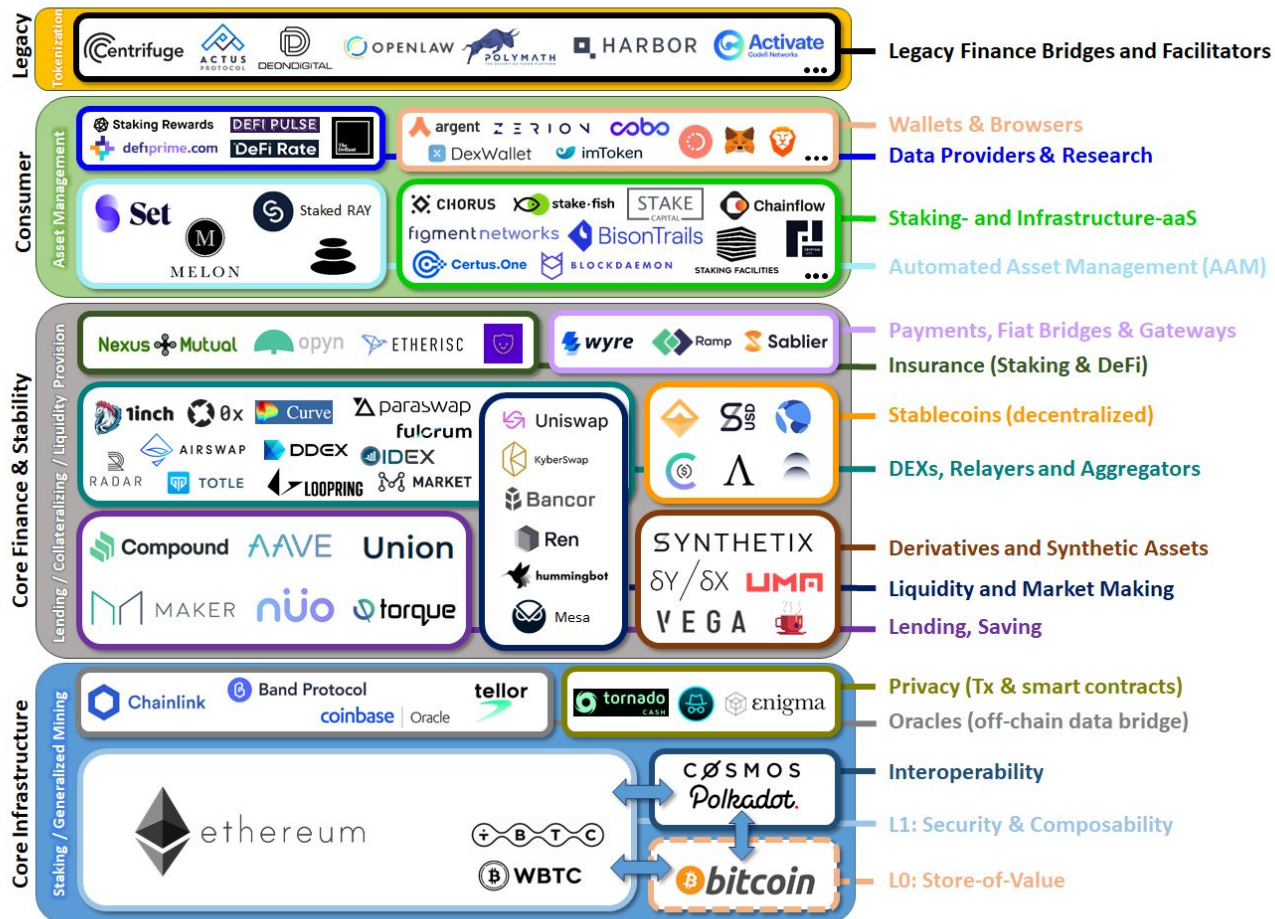
- Accessibility to everyone
- Autonomy
- Transparency
- Less costs
- No intermediaries

