CONSENSYS
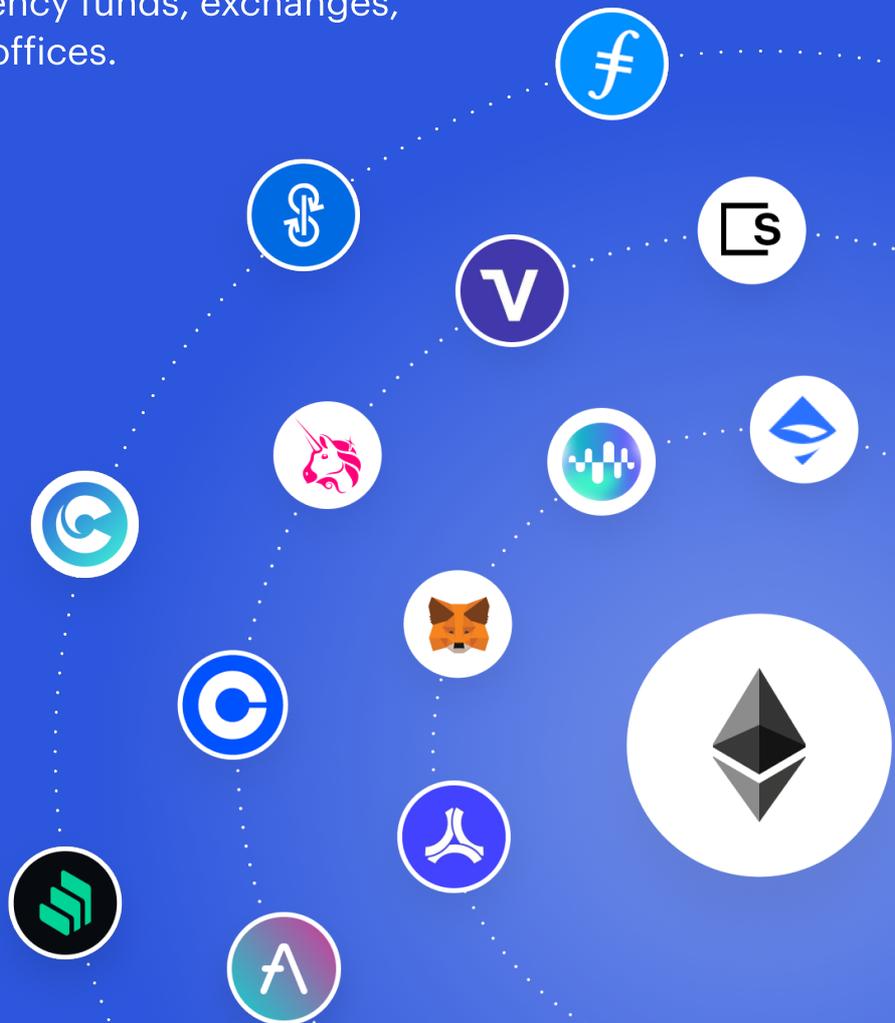
DeFi for Institutions

A guide to Decentralized Finance for financial institutions, cryptocurrency funds, exchanges, custodians, and family offices.

by ConsenSys

Outline

Overview

Decentralized finance—DeFi—refers to the shift from traditional, centralized financial systems to peer-to-peer finance enabled by the Ethereum blockchain.

This year has seen significant traction from decentralized versions of lending and borrowing platforms, prediction markets, margin trading, payments products, insurance, and more. Notable traction has also been evident across entirely new forms of investment, such as staking and yield farming. The DeFi ecosystem—which now represents an expansive network of integrated protocols and financial instruments worth more than $60B—has attracted more than 1.75 million users as well as some of the world's leading financial institutions, funds, exchanges, and family offices.

This report will discuss the surge in institutional adoption of blockchain and digital assets, the numerous opportunities emerging in the DeFi space, and the different ways in which institutions can get started accessing, investing, and participating in DeFi. This report will not include introductory DeFi explainers, beginner's advice for retail participants, or recent ecosystem trends and analysis. For this information, please visit our DeFi knowledge base.

Introduction

As Matt Ridley famously noted, innovation is the child of freedom and the parent of prosperity. DeFi is an ecosystem where freedom leads to radical innovation. Since June 2020, we have seen a Cambrian explosion of this innovation. The entire financial system is being rebuilt from first principles with more security, transparency and interoperability—in weeks and months rather than years and decades. **With radical financial innovation and growth comes radical investment returns and opportunity, leading to more and more institutional capital flooding into this space.**

Regulation plays a fundamental role in institutional adoption cycles. Larger, more regulated entities have more onerous compliance and regulatory monitoring, reporting and oversight. This is why DeFi has seen strong early adoption within small and mid-cap Crypto Funds (with AUMs of less than $1bn). Driven to take advantage of the exceptional investment returns, but also able to do so from a regulatory and compliance perspective, more regulated institutional investors are now stepping into this space. PWC reports 47% of traditional hedge fund managers, representing $180B of AUM, are looking at investing in crypto. An Intertrust survey found hedge funds are expected to hold 7% of their assets, equating to $312B, in cryptocurrency in 5 years. Investment firms will no doubt lead the adoption of DeFi, however for these and other larger and more regulated institutions to cross the chasm, the required DeFI infrastructure will have to be built. Quite excitingly, this is exactly where the market finds itself.

The user needs of institutional finance can be mapped using the capital allocation cycle—from research, pre-trade compliance, and best execution, to monitoring, reporting and custody. Over the last 6 months, there has been an explosion in products and services in all these categories, with capital flooding in to build the necessary DeFi infrastructure. Crypto custodians, for example, have raised large rounds, taken on strategic investments, or been acquired. Compliance, trading and data analytics are attracting capital to build and scale institutional crypto access. However, **it's not only the tooling and infrastructure around DeFi that is being built. DeFi itself is also innovating to provide access to institutional finance**—from permission lending pools that ensure only KYC'd participants to on-chain asset management, MEV resistant best execution protocols, and decentralized identity—more and more institutional focused projects are coming to market, and more will no doubt accelerate with Layer-2 scaling.

