BetterBank whitepaper

By N Noordzij

Initial: Summer, 2024
Update: Spring, 2025

Introduction

Welcome to the BetterBank whitepaper. In this whitepaper I'll do my best to concisely explain all of the workings of BetterBank. I make use of a legend for defi (1) jargon and financial terms, and with any first appearance of said term I refer to the legend through numerals, like in this sentence for the word defi.

This whitepaper is intended for anyone who has a desire to better understand BetterBank. We are transparent in our communication and this whitepaper serves as first evidence of that. This whitepaper is the source document for our public communications, including educational content, marketing content, and the actual programming of the protocol (2).

Eventually BetterBank may grow beyond the scope of this whitepaper. Should newer additions to BetterBank not be found in this whitepaper, I would urge you to read our newer documentation on it. If there is enough reason to do so, this whitepaper may be revised to reflect a new situation.

This leaves me to wish you as joyful a read as it is for me a joyful writ.

In honor,

Nicky

Contents

Introduction 1
Why is BetterBank created? 4
Improvements by nature of defi 4
Free access to our systems 4
Unified risk and reward 4
Sovereign safety structure 4
Unique improvements 4
Integrated defense against bank runs 4
Increased safety for later entrants 4
Cooperative investment realized 4
Legalities & fair warnings 5
Legislative environment 5
General risk warning and acknowledgement 5
Liability 5
Ownership 5
Control of the protocol 6
Control of the treasury 6
Taxes, State control and criminal transactions 6
Hacks, exploits, theft and other attacks against BetterBank 6
Combining the Stronghold and the Wildlands 6
Repetitions of warnings, and general education 7
Protocol Risks 7
Contract risks 7
Risk of temporarily frozen assets 7
Risk of bad debt 8
Risk of design mistakes or of innovation in attack forms 8
Extreme Outcomes 9
Tokenomics – The Stronghold 10
Listed tokens 10
High interest yield 10
Grow your assets passively 10
Initial Stronghold parameters 10
Limits and fees 10
Interest rates in APY 10
Esteem rewards 11

Do not borrow against Stronghold positions 11
Tokenomics – Esteem 12
Acquiring Esteem 12
Esteem rewards 12
Minting Esteem 12
Esteem pricing at the mint 12
Receiving Esteem as a bonus when buying Favor 12
Burning Esteem and receiving Favor 12
Tokenomics – Favor 13
Receiving Favor through staking Esteem 13
Buying and selling Favor over their LP's 13
Buying Favor: 144% value 13
Selling Favor: 50% value 13
Tokenomics – The Wildlands 14
Wildlands positions 14
Maximum Favor price recognized for collateral 14
Liquidations 14
The Favor LP Cushion and related Collateral Limit 14
The Favor LP Cushion 14
Maintaining the Favor LP Cushion 15
The Failsafe Collateral Limit 15
Do not mix Wildlands and Stronghold positions 15
The Treasury 16
Treasury revenue sources 16
Multiple wallets 16
Listings liquidity seeding 16
Investment 16
Team Share 16
Legend 17

Why is BetterBank created?

Improvements to the contemporary financial situation

Improvements by nature of defi

Free access to our systems

Free trade is a language of peace, where restricted trade is a language of war. In the same sense, freely accessible banking is an invitation to play a fair game, whereas restricted access to banking leads to division. BetterBank being on-chain (3) makes it accessible to all, regardless of location, race, portfolio size or opinion. We welcome any to play by the rules of our protocol in the spirit of free trade.

Unified risk and reward

BetterBank fairly correlates risk with reward through a vast reduction of overhead and bureaucracy when compared to tradfi (4) banks and institutions. This reduction translates into huge rewards hitherto unseen with tradfi systems.

Sovereign safety structure

The legislative domain that BetterBank operates in is the programming language it was coded in, which is determined by the blockchains it operates on. This allows BetterBank to provide its own safety structure in sovereignty. Users are invited to investigate our safety structure and decide individually their extent of risk appetite towards our protocol, based on their findings.

