Twitter Thread by Benjamin Simon



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1/18 After 3 months, @saffronfinance_ is no longer new on the scene. Now that the kid has climbed the ranks, it's time to see if he can hang with the big boys.

Below are some updated thoughts on potential integrations, improvements, and innovations for Saffron moving forward. ■■

> 1/11 @saffronfinance_ ($SFI) is DeFi's new kid on the block with its tranched yield product that is already live with DAI on @compoundfinance. https://t.co/JpqnxhwrDw
>
> — Benjamin Simon (@benjaminsimon97) November 19, 2020

2/18 First, if you haven't seen @Privatechad_'s alpha-leaking introductory thread, you should check it out.

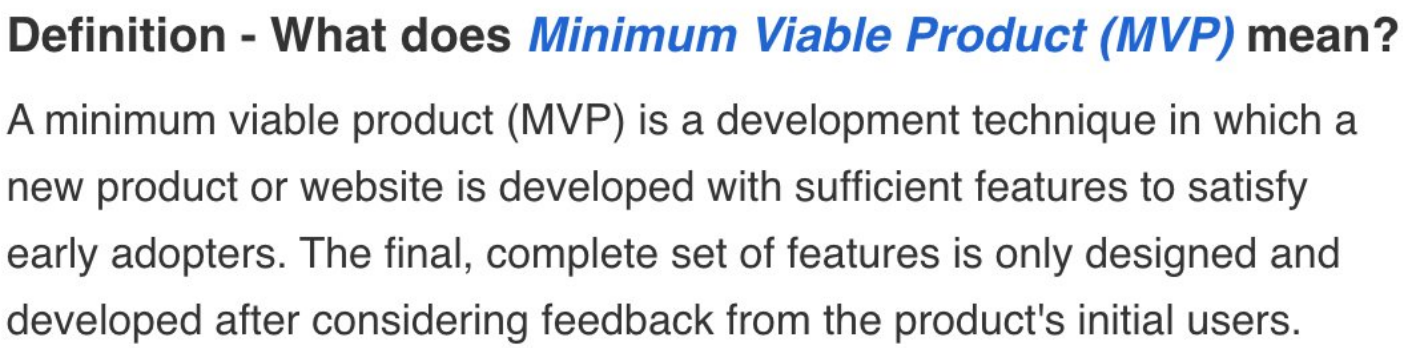
I agree that @AlphaFinanceLab and @CreamdotFinance, specifically the Iron Bank, would be ideal targets for SFI risk tranches.

https://t.co/idG2jyjY4m

> 15/. 3. Though not the focus atm, interest from various projects and integrations are happening.
> * Chainlink reached out (props to the amazing $LINK team).
> * Talks with $ALPHA and rumored upon V2 releases there will be a collaboration.
> *Cream integrations in v2
> * $COMP tranches pic.twitter.com/IXCtzvSkw7
>
> — Private Chad (@Privatechad_) February 1, 2021

3/18 Speaking more broadly, Saffron is primarily integrated with @compoundfinance, which has served as a MVP of sorts.

The thing is, Compound is one of the safest (but also lowest yield) protocols in DeFi, so it's not surprising that there isn't much demand for the sen. tranche.



4/18 Expanding beyond Compound to higher-risk/higher-return protocols has always been key.

These protocols are the bread-and-butter target market for Saffron, and I would expect to see a surge in demand for senior tranche staking in these protocols.

https://t.co/h19hteZrdL

> 4/11 Imo, the golden egg will be vault platforms like @iearnfinance, @picklefinance, etc.
>
> Recently, some of these higher risk platforms (e.g. @harvest_finance) have been hit with a wave of attacks.
>
> Saffron will enable cautious investors to use these products with peace of mind.
>
> — Benjamin Simon (@benjaminsimon97) November 19, 2020

5/18 Additionally, @DeFiGod1 convinced me that Senior Tranche pools would be more appealing if they offered fixed yield.

Essentially, Saffron would augment the product offerings of @Barn_Bridge by also offering senior stakers insurance in the form of junior tranche collateral.

6/18 @DeFiGod1 also suggested the idea of creating multi-protocol Saffron pools, which I think is another great idea.

I took the idea and added a spin of my own. Here's how I would design multi-protocol pools.

7/18 In addition to having SFI pools for individual protocols and tokens (e.g. an @AaveAave DAI pool), I would want to see two "meta-pools."

One would be a basket of protocols that are considered low risk, and one considered higher risk.

Think @BalancerLabs, but for yield.

8/18 Let's say, as an example, that each meta-pool sends assets to 3 protocols:

Low risk meta-pool: Compound, Aave, and a safe Yearn vault.
High risk meta-pool: Alpha Leveraged farming, CREAM Iron Bank, and Harvest.

Further, each meta-pool has a senior and a junior tranche.

9/18 The meta-pool's assets can be split evenly between the protocols or the parameters can be adjusted by $SFI Governance.

Let's say that governance decides to split the high-risk meta-pool evenly among three protocols: 33% each to Alpha, CREAM Iron Bank, Harvest.

10/18 Now we can have junior participants stake collateral equal to 1/3 of senior tranche liquidity.

So if Iron Bank depositors get screwed, as long as Harvest/ Alpha aren't also affected, senior tranche stakers are made whole (i.e. 66% of their principal + jun. collateral)

11/18 Why, you ask, is this better than individualized pools?

Put simply: these are more capital efficient. To fully protect sen. tranche stakers in a single-protocol pool, you'd need jun. stakers to put up collateral = to the amount of sen. tranche liq.

That's too costly.

12/18 By contrast, the amount of junior collateral needed to fully (or mostly) protect senior tranche stakers in meta-pools is much lower—again, assuming non-simultaneous hacks.

13/18 Meta-pools would thus provide a kind of herd immunity for senior tranche stakers that would be impossible with single-protocol pools.

For this reason, I'd personally rather stake in a meta-pool senior tranche instead of single-protocol senior tranches

14/18 Now onto the collateral:

Right now, jun. tranche collateral is in the form of SFI. This creates organic demand for SFI that grows as TVL expands.

The problem is that, in the event of a black swan, sen. stakers have to sell their inherited SFI to make themselves whole.

15/18 As an alternative, it might make sense to introduce stablecoin collateral instead of, or in addition to, SFI.

And here's the kicker: stablecoin collateral can be staked elsewhere in an unconnected protocol to earn yield, which..goes to SFI holders.

Call it the Degen tax.

16/18 These are all just ideas—and maybe most of them half-baked. I'd love to hear feedback.

Ultimately, while other DeFi bluechips have matured (and some ossified), @saffronfinance_ is still in an exciting phase of

growth and experimentation.

I'm excited for what's in store.

17/18 PS: THIS IS NOT INVESTMENT ADVICE

(am I doing this right @SBF_Alameda?)

18/18 PPS: 1 $SFI = 1 $YFI ■