The institutional DeFi world is at an incredibly exciting moment in its adoption cycle. Small and mid-cap DeFi funds have pioneered. Larger regulated crypto funds, hedge funds and traditional fund managers will lead the early majority. And the infrastructure is currently being built for the heavily regulated late majority. **With the unparalleled innovation in DeFi also focusing on the institutional world, it is certainly only a matter of time before Institutional DeFi becomes Institutional Finance.**

Crossing the Chasm: The Surge in Institutional Adoption

At the beginning of 2021, US 10-year treasuries were yielding little higher than 1% per annum. When these returns are compared to US stablecoins that yield between 2% and 12%, and more exotic DeFi protocols that yield north of 250%, it is clear why 80% of institutions across the US and Europe have expressed interest in digital assets and cryptocurrencies.

The journey towards institutional adoption of DeFi will not occur instantaneously. As with all emerging technology, familiarity will pave the way for increased adoption. Businesses will enter the world of DeFi by trading Bitcoin futures, buying digital assets, and holding these assets on the balance sheet. As they familiarize themselves with the latter, and once proper infrastructure has been deployed to meet institutional requirements for security, operations, and compliance—we expect institutional investors to delve deeper into experimentation with DeFi.

Early adopters have gained significant first-mover advantages after recognizing the shift of traditional financial service institutions moving towards the adoption of Bitcoin, other cryptocurrencies, and institutional blockchain use cases. In 2021 alone, several leading financial service institutions took big steps in this direction:

- Goldman Sachs relaunched its trading desk for digital assets, and aims to offer a "full spectrum" of investments across the emerging asset class to its wealth management clients.

- Morgan Stanley similarly announced it would offer its clients exposure to digital assets.

- America's oldest bank, BNY Mellon, confirmed they will support and custody digital assets, and launched a series of tokenization development projects, including a new unit focusing on cryptocurrencies.

- Prominent hedge fund manager, Carl Icahn, expressed interest in entering crypto in a "big way", potentially allocating more than $1B to invest in the space.

- HSBC planned to move the settlement of $20B in assets onto a new blockchain-based custody platform. This represents more than a third of the bank's eligible assets.

- JPMorgan is developing a digital token and blockchain platform which allows clients to transfer payments instantaneously.

- In June 2021, Microstrategy added more Bitcoin to their balance sheet, bringing their total to over 105,000 Bitcoin. CEO Michael Saylor recognized the role of Ethereum in the disruption of traditional finance.

- BlackRock, the world's largest asset manager with $9 trillion in assets under management, disclosed they have been trading digital asset related products for months. This represents a significant shift from BlackRock CEO Larry Fink's comments in 2018, that said at the time not a single client was interested in digital assets.

> "Traditional financial institutions and crypto-enterprises are increasingly recognizing the innovations of the open-source Ethereum community in creating new ways to save, store, send, and earn money—whether as CBDCs or stablecoins and assets that comprise the emerging DeFi ecosystem."

As of Q1 2021, HSBC, JP Morgan, Citigroup, Mitsubishi UFJ Financial Group, Barclays, UBS, Goldman Sachs, Commerzbank, BNY Mellon, Signature Bank, and SBI Holdings are all pursuing blockchain related projects, ranging from cryptocurrency custody and trading, to payments and trade execution.

The shift toward the adoption of blockchain and digital currencies is also seen across international governments:

- ~24 governments (including the US, the UK, and Canada) are actively researching Central Bank Digital Currencies,
- ~13 governments (including Brazil, China, and Hong Kong) are in the midst of development
- ~23 governments and international bodies (including Australia, France, Singapore, Japan, and the European Central Bank) have launched pilot projects.

As covered above, traditional financial institutions and crypto-enterprises are increasingly recognizing the innovations of the open-source Ethereum community in creating new ways to save, store, send, and earn money—whether as CBDCs or as stablecoins and assets that comprise the emerging DeFi ecosystem.

Another clear signal of this is the $65M external investment ConsenSys raised from a balance of global financial services firms like J.P. Morgan, Mastercard, and UBS, along with crypto companies and VCs including Protocol Labs, the Maker Foundation, Fenbushi Capital, and Alameda Research. In funding ConsenSys, traditional institutions are helping build DeFi infrastructure while also gaining visibility into Web3 applications being developed on the Ethereum blockchain.

The increasing deployment of institution-focused DeFi tools, infrastructure, products, and services, coupled with the surging adoption of both Bitcoin and institutional blockchain use cases, indicates that mass institutional adoption of DeFi is imminent.

The Rise of Institution Opportunities in DeFi

Based on ecosystem developments H1 2021, it's not hyperbole to claim that the entire financial system is being rebuilt from first principles with more security, transparency, and composability across protocols. **With radical financial innovation and growth comes radical investment returns and opportunity, leading to more and more institutional capital flooding into this space.**

Digital Asset Trading

Decentralized exchanges (DEXs), automated market makers, and token swapping aggregators are the types of cryptocurrency exchanges that operate without a central authority, allowing users to transact peer-to-peer and maintain control of their funds. DEXs, like Uniswap, Sushiswap, 0x, ParaSwap, and many others are solving the issue of being able to access crypto assets from anywhere in the world as long as you have an internet connection and a wallet like MetaMask. They are also increasingly giving centralized exchanges a run for their money.