## Risks & Challenges

- Bugs in protocols and Smart Contracts
- Scarcer liquidity - slow transactions
- Comprehension and usage difficulties
- Weak regulatory framework

# Intro to DeFi

## Decentralized Finance (DeFi) Stack: Product & Application View



Source: Staking Rewards

# State of DeFi - Defipulse.com

## Total Value Locked (USD) in DeFi

TVL (USD) | ETH | BTC

All | 1 Year | 90 Day | 30 Day



10.96B - November 3d, 2020

## Intro to DeFi

**Decentralization means a free and open *ecosystem*...**



**...in which anyone can participate...**

**...to build new products, businesses, and industries.**



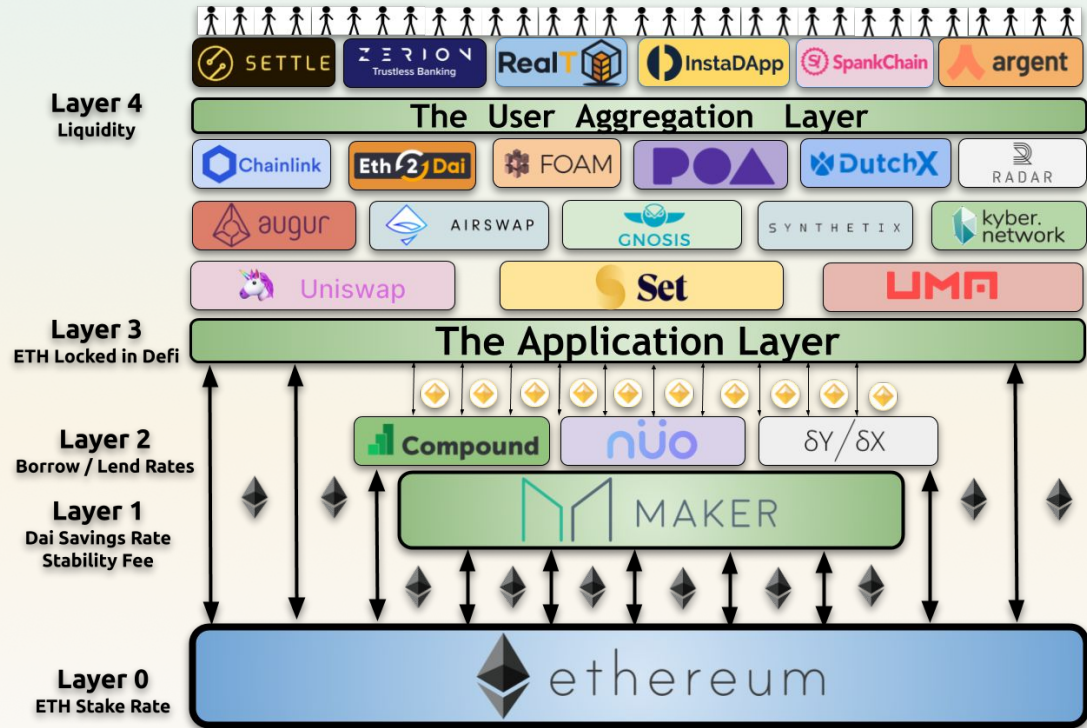


A stablecoin is needed  
for mainstream adoption of cryptocurrencies and to  
unlock the potential of blockchain technology