Unique improvements

Integrated defense against bank runs

BetterBank's credit system reinvents fractional reserves by replacing reliance on bankers portraying good financial management with an automated system of credit. BetterBank's credits, tokenized as Favor, have almost their entire supply in LP (5) form, which gives the credit a market value as well as deep liquidity. In the case of a bank run on BetterBank, the interest structure of BetterBank results in an increased and unattainable need for credit and consequently positions supported by credit get liquidated, naturally freeing up assets so depositors may withdraw them.

Increased safety for later entrants

Most crypto projects and their tokens ultimately function as a zero-sum game, and that leads to an ever-present sword of Damocles for especially newer investors in the form of early investors dumping and essentially using the newer investors as exit liquidity. BetterBank's uniquely designed seigniorage protocol integrates with a Lending and Borrowing protocol in a way that gives BetterBank's tokens a value that is not primarily derived from selling and this vastly reduces the otherwise seemingly inevitable pyramid structure of new protocols.

Cooperative investment realized

BetterBank's Lending and Borrowing structure communicates with BetterBank's seigniorage structure in a way that enhances both aspects. Investors in either system strengthen the intended workings of the other system.

Legalities & fair warnings

By using BetterBank in any capacity, you fully acknowledge and accept the following rules and practices and vow or promise in any legal capacity that suits your locale and background to abide by them and uphold them in any court.

Legislative environment

BetterBank operates on-chain and takes the blockchain(s) it is deployed on as its legislative environment. No nation or nation-backed entity has any right to impose regulations on the operations of BetterBank, as the blockchain it exists on is decentralized and calls no country home. Instead, BetterBank's legislative environment is the code it is written in and the transactional rules by which it has to abide on-chain.

General risk warning and acknowledgement

By accessing and using BetterBank, you acknowledge that investing in defi is inherently risky. You understand that all deposits, trades, and interactions with the platform are at your own risk. BetterBank operates on a decentralized, permissionless, and trustless system, and while extensive security measures are in place, there are no guarantees against losses due to market volatility, smart contract vulnerabilities, or any other risks inherent to defi protocols.

Liability

BetterBank is not a legal entity and cannot be held liable for any financial loss, hack, system failure, or smart contract malfunction. By using BetterBank, you confirm that you fully understand these risks and agree to hold the BetterBank team harmless for any losses or damages incurred while using BetterBank's services.

Ownership

A BetterBank deploy is owned but not controlled by investors who hold its Esteem tokens. The Esteem tokens are BetterBank's share tokens. Acquiring any number of Esteem tokens makes an investor partial owner of BetterBank, where the exact part of that ownership correlates with the owned tokens versus total supply. It is important to realize that Esteem has elastic supply, and that its supply is more likely to inflate than to deflate, so a set number of Esteem held will over time most likely reduce ownership share.

The BetterBank code itself, as well as its design, are intellectual property of the BetterBank team, except where the team uses open-source code or principles from others. The BetterBank is disinclined to enforce prevention of copy, as it believes such to be the death of innovation. Forks or variations of BetterBank deployed by other teams may pop up and that is fine. Code is speech, after all, and speech is free.

Control of the protocol

BetterBank is controlled by the founding team. The founding team takes the responsibility to service, update and expand BetterBank for its owners. When acquiring Esteem, the buyer automatically agrees to this arrangement and under no circumstance may control be taken away forcibly from the founding team. That said, BetterBank may eventually move to a fully decentralized model, either through renounced contracts (6), through a voting system, a mixture of both or another way. If, when and how this happens is up to the founding team. The founding team uses a multisig (7) structure to control BetterBank.

Control of the treasury

Just like the protocol is controlled by the founding team, so is the treasury, and also through a multisig structure. The founding team assesses the need for assets to remain within the treasury as an insurance measure versus the need to spend assets on behalf of the protocol. The founding team also has the right to invest or donate any of the assets contained by the treasury. The founding team will privately retain a clear administration of such spendings and will also notify the community of particularly large investments or donations.