Coinbase, the popular cryptocurrency exchange that went public in Q2, identified decentralized exchanges as one of the key threats to their business in their S-1. It's no wonder: in Q2 2021, DEXs saw the highest ever volume, with May alone witnessing a whopping $173B in volume, and Q2 total of $343B . This surpassed Coinbase's total trading volume of $335B in Q1 2021. This is notable because DEXs enable trading only for EVM-compatible assets, whereas 58% of Coinbase's trading is Bitcoin.
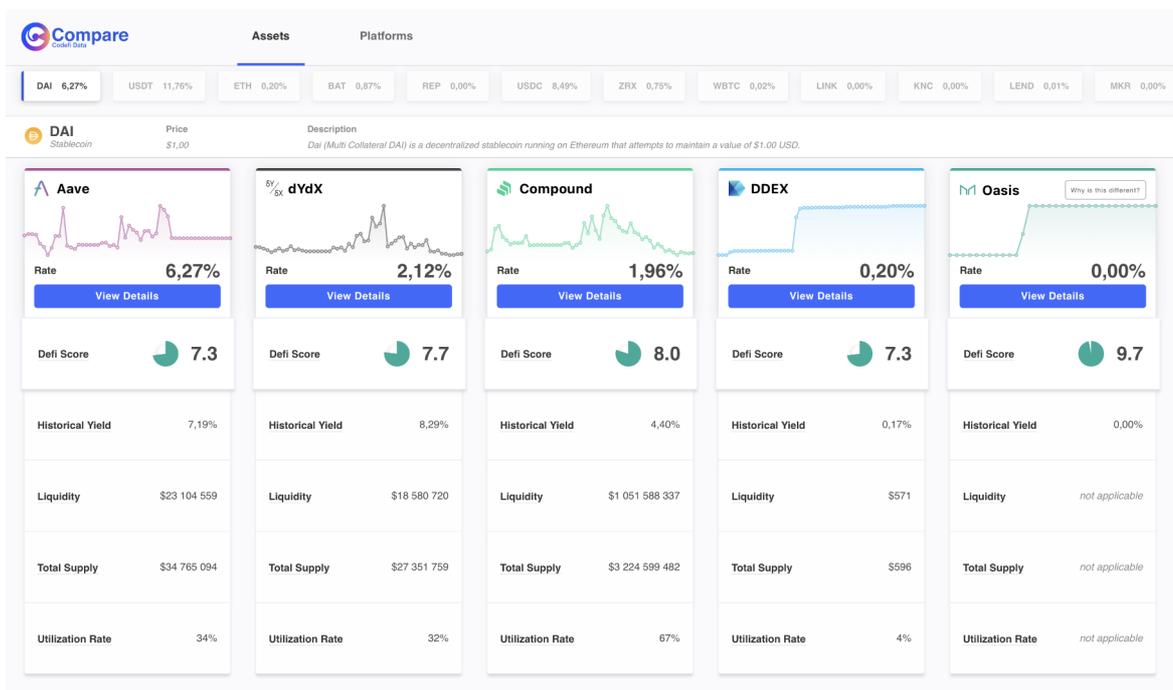
Lending Protocols

Compound and Aave are non-custodial, decentralized peer-to-peer lending platforms. Both platforms offer users opportunities to (1) borrow funds while putting up their crypto assets as collateral, and to (2) lend their cryptocurrency for interest rates that are exponentially higher than those offered in traditional finance. Aave is known for popularizing flash loans, which are instant loans that users can borrow without collateral as long as the loan is repaid in full before the block is completed.

Providing USDC liquidity on Aave currently yields 6.27% APR, yielding 7.22% on average since inception. As protocols chase liquidity, attractive yields like 32.5% for providing sUSD liquidity on Aave are increasingly the norm.

In July 2021, Aave launched Aave Pro, which uses KYC'd pools to provide institutional investors with direct access to decentralized lending markets. These pools will be separate from existing liquidity pools on Aave in order to comply with institutional compliance and regulatory requirements.

Another institution-focused decentralized liquidity network, Alkemi, reached over $16m liquidity last May. Similar to Aave, Alkemi offers KYC'd lending pools for institutional investors.

Check out our tool Codefi Compare, to see how these yields compare with traditional finance.

Yield Farming

Unique to DeFi, yield farming allows users to stake their crypto assets in various non-custodial, DeFi protocols to earn high fixed or variable interest rates. Yearn, Enzyme, and Vesper are some of the top yield farming protocols.

In the absence of yield farming platforms, users must manually search for protocols with the highest returns, and move their crypto assets onto that platform to earn higher rewards. Yearn automates this process by finding, and switching to, the highest yielding opportunities for yield farmers and liquidity providers. The price of YFI, the Yearn token, has hovered around $35,000 for most of Q2, 2021. With over $4B worth of crypto assets staked in its protocol, Yearn Finance is highly valued by DeFi users who want to put their idle crypto assets to work.

Here is a snapshot of the high returns users can expect by staking or lending their YFI tokens:

	Risk	Complexity	Reward	Adj. Reward	Minimum	Lock Up	Avg. Fee	Participating
Stake YFI	moderate		9.26%	9.26%	-	-	-	-
Lend YFI		moderate	2.57%	2.57%	-	-	-	-

Enzyme Finance (MLN, ~$100), formerly Melon Protocol, facilitates on-chain management of pooled funds and allows users to create their own tokenized, financial instruments. Touted as the "401K of Crypto", Vesper offers a service where users can "store and forget" their assets with the promise that they will generate the highest possible returns.

Institutional opportunities within DeFi don't stop here. One more particularly interesting activity is staking on Ethereum, which has yielded validators as much as 25% APR. Learn more about this in the dedicated section below: *Ethereum Staking Rewards*

Need a recap of the basics? Watch our "Introduction to DeFi" Webinar.

WATCH NOW

Checklist: Getting Started with DeFi

Four steps to prepare your institution to access and engage in DeFi.

☐ Consider strategically how much capital your fund is willing to allocate to DeFi exploration.

☐ Start learning through experimentation by using MetaMask. Make trades without investing too much into infrastructure and processes until your fund consolidates a DeFi investment strategy. Here are some ideas:

    ☐ Swap DeFi tokens on MetaMask

    ☐ Lend digital assets on Compound or Aave

    ☐ Yield farm on Yearn, Enzyme, or Vesper

        * Learn more about these activities in the section above: *The Rise of Institutional Opportunities in DeFi*

☐ Set up infrastructure and processes to manage digital assets

    ☐ Research and analysis

    ☐ Key storage and asset custody

    ☐ Compliance

    ☐ User permissions

    ☐ Trade execution

    ☐ Reporting

    ☐ Monitoring

        *MetaMask Institutional helps facilitate many of these services. Learn more about MetaMask Institutional below: *Solutions from MetaMask Institutional*

☐ Select technology providers and vendors your fund will work with for various DeFi activities e.g. Choose a staking-as-a-service provider with high standards of reliability and performance, such as *Codefi Staking*

With ConsenSys' products, institutions can implement DeFi investment strategies, earn Ethereum staking rewards, and engage with the cutting edge of DeFi innovation.

