Lever: Bringing Commonsense Yield to Bitcoin

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Abstract. Lever is an investment platform where users deposit bitcoin to earn yield from real-world assets. Behind the scenes, bitcoin is collateralized to borrow stablecoins which are invested into debt products backed by AI data centers, private credit funds, and intellectual property. The core value proposition is reliable cash flow yield from commonsense businesses, making Lever a real-world alternative to staking. In the future, Lever will evolve into a decentralized exchange with many assets and financing options, thereby becoming the dominant channel for real-world capital markets to access Bitcoin. Having cultivated an ecosystem of investors, issuers, and lenders, Lever will be positioned to launch a native stablecoin, LeverUSD.

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1. Introduction

Bitcoin is widely adopted but underutilized as collateral. Even though its price discovery and demand make it more efficient to liquidate than a house, home loans outpace bitcoin loans by a ratio of 500 to 1[1]. Crypto lending is part of the problem. Lenders are either too centralized to overcome the stigma of prior bankruptcies[2] or too expensive and unpredictable for anything beyond altcoin investing. Traditional retail and enterprises – who are increasingly the largest holders of bitcoin[3] – are not being offered a concrete lending use case[4] and, thus, prefer to hold. A commonsense yield product could unleash a wave of bitcoin-collateralized investing.

Lever fills this gap by creating a real-world investment platform. The platform offers yield vaults that are amenable to mainstream thinkers, with fixed-rate stablecoin lenders and real-world asset issuers integrated on the backend. Investors maintain their long bitcoin positions, earn reliable passive income, and can even dollar-cost-average back into bitcoin. Lever offers portfolio visibility (unlike black-box brokerage services) and a single platform experience (unlike fragmented DeFi apps).

All of this equips Lever to launch far-reaching DeFi primitives. By becoming the dominant channel for capital markets to access Bitcoin's trillion-dollar user base, Lever will onboard a global network of Bitcoin holders, asset issuers, stablecoin lenders, capital markets platforms, and more. That ecosystem will enable Lever to grow into a decentralized exchange for real-world assets. With one foot in Bitcoin and another in real-world businesses, Lever will have the fundamentals to launch a globally distributed stablecoin, LeverUSD.

2. Platform

Lever brings bitcoin lending and real-world capital markets into one platform. Figure 1 illustrates the flow for borrowing and investing. Investors connect custodial or non-custodial wallets to deposit their bridged bitcoin[5] (Step 1). Their deposits are held in a segregated collateral escrow to unlock stablecoin lines of credit (Step 2). Stablecoins get deposited into on-chain funds backed by real-world assets (Step 3). Finally, issuers off-ramp stablecoins through exchange partners (Step 4) or connect their wallets to manage off-ramping themselves. Lever's capital markets platform partners certify transactions with licensed transfer agents and

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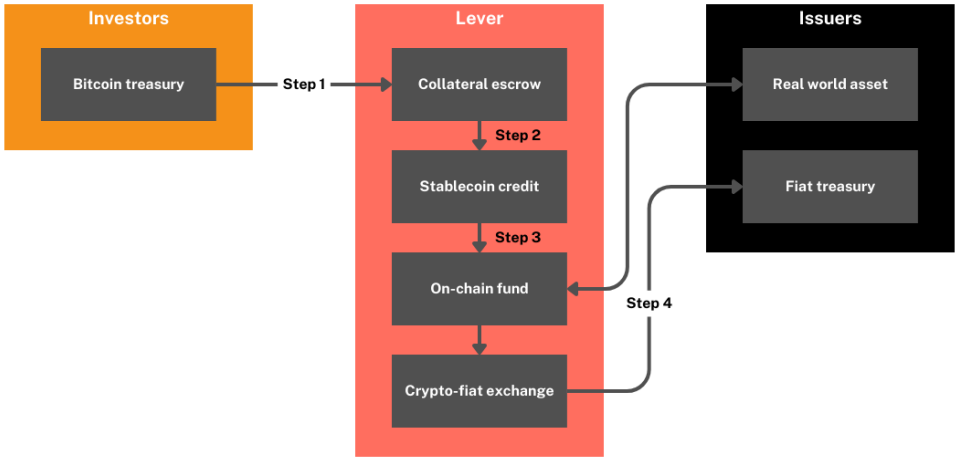
[1] Home lending includes mortgages and home equity lines of credit. Bitcoin lending is at $9 billion annually.
[2] Bitcoin deposit accounts from Celsius, BlockFi, and Genesis were rehypothecated, and those teams went bankrupt.
[3] The Chief Financial Officers of the three largest public company holders of BTC all spent most of their careers in legacy financial and/or energy companies (MicroStrategy, MARA, Riot).
[4] Mature players like Coinbase offer standalone lending. Other attempts to connect lending with real-world use cases are early, like Battery and Lava.
[5] Mainchain bitcoin escrows are technically complex. To avoid waiting on R&D, Lever starts by onboarding smart contract compatible bridged bitcoin assets like WBTC, CBBTC, FBTC, and TBTC – a $16 billion total market.