Taxes, State control and criminal transactions

BetterBank stands for the human right to freedom of transaction but also for fair transparency. BetterBank neither interferes with nor hides any transaction on its platform and as such BetterBank is wholly impartial in political, criminal or civil persecution of its clients. BetterBank considers the connection of wallets (8) to people to be the responsibility of the investigator and not the supplier of a service, so BetterBank will not KYC (9) anyone for its basic features. Users that have an obligation to pay taxes of any sort keep that obligation under the domain of their own responsibility. Whether a person or entity is or is not allowed use of the BetterBank protocol under the laws or regulations that affect them is unequivocally the responsibility of the user, and any person or entity disallowed from using BetterBank in such a way should not use the BetterBank protocol.

Hacks, exploits, theft and other attacks against BetterBank

A criminal act is still a criminal act, and even when BetterBank doesn't exist in a country, criminals and their victims do. BetterBank's controlling team will take measures against criminal actions in any way it deems necessary, not excluding legal action. Any harm done to a specific wallet's holdings with BetterBank is considered to be harm done to the owner of that wallet. Any harm done to the protocol in a larger sense is considered as harm done to all owners of the protocol, the holders of Esteem, who may then choose to identify themselves for a stronger claim.

Combining the Stronghold and the Wildlands

The Stronghold and the Wildlands are designed for separate use per wallet. BetterBank strongly recommends using a separate wallet for Stronghold positions and Wildlands positions. The main reason is that the Wildlands positions are very prone to being liquidated. One wallet has only one position, so while the Stronghold is designed to provide safe positions, these Stronghold positions will immediately be in danger when combined with Wildlands positions, bringing all deposits immediately at risk. Some very advanced users may weigh these risks differently at their discretion, for which BetterBank takes no responsibility.

Repetitions of warnings, and general education

The BetterBank team is aware that defi can be a confusing place and that just warnings in this whitepaper may not sufficiently warn people against dangerous transactions. BetterBank offers educational content for its use and also endeavors to repeat warnings in relevant places in its dapp (10) and communications. This however in no way means that BetterBank accepts responsibility for any loss incurred due to any action by any of its users, whether they be intended or not.

Protocol Risks

Any investment carries risks, and so does an investment in BetterBank. Hereunder is a non-exhaustive list of risks that the protocol may face. Risks that aren't mentioned may occur, and risks that are mentioned may never occur, yet this is an honest effort at fair warning.

Contract risks

As with everything in defi, contracts can be attacked. Please refer to the "legalities & fair warnings" chapter to read our stance on this.

Risk mitigation – Tried and true code

Aave V3 is tried and true code that has been keeping a value measuring in the billions of dollars safe for years.

Risk mitigation – experienced developer

Our co-founder LB is an experienced defi developer who has firsthand experience with deploying Aave code and various seigniorage protocols. He's a sought after defi dev who has often been called in by other devs for troubleshooting and audits. He has an extensive track record of deploying contracts safely.

Risk of temporarily frozen assets

Multiple systems have been implemented to prevent this from happening, but fair warning moves us to warn that there is a possibility of temporarily frozen assets. This would essentially mean that all remaining tokens of a certain type have been loaned out and that therefore withdrawal is temporarily impossible until either some loans have been repaid through active repaying or liquidations, or new deposits have been made.

Risk mitigation – Extreme interest rates

As soon as the utilization (11) for an asset reaches beyond 80%, the interest rate shoots up to extremely high levels. This makes it profitable to repay this asset swiftly, and it makes it profitable to deposit more of this asset. Either would free up assets. Also, the extreme interest rate would push Wildlanders into liquidation if they do not repay, which also frees up assets.

Risk mitigation – Maximum Borrowing Potential

Once any asset is at 80% utilization, then it is impossible to borrow more. So, the only way that an asset can go beyond 80% utilization is through the withdrawal of deposits, which remains possible until 100% utilization. The Maximum Borrowing Potential is abbreviated as MBP (12) in communications.

Risk mitigation – the treasury is a depositor

The BetterBank treasury is a depositor in the Stronghold and the team has the policy to not withdraw assets that are beyond the MBP. The deposits of the treasury thereby ward against an easily attained 100% utilization.

Risk of bad debt

Liquidation cascades happen quickly and a blockchain is sometimes congested. The combination can result in the collateral being insufficient to pay the debt, especially since our collateral is in an LP form that gets seized and broken before paying off the debt, which can result in shallow liquidity.