DeFi with ConsenSys

ConsenSys helps converge traditional finance with Ethereum-based DeFi technology to power the future of commerce and finance. Our products, as the primary entry points to Ethereum, make DeFi accessible and productive for institutions.

- MetaMask, the most trusted DeFi wallet, counts over 8M monthly active users. It boasts unrivaled access to the DeFi ecosystem because all dapps build to integrate with MetaMask. Its business-focused arm, **MetaMask Institutional**, enables institutional investors to securely and efficiently deploy capital into DeFi. Through MetaMask Institutional, institutions can implement investment strategies for trading, lending, yield farming, and more.

- **Codefi Staking** enables institutions to capitalize on the revenue opportunity of staking on Ethereum without the technical and operational complexities of running an independent validator. By staking ETH, institutions can generate yield in return for maintaining the security of the network.

- **Codefi Activate** enables institutions to earn rewards for participation in DeFi protocol growth and governance. Institutions can get in on the ground floor of the most innovative DeFi projects, purchase tokens, help grow the network, and enjoy the gains of token appreciation.

With these products, institutions can implement DeFi investment strategies, earn Ethereum staking rewards, and engage with the cutting edge of DeFi innovation. At ConsenSys, we work to empower institutions with the tools, infrastructure, and services to interact with DeFi.

GET IN TOUCH

Institutional Investments into DeFi

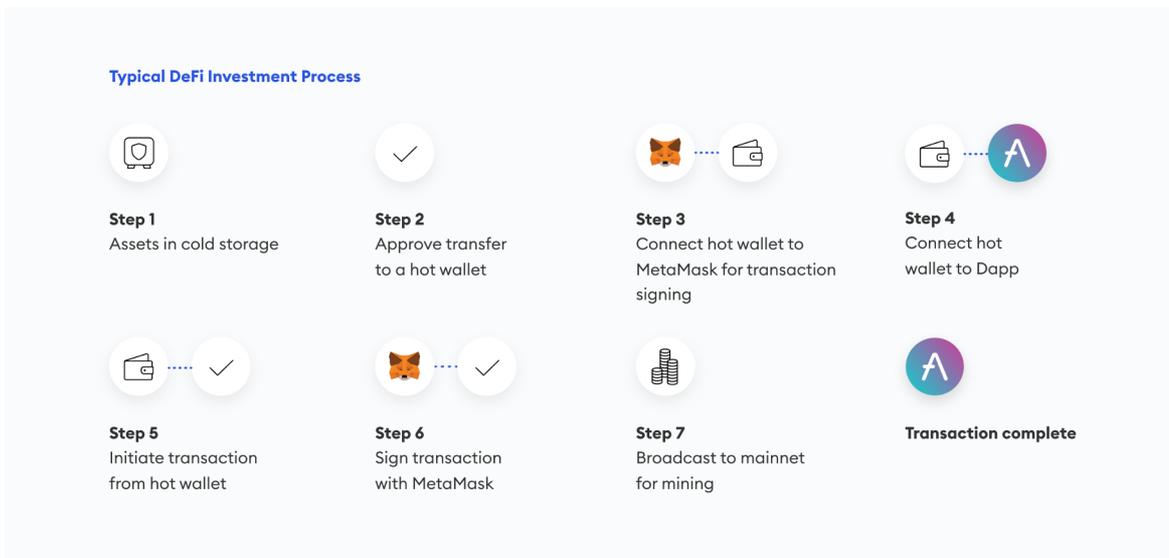## Challenges of Institutional Engagement

In this report, we've mapped out the adoption cycle of the institutional world noting the role and impact of compliance and regulation. We use a mental model of the transaction flow process to identify institutional needs and challenges—from custody, compliance, and best execution, to monitoring, reporting and research. This transaction flow process can be seen as a pyramid, a Maslow's hierarchy of institutional needs, if you will.

Different institutions of different sizes face different challenges. Yet, there is one aspect that unites the entire institutional world regardless of regulatory oversight or assets under management (AUM): **Risk**. Risk management within DeFi takes on several dimensions. At the base of our institutional needs pyramid, is security. This entails the safe storage of private keys, key recovery, and multi-signature capabilities—ensuring your keys are protected from hacks and theft and your assets can't be sent anywhere within the network without multiple parties approving and signing the transaction. Within the base layer, additional security includes whitelisting wallet addresses and smart contracts, and placing limits on the number or size of transactions. Effectively, building in risk management rules depends on the complexity of an organization. It often involves insurance against loss of access (the loss of private keys) and loss against theft.

The next layer in the pyramid is **compliance**—a risk and challenge not yet faced by the entire institutional world, even though increased regulatory oversight will no doubt become paramount in the months and years ahead. Within Europe, Asia, and the US, institutions have to comply with Anti-Money Laundering (AML) regulations that often carry with them the threat of incarceration when trading with nefarious counterparties. Larger, more regulated firms are also deeply cognizant of avoiding trading with sanctioned or prohibited counterparties. This means a core feature of DeFi (decentralisation and pseudonymity) can become a bug. The liquidity pools in all DeFi primitives, including lending and borrowing pools and decentralized exchanges, can be full of potentially risky counterparties.

The next layer in the pyramid includes **best execution**: Ensuring that assets can be acquired and disposed of with ample liquidity, and that margins, spreads, and slippage remain tight and low.

