

ShapeShift DAO Weekly Newsletter

May 9, 2022

WEEKLY DIGEST



DeFi 2.0 Explained: Second Generation of DeFi

DeFi 2.0 is a broad term used to describe a series of evolutions over the past year developed to improve upon the original innovations made during DeFi summer in 2020. When early DeFi pioneers like Aave and Uniswap emerged, they were something the world had never seen.



EPNS Partners With ShapeShift Encouraging Platform Governance

ShapeShift has joined forces with EPNS to achieve direct communication with users of the platform. As such, ShapeShift users are poised to receive decentralized push notifications pertaining to the governance process. These notifications are designed to increase user participation and keep them updated about every step in the governance process.



Porter Finance Launch Partnership

The purpose of this passed proposal was to make ShapeShift DAO an official launch partner of Porter Finance and to empower the TDMC to advise on the partnership. Porter Finance is creating a protocol for DAOs to borrow against their project tokens at fixed rates with no liquidations. In return for launching with Porter Finance, ShapeShift DAO is on track to receive ownership in the protocol and have all fees waived.

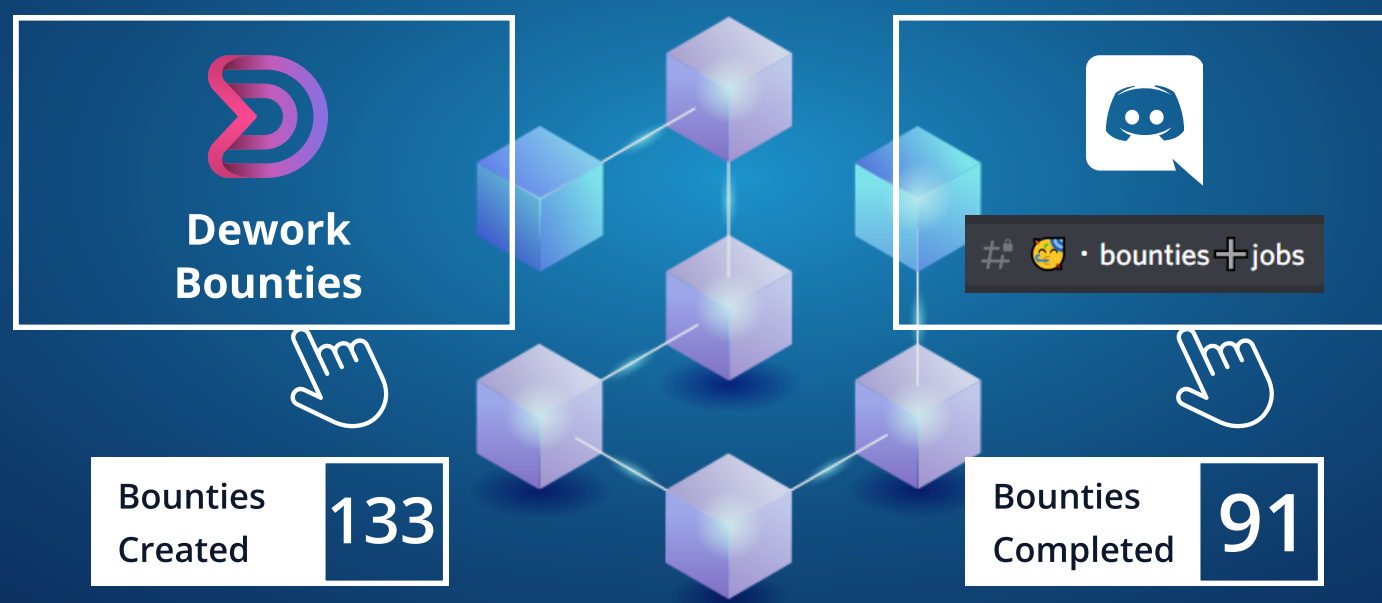
ENGINEERING BOUNTIES

The Engineering Workstream is an integral part of the ShapeShift DAO. Our mission is to build an open-source, community-owned, free-to-use interface in the DeFi universe. We are looking for contributors to join us on this journey and get involved in our growing community of open-source developers.