Risk mitigation – Favor LP cushion

The Favor LP cushion, which is more fully described under Wildlands Tokenomics, is a security measure against the possibility of attaining bad debt (13) through high slippage (14), because there is more liquidity to liquidate over. And it is also a form of POL (15) that can be utilized to refund bad debt situations.

Risk mitigation – Borrow Limits

BetterBank will make use of the Aave code's option to enforce borrowing limits (16), especially in the first months after launch. Normal and intended use should never see these limits hit, but an unexpected attempt at exploitation or a black swan event could certainly hit it, and then we'll be happy to have them. Right after launch, these limits are manually maintained and updated, but eventually they will become automated.

Risk mitigation – Isolation

BetterBank will make use of the Aave code's option to isolate (17) certain tokens that have too shallow liquidity with other tokens, which would cause slippage problems upon liquidation of cross-lending (18) positions. BetterBank's version of isolation is to allow borrowing of that asset only against its corresponding LP Favor pair.

Risk mitigation – building LP

BetterBank will employ schemes to increase the LP of certain listed tokens, especially the isolated ones. Once the LP has grown enough, a previously isolated token may have its isolation lifted by the team.

Risk of design mistakes or of innovation in attack forms

BetterBank is a new protocol, not a forked one. Hence, tokenomic flaws may show themselves in unforeseen ways. Exploits, either now or in the future, will always be sought for by people of ill morals. The protocol is designed with safety in mind and is meant to defend against currently known attack vectors, and it is checked by multiple capable people for flaws. But the designers are human, and the past has shown that new innovations can sometimes bring protocols at risk where they weren't before.

Risk mitigation – a team in the know

The developers in the BetterBank team are genuinely interested in defi and its capabilities and actively look for flaws in the system.

Risk mitigation – bug bounties and white hats

As soon as BetterBank has the funds to warrant it, it will start up a bug bounty system for white hat hackers to apply to. The BetterBank team also has an extensive network of friends and contacts in defi, and some of them carry that same white hat. The team will certainly call-in friends and contacts to find flaws occasionally or even employ them for such searches.

Extreme Outcomes

Persistent bank run

As explained above under temporarily frozen assets, available assets have a chance to dry up. Our risk mitigation systems should create a reset from that situation, but there is the infinitesimal chance that, regardless of any incentives, nobody will ever deposit anything anymore in the Stronghold and instead just try to take everything out persistently. If that happens, we will have a complete system failure, just like a normal bank would have. In this case, deposited assets would become unavailable permanently and should be considered lost. Unlike a normal bank though, we do not have a nation insuring us against such failure with the tax money levied on its populace. On the other hand, we have a much lower chance of getting to this point than a normal bank has, because we have strong incentives to keep depositing and because we have a much lower overhead than a bank.

Global takeover

The opposite extreme would mean that BetterBank gets so popular that everyone starts using it, and we become the new global standard for savings. If this happens, then, after us taking a very strong market position due to our first mover advantage, others may start to copy or emulate our model. This would mean a huge global equalizer, because from that moment onwards, retail customers will have access to value generation in a way that up until now is mostly enjoyed only by a very limited group of investors. If this happens, BetterBank will have facilitated a great step towards the improvement of individual power worldwide.

Tokenomics – The Stronghold

The Stronghold is a Lending & Borrowing platform based on Aave V3 code and working in similar fashion as Aave's Lending & Borrowing platform. Depositors receive interest that is paid by borrowers.

Listed tokens

BetterBank launches with just Pulse, PulseX and pDai as tokens. BetterBank intends to list many tokens over time, as long as it deems the listing to be safe for its clients. Primary goals are: a USD stable, a Euro stable, a BTC stable, and a Gold stable.

High interest yield

Unlike Aave however, interests with BetterBank are set to very high levels. This has to do with the fact that such interest is paid by clients who use the Wildlands, and they get their collateral printed to them in the form of credit, usually at an even higher rate than their costs in interest. Occasionally though the amount of assets borrowed will drive up the interest so high that the Wildlanders can't keep up and then their positions will be liquidated, lowering interest rates again. The average interest rate is designed to rest between 50% and 72% APY (20).