Typical DeFi Investment Process

Step 1
Assets in cold storage

Step 2
Approve transfer to a hot wallet

Step 3
Connect hot wallet to MetaMask for transaction signing

Step 4
Connect hot wallet to Dapp

Step 5
Initiate transaction from hot wallet

Step 6
Sign transaction with MetaMask

Step 7
Broadcast to mainnet for mining

Transaction complete

With direct DeFi access through prime brokers, centralized and decentralized exchanges, and OTC desks—exposure to the asset class is often possible, but the next challenge, and layer in the pyramid, is **monitoring**: Ensuring the assets, yields, and trading positions are accurately tracked, and that risk metrics and monitoring can be applied. **Reporting** makes up the fourth layer in the pyramid, which includes a variety of new challenges for the institutional world: Ensuring that new tokens, complex transactions, yields, and completely new developments and vernacular like airdrops are correctly priced and accurately accounted for. Lastly, there is **research**: how to better understand and filter the growing nuances and most important opportunities within the DeFi ecosystem.
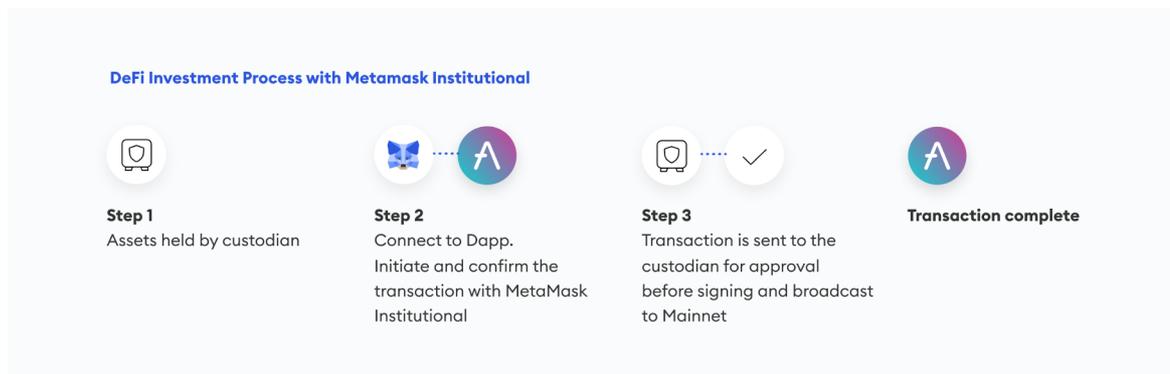
In order for institutions to safely and effectively engage with DeFi, it is crucial that each of the five challenges above are addressed, and investment processes are made secure, compliant, and efficient. This is the value offered by MetaMask Institutional.
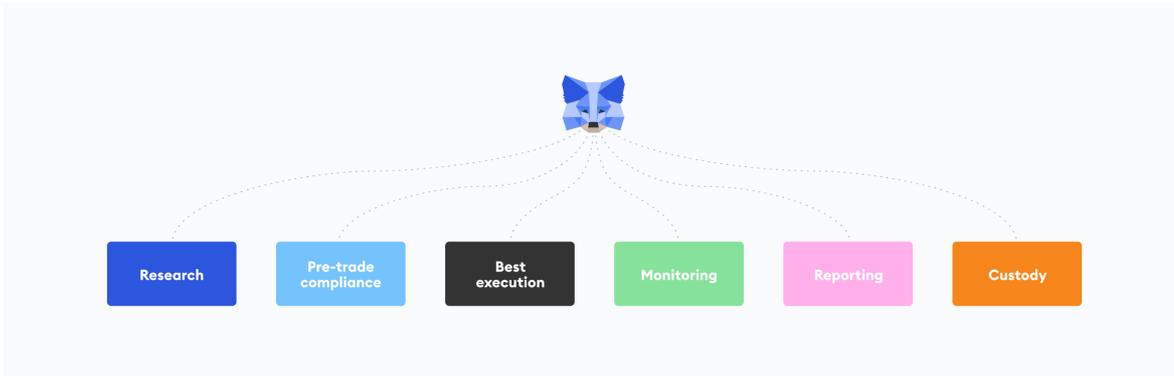
Solutions from MetaMask Institutional

MetaMask Institutional, a wallet built for institutions, provides unrivaled access to DeFi without compromising on security or compliance requirements.

We enable funds to swap tokens, borrow, lend, invest, and interact with DeFi protocols and applications through the world's most trusted DeFi wallet. Since all dapps in the DeFi ecosystem build to integrate with MetaMask, MetaMask Institutional offers unrivaled dapp access, along with custody solutions and operational features to power a professional investment experience:

- Safe, secure, and efficient investment processes that reduce the need for multiple transactions, sign-offs, and gas costs.

- Direct custodian integration to solve operational, risk, and trade flow needs.

- Advanced compliance mechanisms that include know-your-transaction (KYT) frameworks, high-risk assessments, and real-time reporting.

DeFi Investment Process with Metamask Institutional

Step 1
Assets held by custodian

Step 2
Connect to Dapp. Initiate and confirm the transaction with MetaMask Institutional

Step 3
Transaction is sent to the custodian for approval before signing and broadcast to Mainnet

Transaction complete

We simplify capital deployment into DeFi applications with the following institutional services:

MetaMask Institutional successfully bridges the gap between traditional finance and DeFi by connecting custodians and crypto funds—allowing funds to access cutting-edge crypto native opportunities in a secure and compliant manner.

LEARN MORE ABOUT METAMASK INSTITUTIONAL
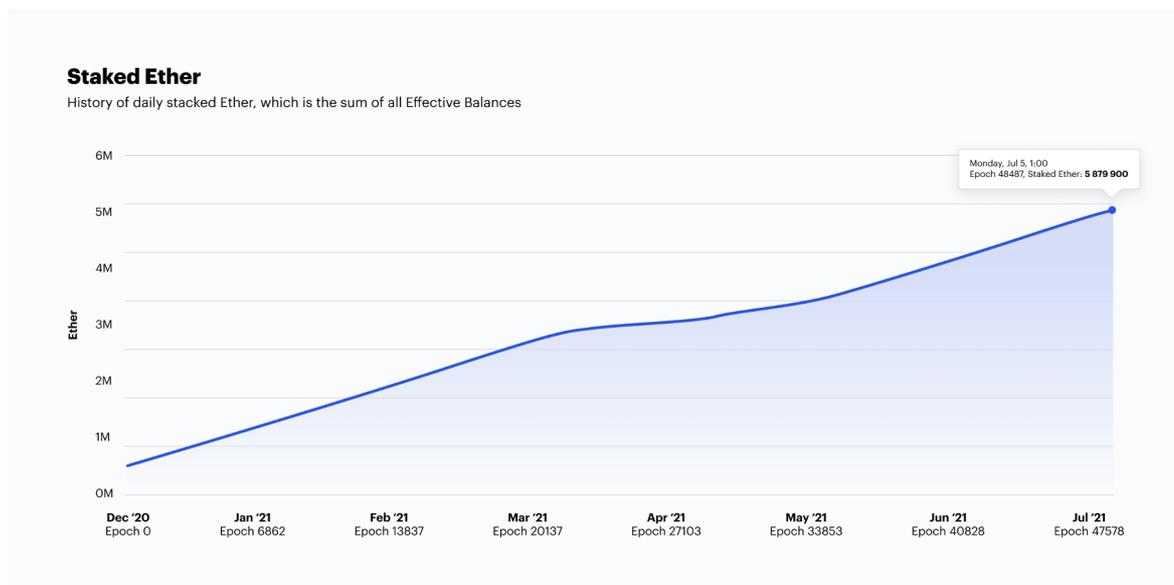
Ethereum Staking Rewards

Evolution of the Ethereum Ecosystem

Ethereum 2.0 marks a significant upgrade to the Ethereum public mainnet. The Beacon Chain, the first phase in the transition from Eth1 to Eth2, launched in December 2020.