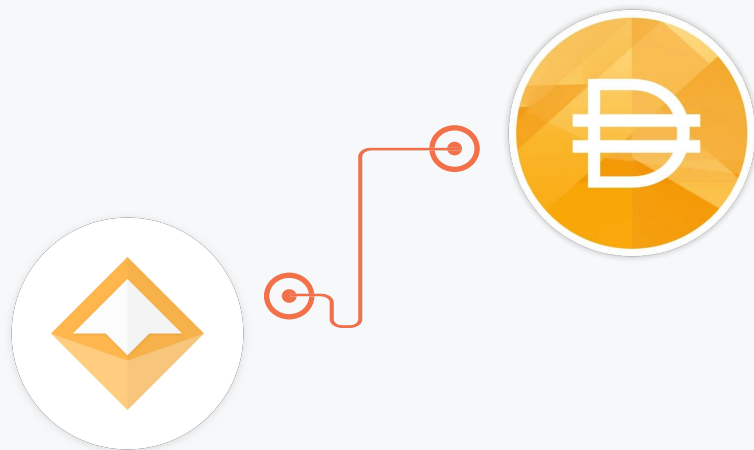
## Dai & Maker Protocol

It improves the stability of the Ethereum Ecosystem



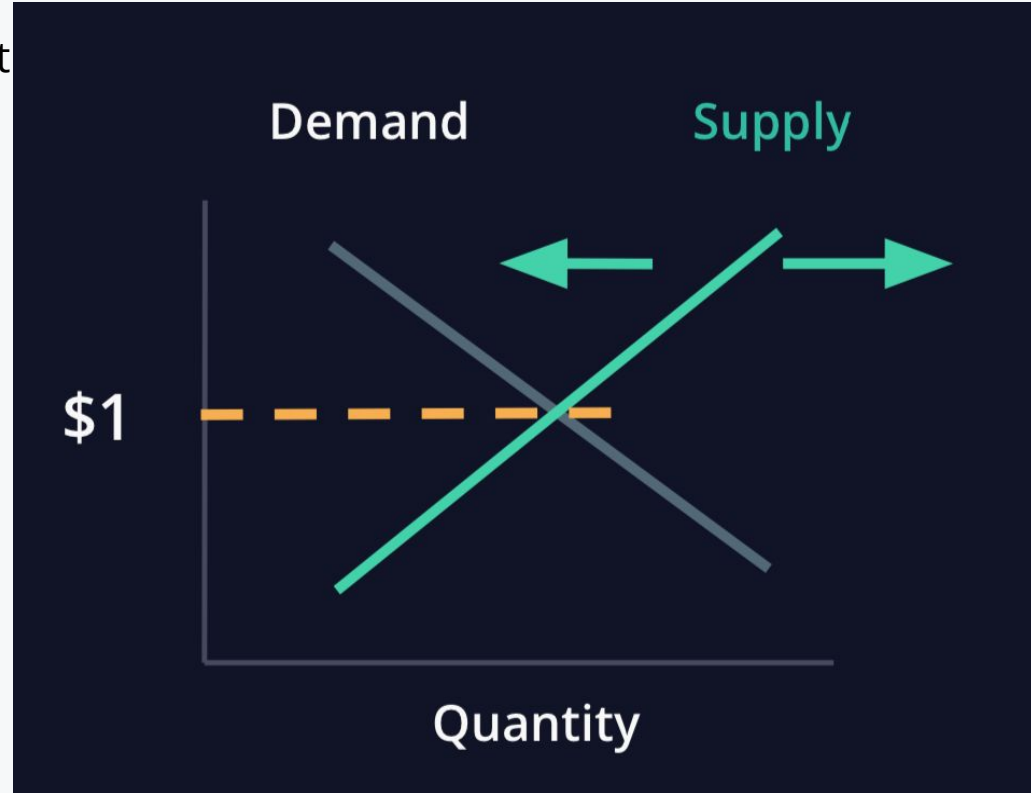
# How Does Dai Work?

- 1 Dai  $\approx$  1 USD (soft peg)
- Multiple asset types backing Dai
- Dai Savings Rate
- Open and transparent
- DAO based governance
- Bringing scalability to DeFi



# How Dai keeps The Peg

- Demand curve can shift due to market conditions, confidence of Dai holders, etc
- Supply curve is shifted through a permissionless credit factory on Ethereum
- Any actor can vary the supply of Dai through a Maker Vault
- The system was built so that these actors are incentivized to shift the supply curve to ensure that the price is close as possible to \$1