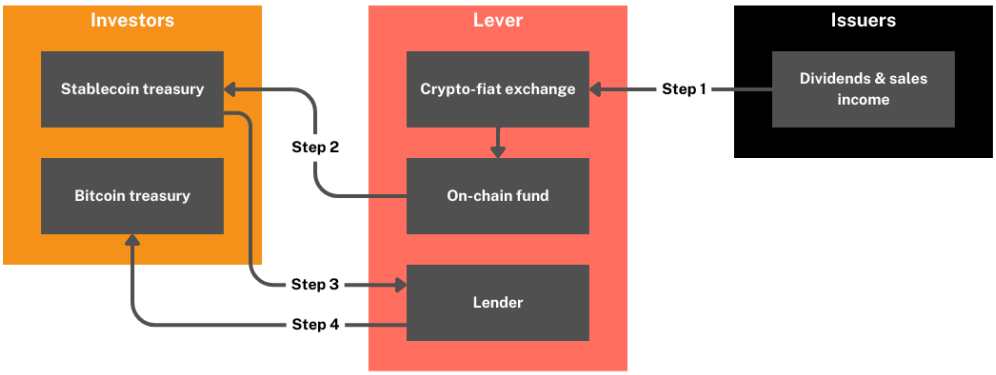
manage off-chain investor cap tables. Lever's revenue comes from a fixed integration fee on asset issuers who want access to a novel Bitcoin investor base.

Figure 1: Borrow and Invest Flow



When it comes time to exit, Lever allows investors to collect income and pay back loans. Figure 2 depicts this. Issuers on-ramp dividends and asset sales into stablecoins (Step 1). Investors get paid these stablecoins based on the ledger maintained by Lever's capital markets platform partners (Step 2). Investors can elect to pay down their loan balance (Step 3) or use stablecoins to buy things like bitcoin. The exit is complete when investors pay down their full loan balance and withdraw their bridged bitcoin collateral (Step 4). Lever's revenue comes from the interest paid on stablecoin loans.

Figure 2: Exit Flow



Investment demand is driven by the spread between real-world asset yields and borrowing costs. That clearing rate will not reach the unbelievable yields of notable DeFi apps[6], but this is by design. Lever's vaults accrue yield through consistent cash flow from credible underlying assets, something that most crypto financial products lack. So long as the clearing rates exceed the low, single-digit percentage-point yields on prime brokerage bitcoin loans[7], there will be demand from large retail and enterprise holders.

Issuers are screened to minimize investment risk. Lever works with capital markets platforms and legal experts to evaluate an issuer's compliance history, industry reputation, cash flow, and secondary market potential. Lever's early focus on AI, financial products, and intellectual property is designed to excite users with exotic assets that nevertheless have the capital depth for large check sizes. Long term, Lever will support many assets and decentralize issuer screening.