The launch of Ethereum 2.0 is especially significant compared to past upgrades because of the implementation of a Proof of Stake (POS) consensus mechanism, moving the network away from the existing Proof of Work (POW) mechanism. With POS, Ethereum is incentivized to be energy efficient, have faster throughput, and incorporate a path toward net carbon positivity in the near future. The transition will allow a network of validators to place a security deposit of 32 ETH in special accounts on the network, as a guarantee that they will follow and enforce network rules. Ethereum 2.0 will remain decentralized, and anyone willing to stake 32 ETH can become a validator.

For individuals and organizations that hold ETH, POS marks a more inclusive way to maintain the security of the Ethereum network compared to POW, along with comparatively high rewards for participants.

Since December 2020, staking on Ethereum has gained enormous traction. As of July 2021, over 183,000 validators have staked over 5.8M ETH, worth over $12.8B, with average annual percentage return (APR) at 6.6%.

Staked Ether

History of daily stacked Ether, which is the sum of all Effective Balances

Source: https://beaconcha.in/charts

Staking Rewards

The transition to POS has created compelling reward opportunities for institutions. Large holders of ETH, including cryptocurrency exchanges, funds, and custodians, recognize that holding ETH bestows a powerful position within DeFi. As the Ethereum DeFi ecosystem grows, holding ETH will be integral to application operations and transaction execution.

Institutions appreciate that Ethereum staking (whether by running their own validators or by working with staking providers) offers the lucrative opportunity of generating 6.6% annual yield on their ETH positions.

"With Eth2 Staking, institutions have a great opportunity to generate yield on their ETH positions… as long as you stay online and protect your keys properly—with the help of service providers like Codefi Staking." - Jerome de Tychey, Global Head of Customer Success at Ledger

As the Ethereum ecosystem rallies around its new POS mechanism, more and more institutions want to earn rewards in return for maintaining network security. However, setting up staking infrastructure and maintaining validator software requires complex technology development and solid security expertise. This is where Teku and Codefi Staking come in.

# Ethereum Client and Staking Service Performance Assessment

The relative earning power of the four available Ethereum staking clients can be compared by analyzing on-chain data from the last six months of the Beacon Chain. Each of the client development teams (Teku, Prysm, Lighthouse, and Nimbus) runs a fleet of their own validators, which provides a stable basis for comparison.

Teku is the Eth2 client powered by ConsenSys, built by the team behind Hyperledger Besu, the leading Ethereum client for enterprises. It is the only client built to meet institutional needs and security requirements.

The following chart shows the consistency of each client's performance. On 131 of the 181 days (72%) **in the first half of 2021, Teku earned the most rewards for accurately performing its duties—five times more than the next best performing client.**

2021/H1: Days with greatest rewards

	0	20	40	60	80	100	120	140
Teku								
Client A								
Client B								
Client C								

When it comes to total rewards earned during the first half of 2021, the four clients' performances are much closer, with Teku remaining the leader. The difference in absolute rewards earned between Teku and the worst performing client over the six month period amounts to around $32 per validator, which is significant when multiplied across a fleet of hundreds or thousands of validators.

2021/H1: Total rewards relative to Teku
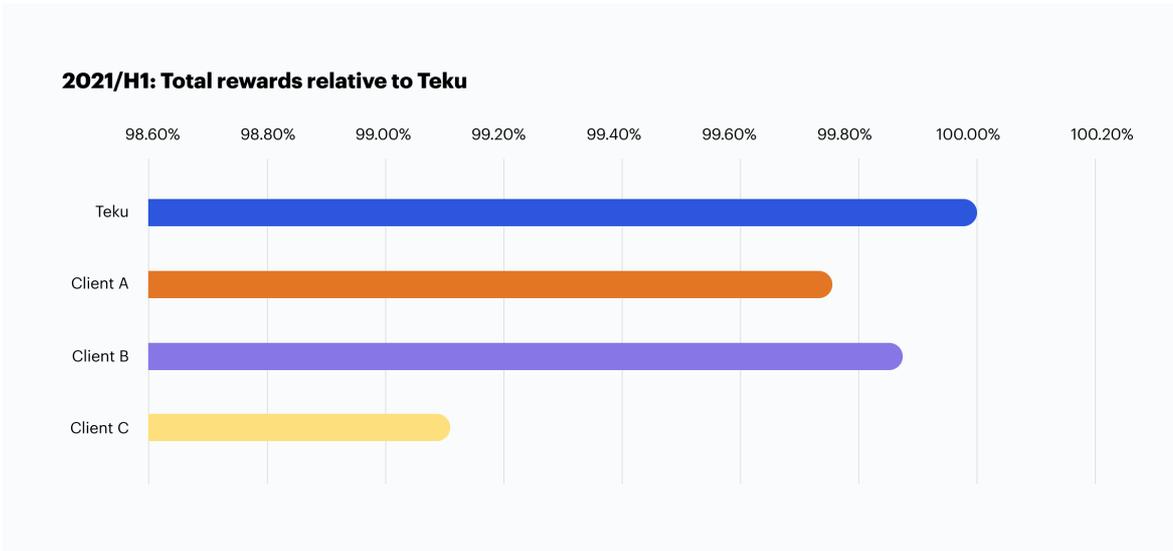
It is also possible to track the performance of various staking services via on-chain data. The following chart shows the total rewards earned by each operator in comparison to Codefi Staking. The majority of staking services, with notable exceptions, performed fairly close to optimally. It is noteworthy that two of the best performers, Allnodes and Codefi Staking, both exclusively run Teku in their staking infrastructure.

