Bitcoin Innovation Virtual Summit

Dive into the Bitcoin DeFi Ecosystem

DeFi Implementations on Bitcoin

DeFi apps on Bitcoin have thus far been implemented on sidechains / layer 2s

**Rootstock / RSK**
- Layer 2 smart contract platform for Bitcoin
- Fork of EVM, making it compatible with Ethereum smart contracts and tools

**Liquid Network**
- Private sidechain built by Blockstream for inter-exchange settlement
- An implementation of open-source Elements code

**Lightning Network**
- Layer 2 network built for instantaneous, high volume transactions for Bitcoin
- Built using Bitcoin's native smart contract scripting language

**DeFiChain**
- Sidechain for Bitcoin with a hybrid PoW and PoS consensus mechanism
- Built based on a fork of Bitcoin Core 0.18, and is written in C++

**Stacks**
- Sidechain for Bitcoin with a unique Proof of Transfer consensus mechanism
- Network is built on Clarity programming language, which is also used by Algorand
**DeFi Projects on Bitcoin**

Most Bitcoin DeFi Projects are still centred around specific verticals

<table>
<thead>
<tr>
<th>DEX</th>
<th>Stablecoins</th>
<th>Lending</th>
<th>Oracles</th>
<th>Derivatives</th>
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<td>RSK</td>
<td>Sovryn</td>
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<td>Money on Chain</td>
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Source: CoinGecko Research

- **RSK** has the most dApps, being the implementation with the longest history, but also perhaps being an EVM implementation.
- Compared to Ethereum, gaps still exist around other DeFi verticals such as Yield Aggregators, Insurance, Asset Management, and Fixed Income.
- Seems to still be significant development effort being put into wallets and fiat on-ramps.
- Some upcoming projects worth paying attention to: Chainlink, xBTC, Zest Protocol on Stacks; Sovryn Perp Futures, Bulla Network on RSK.
- Also watching: CityCoins, bridging of other assets on to Bitcoin, NFTs on Bitcoin, Taproot, better data tools.

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Bitcoin Innovation Virtual Summit: CoinGecko Dive into the Bitcoin DeFi Ecosystem
Despite little hype, Bitcoin’s DeFi TVL still close to tripled since the start of 2021

Bitcoin DeFi Ecosystem Total Value Locked (TVL)

$1.15B
Total Bitcoin DeFi TVL

DeFi Chain is the dominant Bitcoin DeFi implementation in terms of TVL, with ~77% share of total TVL, off the back of its DEX and Lending protocol.

TVL from Stacks have quickly caught up to almost the same level as RSK despite only launching mid last year.

In terms of DeFi segments, DEXes such as DeFiChain DEX, Stackswap and Sovryn retain the most TVL.

Notes:
1. Chart does not include staking of native tokens for governance, i.e. STX stacking. STX stacking ~$582 Mn in current cycle.
2. No TVL recorded from Lightning Network and Liquid Network as there are no significant DeFi dApps built yet.
The Ethereum Challenge

Amount of BTC in Ethereum DeFi dwarfs the total amount of BTC in Bitcoin DeFi

Total BTC locked in DeFi dApps on Ethereum and Bitcoin

<table>
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<tr>
<th>Total BTC Locked in Ethereum DeFi</th>
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<td>207.2k BTC</td>
<td>12,264 BTC</td>
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</table>

- **RBTC**: 2,427 BTC
- **L-BTC**: 3,530 BTC
- **BTC**: 3,467 BTC
- **dBTC**: 2,840 BTC
- **wBTC**: 57.2k BTC
- **HBTC**: 3,530 BTC
- **renBTC**: 30.9k BTC
- **Others**: 62.2k BTC
- **N/A**: 26.3k BTC

**Data source:** DeFi Pulse, CoinGecko Research

- **Total BTC on Bitcoin DeFi protocols only amount to ~6% of BTC locked in Ethereum DeFi**
- **Wrapped BTC (wBTC) is the most prominent of the wrapped Bitcoins on Ethereum, with ~80% share of market, followed by Huobi BTC (HBTC) and renBTC**
- **These BTC are mainly locked as collateral on lending projects such as Maker, Aave, Compound and Curve**
- **However it’s important to note that such bridged assets carry their own unique risks**
While DeFi on Bitcoin remain nascent, there are reasons for optimism

**Silver Linings**

**Narrative around a blockchain “ecosystem” instead of blockchain as a single chain taking hold**
- Multi-layered blockchain ecosystem narrative has come to the fore in 2021, with sidechains and L2s becoming more accepted methods for scaling; Even other newer base-L1s exploring slidechains / L2s
- With multiple “live” sidechains / L2s, technology around how to build such a layer beginning to mature
- Cross-chain bridges becoming more prevalent, though risks still remain

**DeFi protocols are innovating rapidly, though risks of scams and rugs remain high**
- Many new protocols being deployed and tested “in the wild”, most with significant liquidity mining rewards
- Forks have been simultaneously good for innovation but also for (low-energy) scams
- NFT + DeFi, under-collateralization are emerging themes

**TradFi interest in Bitcoin is at its all time high, and will probably continue to grow**
- Increasing institutional interest in having some form of exposure to crypto, and Bitcoin is still first choice
- More TradFi crypto products being rolled out progressively, and it typically starts with Bitcoin
- From a retail perspective, Bitcoin still remain beginner crypto of choice, particularly on CEXes and wallets

**Continued narrative of Bitcoin being secure, transparent and immutable**
- Mining hashrate for Bitcoin is at its all time high, signalling that security on the basechain continues to work well and strengthened