The ShapeShift DAO has many flavors of bounties, but most of our engineering bounties are small features, improvements, or bug fixes that can be made in a single Pull Request by a contributor. These bounties are attached to issues in Github and we use Dework as an

incentivization layer. This means that contributors are rewarded in FOX, our governance token, and become owners of the very platform they are helping to build.

Ready to dive in? Here are some helpful links below.



TOP STORIES

DeFi 2.0 Explained: Second Generation of DeFi



The early decentralized automated market makers (AMMs), Uniswap and Bancor, were the first DEXs to allow users to swap tokens without giving up custody, at least at scale. Aave and Compound provided decentralized lending and borrowing, allowing for on-chain yield for deposits and permissionless access to operating capital. Yield aggregators such as Yearn emerged soon after, taking care of the active management of the growing number of DeFi strategies so users could just deposit crypto, sit back, and watch number-go-up. Thanks to DeFi, any individual could finally access a plethora of financial services in a global marketplace without the intrusion of costly intermediaries or central authorities demanding KYC documents.

However, DeFi 1.0 was not without limitations. Issues with scalability, security, protocol liquidity, and centralization were apparent. This is where the second generation of DeFi protocols stepped in and attempted to solve these problems in today's DeFi ecosystem.

While there have been many innovations in DeFi over the past year, such as self-repaying loans from Alchemix and impermanent loss insurance from Bancor, the term DeFi 2.0 is typically used to describe protocols that address the ever-present need for token liquidity on DEXs.

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EPNS Partners With ShapeShift Encouraging Platform Governance

As of this writing, ShapeShift has a lifetime trading volume of \$6 billion with over 150,000 monthly active users. And users can benefit by choosing to participate in the platform governance on ShapeShift DAO. However, for the smooth running of the governance process, there is a need for a communication medium that keeps users informed of actionable steps to encourage participation. This is where EPNS plays a key role.

What Does the Collaboration Entail?

Through EPNS's partnership with ShapeShift, the vision of the creation of a decentralized communication channel that allows the platform to directly interact with its users can be realized. This channel will be housed on the EPNS platform, and users of ShapeShift can subscribe to it to become beneficiaries of decentralized notifications. They can expect to receive notifications whenever:

- New proposals are created for voting and the voting process begins
- The voting process is about to end (sent 24 hours before)
- The results of the voting are declared

This allows users to grab the governance opportunities on ShapeShift at the right time and help steer the direction of its growth.

[Read more...](#)



Porter Finance Launch Partnership



Porter Finance will be launching their first products in late May: Simple and Convertible bonds. These instruments allow DAOs to borrow at fixed rates with no liquidation risk. This is through simple bonds and convertible bonds.

Currently, ShapeShift DAO is taking on interest rate risk and liquidation risk while borrowing in Tetranode's Rari Fuse pool. Earlier this year, while borrowing from the Fox and Frens Fuse pool, ShapeShift's borrower interest rate went from single digits

to 28% when lenders withdrew their capital from the pool. The variability of rates presents an existential risk to ShapeShift's borrowing capabilities. In addition to interest rate risk, ShapeShift DAO also takes on liquidation risk. If the price of FOX were to fall precipitously during a flash crash, ShapeShift DAO's lending position could be liquidated at ridiculously low prices, creating painful losses for the DAO.

Taking out a loan through Porter will eliminate the interest rate risks and liquidation risks ShapeShift DAO currently faces.

In true Web3 fashion, ShapeShift DAO will also receive ownership in the Porter protocol for being part of the launch cohort. This aligns Porter with ShapeShift DAO's interests and also rewards ShapeShift DAO for their early support.

[Read more...](#)

Let's DAO It!