2021/H1: Total rewards relative to Codefi
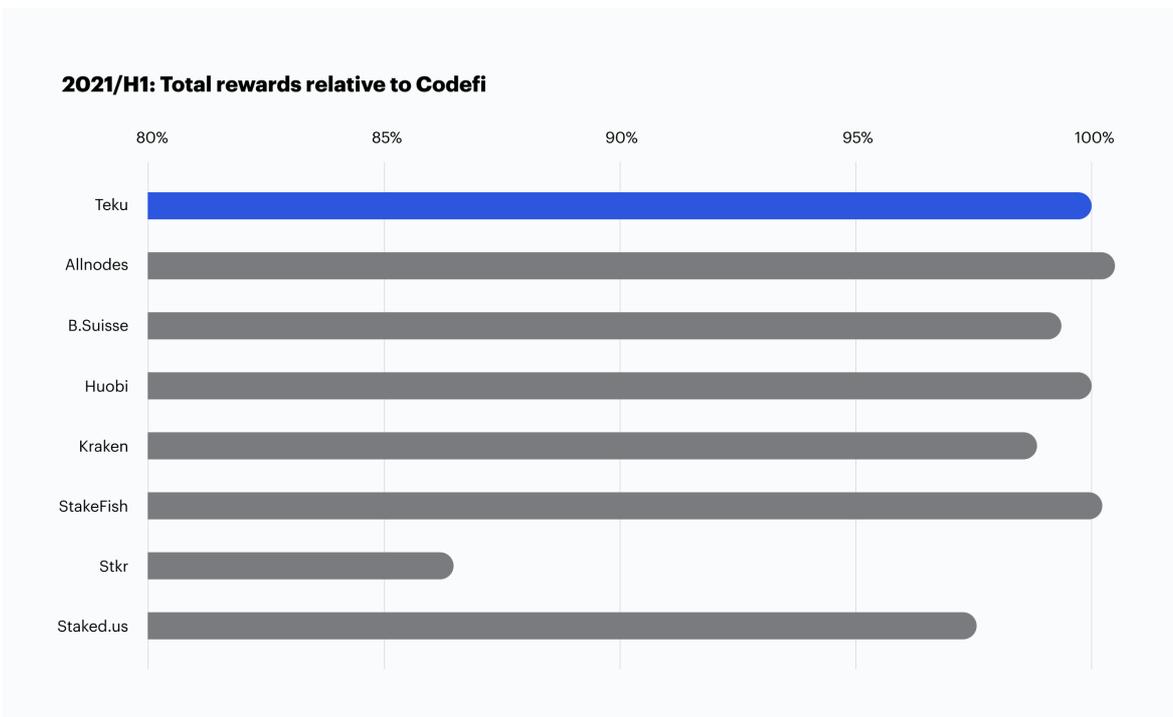
Codefi Staking performs effectively relative to other staking providers for two reasons:

- Two key infrastructure elements of Codefi Staking's platform are provided by Teku and Web3 Signer, both of which are partner teams inside ConsenSys. Codefi Staking maintains a close relationship with these teams, and opens direct discussions when an issue arises in order to successfully resolve quickly.

- The Staking team runs the product in hypercare in order to achieve best customer outcomes. This means that when even the smallest detail doesn't look right, it is addressed immediately. The team spends time looking through its infrastructure, software, logs, and transactions to assess the problem. This sometimes results in a missed attestation, but the team deems this risk acceptable in order to avoid escalation.

Based on these performance assessments, **institutions seeking to earn rewards by staking on Ethereum should engage staking providers that have proven track records of running optimal operations and generating maximum rewards.**

Note on the data analysis: Each data point is calculated from the performance of 100 validators from each service or client over the period. To provide a fair comparison, only rewards for attestations are included; proposal rewards are excluded from the analysis since block proposals are assigned randomly.

Solutions from Codefi Staking

Codefi Staking enables financial institutions, cryptocurrency exchanges, funds, custodians, and family offices to capitalize on the revenue opportunity of Ethereum 2.0 without the technical and operational complexities of running an independent validator.

Maintaining validator infrastructure and fulfilling responsibilities generates both overhead and risk exposure. While technical bugs, software failures, and connectivity issues can jeopardize rewards, mismanagement of keys and transaction problems can lead to a loss of principal funds. These are the risks Codefi Staking helps eliminate.
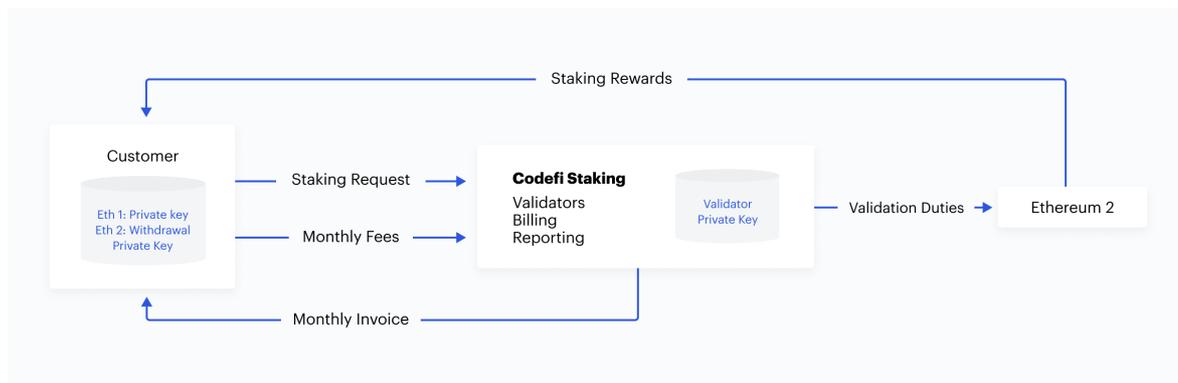

With Codefi Staking, institutions can significantly reduce technical risks, increase rewards generation, leverage best-in-class validator key and transaction security, and enjoy easy and efficient validator management.