Lever works exclusively with fixed-rate stablecoin lenders to minimize liquidation risks. Some partners are DeFi protocols like Collar[8], who offer single-digit interest rate loans on yearslong time horizons. Others are brokerage firms and family offices who get preferential, long-term rates from exchanges. Lever is a distribution channel for any team with a compelling bitcoin-collateralized lending product.

Regarding compliance, Lever relies on licensed partners until it can meet regulatory standards on its own. This enables Lever to focus on user acquisition instead of costly (and highly commodified) regulatory processes.

Lever's platform will be upgraded as other on-chain technologies reach maturity. The list of roadmap items includes:

- Support mainchain bitcoin collateral deposits
- Automate bitcoin purchasing with cash flow yields
- Offer tranche-based lending rates, varying on credit worthiness
- Embed borrowing and investing flows into enterprise custody platforms

3. Governance

Lever's growth will create an ecosystem that enables ambitious DeFi. Bringing more lenders means onboarding more investment funds and trading firms. Bringing more assets means

[6] Protocols like Ethena made headlines for offering yields over 50% in 2024.
[7] Consider MARA's 7K bitcoin loan.
[8] Collar (also known as Votre) operates uniquely from most crypto lending apps. Borrowers agree to cap the upside on their bitcoin collateral but, in exchange, get to borrow on fixed terms with high LTV ratios.

onboarding more business owners and asset managers, with real-world needs that attract exchanges and oracles. As Lever evolves into a decentralized exchange for real-world yield, that attracts more on-chain enterprises, whales, and retail users. When LeverUSD launches, Lever's lending and investment apparatus becomes a funnel for issuing stablecoins that attract diverse traders, payers, and savers.

Lever prepares for this sprawling ecosystem by creating a decentralized governance process. Voting is a central component. Anyone can submit a proposal, but only power users[9] vote. Voters are awarded loyalty incentives – which can be spent on accessing oversubscribed investments and exclusive events – and large incentive holders get more voting power. Initially, community voting will decide which issuers and lenders to integrate. Eventually, voting will grow in scope to include managing capital markets platform partners, whitelisted collateral assets, and stablecoins. After LeverUSD launches, governance will be formalized into a decentralized autonomous organization, the LeverDAO, which will oversee voting, incentives, and LeverUSD smart contracts. All of this is intended to make Lever's choices of industries, lenders, assets, and partners guided by demand, instead of a single operating team.

4. Stablecoin

LeverUSD will launch when governance is robust enough to handle peg stability and risk management. Its technical design draws on smart contracts from MakerDAO[10].

Fundamentally, LeverUSD represents a collateralized debt position. Users mint[11] it after collateralizing bridged bitcoin[12] and can only withdraw collateral after returning the mint with a fee. If a user's mint and fees exceed 60%[13] of their collateral's value (the LTV ratio), their collateral is liquidated. Like before, investors access real-world assets by deploying LeverUSD. Users will also still be able to borrow from lenders like Collar, who have an opportunity to adopt LeverUSD into their operations. Unlike before, users can deposit LeverUSD into a smart contract and earn a savings yield. The LeverDAO manages these functions to maintain the 1:1 peg between LeverUSD and USD. For a complete list of features, see Table 1 in the Appendix.

The primary risk LeverUSD mitigates is the impact of third-party stablecoin issuers. Even the safest stablecoins have suffered serious depeggings[14], leaving Lever at the mercy of