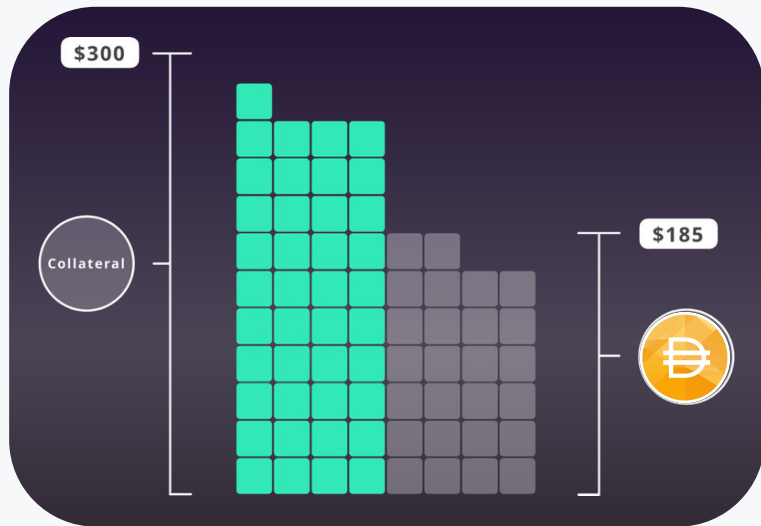


# Dai Stablecoin System

## Vault

- Borrow Dai through locking up collateral
- Repay Dai + fee to retrieve collateral
- Safe, over-collateralized Vault

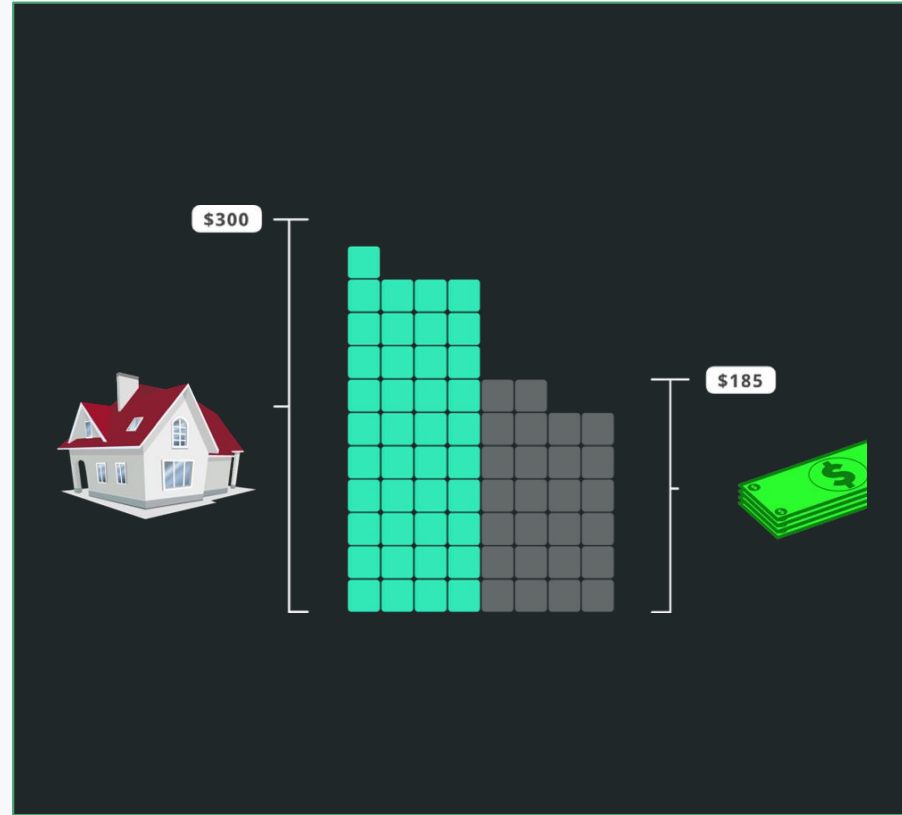
**For every Dai, there is an excess of collateral.**