Grow your assets passively

The Stronghold is designed for people who wish to receive interest in the same asset as they deposited, people who "hodl stronk" if you will excuse the meme. BetterBank will continuously expand its deposit listings for the Stronghold if the team considers the expansion to be safe. Likewise the team will remove Stronghold listings if deemed necessary for the safety of BetterBank's investors.

Initial Stronghold parameters

While the team may later tweak aspects of the protocol, including interest rates and other parameters, it behoves us to state them as per the initial design that the protocol launches with. Before making calculations using these numbers, please check the current and updated protocol documents.

Limits and fees

LTV (21) limit: 80%
Liquidation threshold (22): 85%
Liquidation penalty (23): 10%
Reserve Factor (24): 10%
MBP: 80%

Interest rates in APY

0% going to 100% paid interest for 0% to 80% utilization
100% going to 400% paid interest for 80% to 100% utilization
That means 0% going to 72% received interest up to 80% utilization
And 72% up to 360% received interest from 80% up to 100% utilization

Esteem rewards

Using the Stronghold rewards a user with Esteem. Per listed asset, BetterBank rewards 0 up to 100 Esteem per day, shared over the Stronghold depositors based on their share of total deposits. The 0 to 100 has an inverse correlation with the utilization percentage of the asset, so if utilization is at 75% for an asset, then that day 25 Esteem gets rewarded to that asset pool to share among its depositors.

A special mention on this system is that this rewards system probably requires tweaking of even abolishment over time. It has the potential to unduly inflate Esteem if direct Esteem minting by clients is otherwise low. The team will keep an eye on this and possibly increase or reduce the rewards if necessary. After all the primary reward for using the Stronghold is its extreme interest fees. Please always keep an eye on the current documentation.

Do not borrow against Stronghold positions

Since BetterBank employs Aave V3 it is entirely possible to borrow against Stronghold positions. However, this is not what BetterBank is designed for and we strongly advise against ever doing so. Borrowing with BetterBank is designed to happen in the Wildlands and while using a different wallet, not the Stronghold and not on the same wallet. BetterBank advises anyone who would want to borrow against Stronghold positions to instead use Aave itself and not BetterBank. Should you ignore our warnings and do this anyway, then you accept that the interest fees paid are extremely high and that your Stronghold position will be your collateral at risk.

Tokenomics – Esteem

Esteem is BetterBank's share token. The portion of Esteem held by anyone in relation to Esteem's total supply correlates to that portion of ownership of BetterBank. Ownership does not bear any form of control over the protocol or treasury, as explained in the previous chapter. Esteem has an elastic and potentially infinite supply.

Acquiring Esteem

Esteem does not have a market value supported by the protocol, but instead an artificially assigned value. Esteem can be acquired in the following ways.

Esteem rewards

Esteem is rewarded to Stronghold depositors as described in the above chapter "platform – the Stronghold".

Minting Esteem

Esteem may be minted directly by any client at a perpetually increasing price, valued in USD. Esteem may be minted by paying in any listed token. The tokens used for minting go to BetterBank's treasury.

Esteem pricing at the mint

Esteem will first be sold at a launch value of $16. The price will then keep increasing at a pace of $0.25 per day.

Receiving Esteem as a bonus when buying Favor

When buying Favor of any type, the buyer will be rewarded with Esteem equal to 50% of the value of the buy, at Esteem's current price level.

Burning Esteem and receiving Favor

Since the protocol supports no LP for Esteem, the token cannot be sold as normal. It is however possible to "sell" Esteem in a different way. This is done through burning Esteem. An amount of Favor of your choice of a value equal to 70% of Esteem's current price point is received for each Esteem token burned.

Tokenomics – Favor

The different types of Favor are BetterBank's credit tokens. They are designed to fill the void that with "normal" fractional reserve banking is filled with trust in good bank management.

BetterBank always has one Favor type per listed asset. So for PLS there is PLSF, for PLSX there is PLSXF, for pDAI there is pDAIF and so on for all tokens listed in the future.

Receiving Favor through staking Esteem

Each Favor type has its own grove in the Wildlands, where additional Favor of that type is minted continuously. The amount minted is lower when that Favor type has a low price compared to their paired asset and higher when the Favor type has a high price instead.