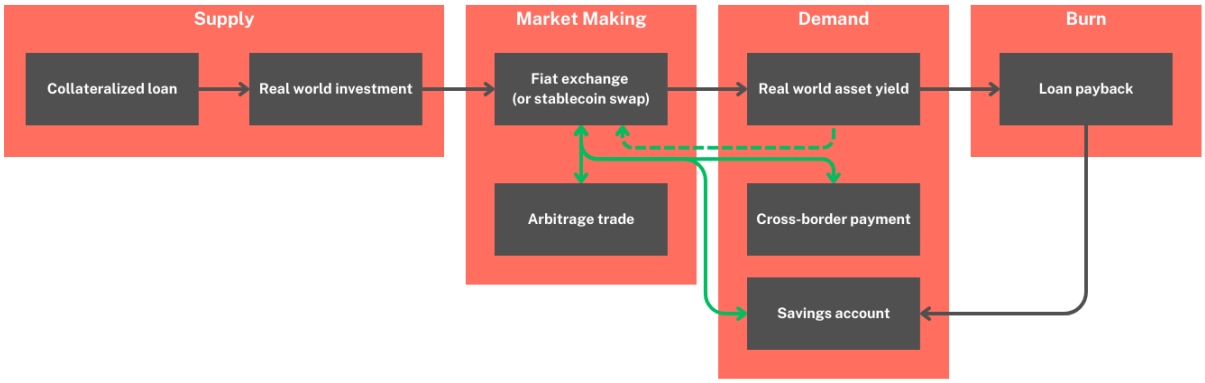
[9] Initially defined as anyone who has invested, lent out, or issued at least $100,000 on Lever.
[10] For more on the USDS stablecoin (formerly Dai), see MakerDAO's whitepaper.
[11] Minting will likely happen on an Ethereum compatible chain to maximize compatibility with today's dominant stablecoin standard, ERC-20.
[12] As mentioned before, this will include mainchain bitcoin when on-chain technology permits it.
[13] Though MakerDAO enforces a lower collateralization ratio, Lever adds in a buffer like most bitcoin prime brokerage lenders. Eventually, this collateralization ratio will be lowered.
[14] Consider Circle's USDC depegging in 2023 which roiled markets and cast doubt on flagship audits.

outside treasuries and off-chain fiat deposit arrangements. A native stablecoin gives Lever visibility over its collateral and agency over risk management.

LeverUSD's greatest benefit is that it helps Lever scale. The barrier to crypto lending is the high cost of stablecoin capital, as today's stablecoin lenders expect sky-high DeFi yields. LeverUSD is positioned to capture the mainstream – particularly in emerging markets – who expect much lower yields on savings, all of which translates into lower stablecoin borrow rates and higher clearing rates for investors.

Investing, earning, and borrowing work together to balance supply and demand for LeverUSD. Figure 3 illustrates LeverUSD's lifecycle. Collateralized investing is the engine for supply, as bitcoin depositors mint LeverUSD to access real-world yield. Though issuers will first off-ramp deposits into fiat for real-world expenses, they will later on-ramp fiat into LeverUSD to distribute yield. Investors will use that yield to buy bitcoin and other assets, creating a cycle of LeverUSD among exchanges and stablecoin swaps. These trading venues become entry points for traders, payers, and savers to access the Lever ecosystem. Investors burn LeverUSD to unlock Bitcoin, creating an upper-bound on the stablecoin's supply.

Figure 3: Life Cycle of LeverUSD



A successful rollout of LeverDAO and LeverUSD provide opportunities to launch other products. These need to be further studied and are also dependent on the evolution of other on-chain technologies. The list includes:

- Build a native blockchain, LeverChain, with ecosystem participants as validators
- Create standalone platforms for lending, borrowing, and saving LeverUSD
- Offer on and off-ramping for LeverUSD into fiat currency
- Deploy LeverUSD natively on mainchain Bitcoin

5. Risks

Users should be aware that Lever, like any blockchain technology product, comes with risks. These risks include:

- Illiquid investments: real-world assets are often less liquid than crypto, leaving borrowers exposed to margin calls while holding insufficient stablecoins.
- Adverse issuer selection: issuers who fail to raise in traditional markets are, naturally, incentivized to try again in crypto markets.
- Collateral liquidation: users may neglect the platform and get bitcoin liquidated inadvertently, or external escrow partners may mismanage private keys.
- Insolvency: collateral values may drop suddenly and leave external lenders or the LeverDAO with excessive bad debt, leading to a potential crash in LeverUSD's price.
- Protocol exploits: DeFi technology is still early and liable to attacks, many of which have happened on the industry's largest players.
- Lost private keys: users who lose these may permanently lose their funds[15].