A ConsenSys product, Codefi Staking works closely with the teams running Teku, a leading Ethereum 2.0 client, Infura, industry-leading blockchain infrastructure, and Codefi Activate, the team that created the official Eth2 deposit contract portal.

LEARN MORE ABOUT CODEFI STAKING

Eth2 Roadmap: The Merge and Upcoming Liquidity

The Eth2 and Ethereum 2.0 names will soon be retired by the community, leaving the execution layer (Eth1 mainnet) and the consensus layer (Eth2/Beacon Chain). These changes reflect the evolution in the roadmap to upgrade Ethereum into a scalable and sustainable network starting with the Beacon Chain.
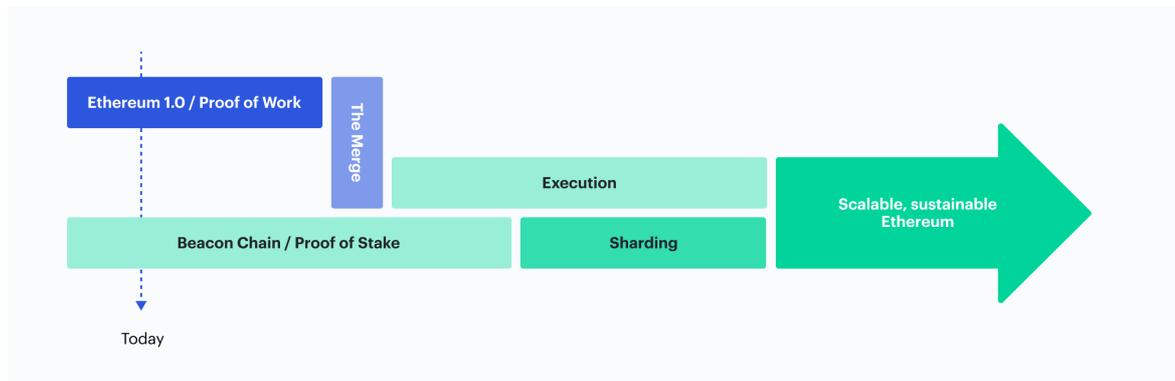
The Merge will bring execution onto the POS Beacon Chain. The current expectation is that withdrawals from validator accounts will be enabled very soon after the Merge is delivered. Only after this will the sharding and various other more technical changes be delivered.

Once the Beacon Chain becomes 'executable', validators selected for block proposals will be rewarded with the gas fees associated with the transactions being processed. While they won't reach current heights, there will be an impact on the overall percentage rewards being earned by validators on the network.

Although rewards will continue to reduce over time as more validators come online, it is estimated that rewards could rise to highs of 25% in the first instance. This is dependent on two factors:

• How well the validators are being run
• The rate of increasing demand for layer 2 transactions as the ecosystem moves toward cheaper and faster execution

The Rayonism hackathon, set up to test the viability of the Merge, successfully proved that the proposed approach for merging the execution and consensus chains for Ethereum will work. The community has pivoted focus into detailed planning, specification development and the application of lessons learned.

A realistic estimation for a timeframe for delivery of the Merge is Q1 2022.

Decentralized Protocol Engagement

Benefits of Network Participation

Everyday new projects are launched in the DeFi ecosystem, offering new tools and services for blockchain-based commerce and finance—everything from advanced infrastructure for lending, borrowing, and investing, to platforms for insurance, trading, and yield farming are being built.

Through protocol engagement, institutions can earn rewards for participating in network security and governance. Institutions can purchase tokens, help grow the network, and enjoy the gains of network and token appreciation. Participating alongside the DeFi community, institutions can help influence projects to consider institutional specific requirements. Codefi Activate helps facilitate these interactions.

Solutions from Codefi Activate

Codefi Activate supports decentralized projects with token launch and distribution, staking community growth, and network launch and governance. Through Codefi Activate, token holders, whether individual users or institutions, can earn rewards in return for participation and engagement with DeFi projects.

Here are a few of the projects supported by Codefi Activate, and the ways in which institutions can benefit from engagement:

AIRSWAP

- AirSwap is a decentralized exchange that powers peer-to-peer trading. Codefi Activate facilitates the purchase of AirSwap tokens, helps grow the AirSwap community, and supports network governance by rewarding users who vote on AirSwap Improvement Protocols. By engaging in AirSwap protocol governance, institutions can influence the network's direction and earn rewards.

Filecoin

- Filecoin offers decentralized storage for Web3 in order to create a decentralized, efficient, and robust foundation for humanity's information. Codefi Activate helps the Filecoin network through its storage marketplace and DeFi Bridge. The storage marketplace allows users to find storage providers that best match their needs, and the Filecoin DeFi Bridge converts Filecoin (FIL) to renFIL. Institutions can generate returns by providing data storage, or by lending out tokens and/or borrowing FIL to stake or trade.

SKALE

- The SKALE Network helps build powerful blockchain applications by improving dapp UX while increasing speed, reducing costs, and creating seamless workflows for end users and developers. Codefi Activate facilitated the SKALE token launch. Institutions can use Activate to stake their tokens and earn yield for helping to secure the network.

[LEARN MORE ABOUT CODEFI ACTIVATE]

Conclusion

The year 2021 has seen radical financial innovation accompanied by radical investment returns and opportunity across DeFi. The pivot of institutions to investigate how to viably engage with the ecosystem, has prompted an increase in the products and services geared toward research, pre-trade compliance, best execution, reporting, and custody—to satisfy institutional requirements for small and mid-cap crypto funds, and larger more regulated entities alike.

ConsenSys empowers institutions with the tools, infrastructure, and services to interact with DeFi. While MetaMask Institutional enables the secure and compliant deployment of capital into DeFi, Codefi Staking accelerates Ethereum staking and rewards generation, and Codefi Activate facilitates engagement with the cutting edge of DeFi innovation.

GET IN TOUCH WITH CONSENSYS

Authors

Nicole Adarme
Co-Head of Institutional Marketing, ConsenSys

Johann Bornman
Product Lead, MetaMask Institutional

Ben Edgington
Product Lead, Teku

Kuhan Tharmananthar
Product Lead, Codefi Staking

With special contributions from: James Beck, Corbin Page, Sharmeen Shehabuddin, Ken Timsit