# Dai Stablecoin System

## Analogous to a mortgage

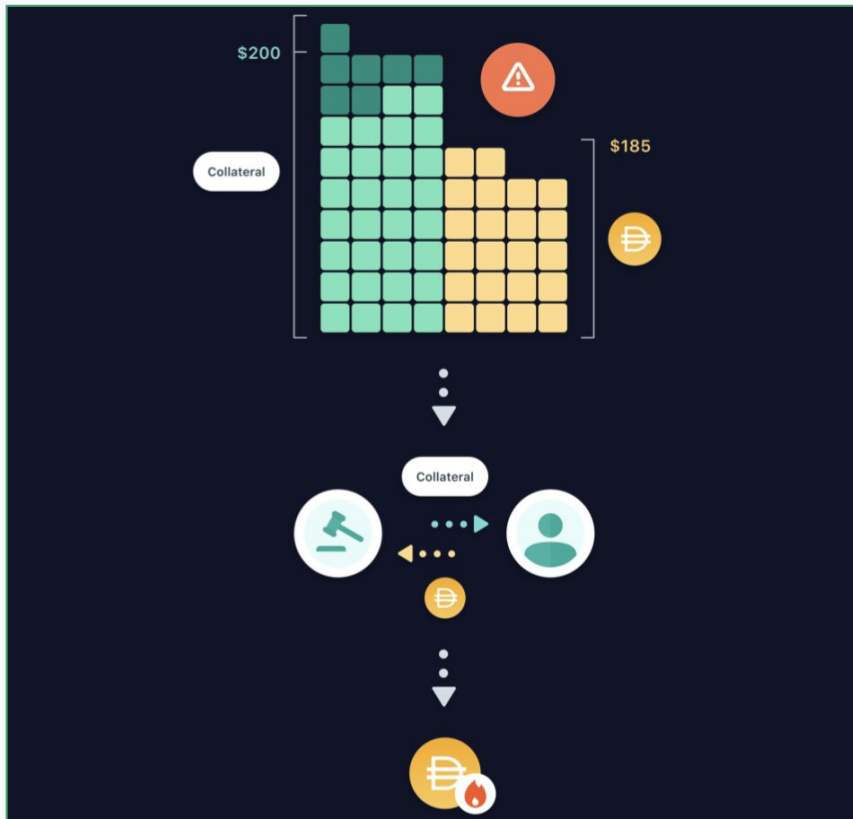
- Borrow money with a mortgage from the bank
- Repay debt + interest to “retrieve” the house



# Dai Stablecoin System

## Liquidation

- A Vault is automatically liquidated if the collateral value (in USD) falls too low
- Part of the collateral is auctioned off by the Protocol to cover the outstanding debt + penalty fee
- Dai is then burned by the Protocol to decrease the supply
- Vault owner receives the leftover collateral





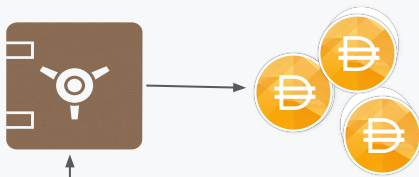
# Maker Protocol: The Core Monetary Components

**Currency: Dai**



- Unit of account: \$1 USD target price
- Medium of exchange
- Store of value

**Money (Dai) supply**



**Collateral**

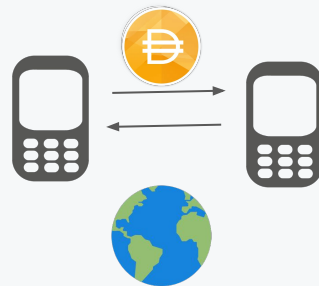
- Dai money supply is *user-generated* against user's assets as collateral

**Risk governance**

- Collateral risk parameters
- Balance money supply & demand



**Money (Dai) demand**



- Bank free mobile money
- Remittances
- Microfinance loans

# The Main Dai Use Cases

- Inflation protection and savings
- DeFi products and services
- Gaming
- Digital art
- E-commerce
- 850+ integrations world wide



# Join the community



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