The most important tool for risk mitigation is community governance. Voting is designed to leverage experts and power users to diligence assets, partners, collateral stewards, and whitelisted tokens. Lever prioritizes track records, makes investment collateral public, considers high yield offers dangerous, and tries to cultivate a platform for reliable, passive income generation. These processes are likely to attract power users who are well capitalized and share similar investment priorities, creating a positive flywheel on community governance. This helps diminish the risks of illiquid investments, adverse issuer selection, collateral liquidation, insolvency, and protocol exploits.

A second tool for risk mitigation is Lever's compatibility with external capital markets platforms. Many tokenization and private markets software companies were built with resilient licenses and technologies, which Lever does not seek to reinvent. The responsibility of evaluating investments ultimately lies with investors, but Lever works with teams whose business models revolve around providing guarantees and sourcing quality assets. Additionally, Lever can adopt a modular design where it acts as a settlement tool between bitcoin and real-world assets on external capital markets platforms. This all helps diminish the risks of illiquid investments and adverse issuer selection.

Lever's long term risk mitigation revolves around its commitment to DeFi. Centralized services can provide simpler user experiences, but such platforms force users to sacrifice visibility and control over their portfolios. Lever's evolution into a decentralized exchange with

[15] Lever can only mitigate this by reminding users to take care of their private keys, as any other on-chain platform.

community governance makes users agents in their financial futures, minimizes financial surprises, reduces intermediary overhead costs, and unlocks faster, flexible settlement. Lever represents an alternative not only to esoteric DeFi like staking, but also to crypto's long history of centralized rehypothecation.

APPENDIX

Table 1: LeverUSD Feature Set

Feature	Description	Impact
Stability Fee	Variable interest on minted balances, must be paid to unlock collateral.	Higher fees reduce minting and raise the LeverUSD price.
Liquidation	Dutch auction where traders buy collateral with LeverUSD.	Earnings burned to lower bad debt and reverse drops in the LeverUSD price.
Debt Ceiling	USD limit to the total amount of LeverUSD that can be minted.	Lower ceilings reduce minting to raise the LeverUSD price.
Savings Rate	Yield on LeverUSD savings, funded by the Stability Fee.	Raising rates increases demand to raise the LeverUSD price.
Stablecoin Swaps	Swaps for arbitraging between LeverUSD and other stablecoins.	Constant trading erases price differences to maintain the USD peg.
Reverse Auction	LeverUSD auction where traders pay collateral to reduce excess liquidation.	Returns LeverUSD into circulation to mitigate liquidation price hikes.
Liquidation Penalty	Extra sum sold from liquidated collateral.	Extra burning reduces LeverUSD circulation to reverse price drops.
Lever Buffer	Fund for covering bad debts, raised from Stability Fee and Liquidations.	Deploying buffer reduces bad debt to reverse LeverUSD price drops.
Emergency Shutdown	Triggered to protect against extreme market volatility, attacks, or upgrades.	Freezes circulation to leave the LeverUSD price constant.
Vault Differentiation	LeverUSD supports multiple collateral assets with different rules.	Enforcing higher collateralization for risky vaults avoids risk of bad debt.
Real-World Collateral	LeverDAO can add support for real-world collateral assets.	Stable collateral with yield reduces bad debts but adds legal complexity.
Intermediary Oracle	Relay system for oracle data of collateral and LeverUSD.	Relays after a delay, with freeze option to protect smart contracts from attacks.
Stepwise Liquidation	Collateral is not entirely liquidated, only a portion is to reach solvency.	Gets debt slightly below LTV ratio to reduce excess LeverUSD burning.
Freeze Function	LeverUSD balances can be frozen according to legal requirements.	Improves LeverUSD's ability to access regulated, real-world markets.
Vote Execution Delays	Votes go through 2 rounds, and final votes take up to 24 hours to execute.	Delays give time for extra security screening and technical evaluation.

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