An amount of Favor is added daily that equals its price in relation to its paired asset in percentages, up to 3%. So, if the Favor type is 3x or more the price of its paired asset, then 3% of its current total supply is added that day. If the price is lower, then the printing reduces correspondingly.

When staking Esteem, you get a percentage of the Favor yield corresponding to your share of the Esteem in that grove. You may stake your Esteem in multiple groves or just one, as you please.

Buying and selling Favor over their LP's

Favor types each have their own market value. They are LP'd solely with their corresponding asset, which means that even if none are bought or sold, they follow the price movements of their that asset.

Buying Favor: 144% value

When buying Favor, the buyer is additionally rewarded with 44% of the value of the buy worth of Esteem, based on Esteem's current price.

If there are enough assets available for borrowing in the Wildlands, then after buying Favor, the user can immediately recoup 60% of the assets spent on the Favor buy. The +44% bonus therefore can be translated into an 8% bonus on an Esteem buy versus direct minting. This is to encourage a swift closing of the gap if there are many assets available for borrowing. If there are little assets left to borrow, then minting Esteem becomes the better choice again.

Selling Favor: 50% value

When selling Favor, the seller pays 50% tax. The tax is claimed and sold untaxed by the treasury. Possibly in the future we'll instead burn the other 50% to reduce Favor supply.

Tokenomics – The Wildlands

In the Wildlands, Favor tokens in their LP'd form may be used to borrow tokens that were deposited in the Stronghold.

The Wildlands also contains the seigniorage aspects of minting and burning Esteem and staking Esteem for Favor and it contains the marketplace for buying and selling Favor.

Wildlands positions

Wildlands positions are different from stronghold positions in that they do not draw interest. The Favor LP's purely serve as collateral.

To create a Wildlands position, you zap in your Favor through our custom Wildlands zapper. This zapper borrows the necessary tokens to form the LP with through a flash loan (25) and then immediately deposits the result, leaving you with a position that has already borrowed 50% LTV. Since you may borrow up to 80% LTV, you may still borrow an additional 30% of the total position in any available token, which equals 60% of value of the Favor you just zapped in.

Alternatively, the LP to create a Wildlands position can be created manually by combining the Favor with its correlating pair and then deposited.

Maximum Favor price recognized for collateral

Favor doesn't have a maximum price, but any price beyond 3.5x its paired asset does not get recognized as collateral to borrow against. This helps defend against certain exploits and against unnecessary price volatility outside of the intended range.

Liquidations

Since borrowing up to 80% LTV is fairly normal practice in the Wildlands and liquidation happens at 85%, either through mounting interest or price swings, liquidation is usually not very far away. Wildlands liquidations work as follows.

When the liquidation level of 85% is reached, BetterBank seizes 50% of the collateral.
The LP gets broken and the Favor part gets sold over an untaxed route and after that 10% of the now seized collateral gets sent to the treasury. This is the liquidation penalty.
The borrowed assets get bought with the leftover collateral and repaid.
The borrower's current LTV is reduced from 85% to a number approximating 80%

During liquidation events your Esteem will remain completely untouched, so even after a liquidation, you may quickly improve your position again with newly received Favor.

The Favor LP Cushion and related Collateral Limit

The Favor LP Cushion

Since BetterBank's liquidation method involves the breaking of liquidity, a Favor LP cushion is maintained to break the fall of any liquidation through decreasing its slippage percentage. A larger LP reduces slippage significantly, and based on calculations we have determined that for safety, the LP that is not used as collateral must be at least 50% and preferably at least 60% of the total collateral in that particular type of Favor LP. We hold this LP cushion in a treasury wallet.

Maintaining the Favor LP Cushion

Upon launch, as part of setting up the protocol, we create a starting amount of Favor LP. Then afterwards, whenever LP gets posted as collateral, we'll have our system check whether the Cushion is at least 60% of the new collateral amount. If it is not, then new Favor of the corresponding type equal to 60% of the Favor LP that was just posted will be minted on the spot, sold into the collateral, and sent to the LP cushion.

