

Backd is a trustless and interest generating protocol designed to prevent collateralized loans from becoming liquidable. Backd combines liquidity pools, yield-farming strategies, and liquidation protection mechanisms to create reactive liquidity pools. Unlike other DeFi protocols, Backd liquidity reacts to market conditions and is sent to where it is most needed. Backd enables users to simultaneously increase leverage (borrow more) and yield (earn more), decrease both realized and unrealized costs of borrowing, and ultimately increase the efficiency of their capital.

Reactive Liquidity

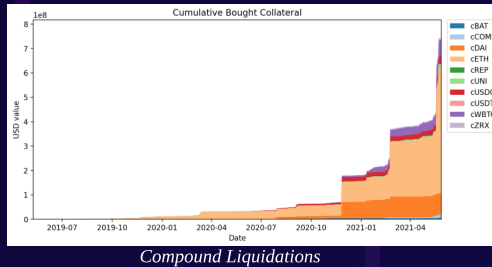


Value Proposition

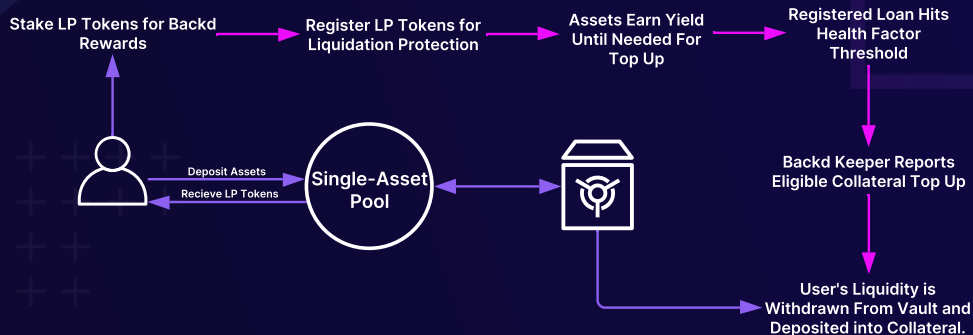
What problems does Backd solve?

- **Over-collateralization:** Users can borrow a limited dollar amount of an asset against their collateral.
- **Volatility:** Market conditions create loans with rapidly changing LTV ratios. Users have to manually maintain a healthy LTV or risk liquidation.
- **Liquidation risk:** As a user increases the amount they borrow relative to the value of the posted collateral, they also increase their liquidation risk.
- **Capital inefficiency:** Users must decide between increasing collateral and earning yield on other protocols "Should I play it safe, or farm more yield?"

Between Aave and Compound around 905 Million in cumulative liquidations have occurred (as of ~June 2021)



Protocol Architecture



Liquidity Providers

Any user can deposit assets into Backd liquidity pools in exchange for LP tokens. Deposited assets earn compounded yield from strategy profits as well as protocol fees. Furthermore, LP tokens can be staked to earn Backd governance token rewards. For liquidation protection, users must register their LP tokens. Registered liquidity continues to earn yield and Backd rewards until it is needed for top up.

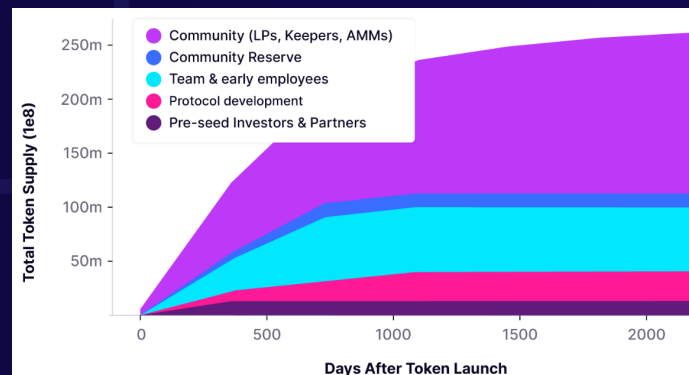
Backd keepers

Backd Keepers are off-chain bots that monitor registered top up positions. Keepers report eligible loans to the Backd smart contract which then executes a collateral top up. When a keeper successfully executes a top up, they receive a percent of the generated top up fee (in the form of LP tokens). Additionally, keepers are allocated Backd rewards in proportion to the value of top ups they execute.

Token Utility

In addition to governance rights, Backd governance token holders also receive fees generated from the protocol. A Backd LP is required to pay a top up fee when their registered loan receives a top up. This fee is distributed between keepers, Backd LPs and Backd governance token holders. Users must stake their Backd governance tokens in order to receive token income (top up fees). This further incentivizes holders to participate in governance by proposing or voting on updates that could increase the volume of collateral top up fees generated by the protocol.

Tokenomics



Backd governance token inflation will begin immediately at token launch. In the first year 60,129,542 tokens will be released to Backd LPs, Keepers, and Backd AMM LPs on a common inflation schedule. Token inflation to these protocol stakeholders will decrease at a factor of 0.6 per year until the supply approaches 268,435,465 tokens (maximum supply). Other token allocations are subject to vesting schedules