As this is a mint-and-sell move, there will be a slight decrease in price and a slight increase in supply. Both of these aspects will affect the amount that gets minted in the Favor Grove. The lower price will decrease the printing, and the higher supply will increase the printing. The impact of this mint-and-sell is minor, as only 0.3x the value of the amount just posted gets sold over the entire LP, but obviously in the starting days of the protocol it may be noticeable.

Since BetterBank's frequent liquidations remove liquidity, most of the time the LP cushion minting will not be active. It will only happen when LP collateral reaches new all-time highs.

The Failsafe Collateral Limit

Even though the BetterBank team employs redundancy, there may be unexpected situations, especially on a congested chain, in which the LP minting is too slow. For this reason, at any point in time, BetterBank does not allow the posting of more collateral than 200% of the Cushion which keeps the Cushion at 50% minimum through this limit. In the case of a sudden and particularly large new posting of collateral, this may result in the user hitting the limit. In such cases, a user must post a smaller amount first and allow the Favor minting to occur before posting the rest.

Do not mix Wildlands and Stronghold positions

It is possible to have Stronghold collateral and Wildlands collateral on the same wallet. We very strongly advise against ever doing this. Always use a different wallet for your Stronghold position than for your Wildlands position. If you do mix them and you get liquidated, your Stronghold position also gets liquidated for 50% and that's not how BetterBank is intended to function. BetterBank won't stop you from doing this but does warn you that you'll very likely incur heavy Stronghold losses if you do this.

The Treasury

Betterbank's treasury is a set of multisig wallets that receives all the proceeds of the protocol.

Treasury revenue sources

Interest – the treasury is a stronghold depositor
Reserve Factor
Esteem minting
Liquidations
Favor sales tax

Multiple wallets

To balance safety with convenience, there are multiple treasury wallets of which the main one is seldom touched and has the strictest multisig structure. We use the smaller wallets to pay for costs incurred by the protocol, such as marketing costs or to pay contractors for work. We keep a private record of all such payments but won't divulge these under normal circumstances.

The combined value of all treasury wallets will be shown publicly in the BetterBank dapp.

Listings liquidity seeding

The treasury assets are occasionally applied to acquire a new asset class for a listing. This will be clearly communicated.

Investment

In situations where BetterBank is financially doing well, the team will consider investments. Examples of things BetterBank would invest in are as follows.

Funding or seeding new projects to expand BetterBank's ecosystem or defi in general.
Acquiring RWA's to tokenize or tokens on other chains to bring them to BetterBank's.
Real World Projects that take part in healing humanity and or the earth.

Team Share

One fifth of the treasury revenue as well as one fifth of all minted Esteem is taken as the team's share. This means that 20% of the protocol revenue flows to the team, and it means that whenever Esteem gets printed, an extra 25% gets printed to the team. Both -20% as well as +25% equate to a one fifth take.

From this team share, the team first pays most of the protocol's expenses, like salaries for BetterBank's employees, marketing schemes, business related expenses, Licences and memberships, and more. What's left is shared among the founders and the angel investors that funded the building of the protocol.

Particularly large and unusual spendings that the team considers to be for the good of the protocol, like for example the aforementioned investments, will instead be borne by the treasury itself.

Legend

1. Defi – Decentralized Finance: the financial revolution on blockchain that allows for trustless transactions, as opposed to transactions being controlled by a legal entity.
2. Protocol – A set of rules programmed on-chain that form a unified whole, like in our case BetterBank does.
3. On-chain – Refers to “on the blockchain”, meaning it is programmed on systems with decentralized world-wide consensus mechanisms.
4. Tradfi – Traditional Finance: the way finance has been done for thousands of years: with agreements between people and legal entities based on trust and operating by the grace of legislative domains such as those imposed by nations or religious orders.
5. LP – Liquidity Pool. An aspect of automated market making where tradable tokens are held together in a single contract, deriving value from each other based on supply and demand of each token within the pool.
6. Renounced contracts – The controller of a contract can transfer control of the contract to another wallet. When that control gets transferred to the burn wallet, then nobody will ever be able to change the contract ever again, which is called renouncing the contract.
7. Multisig – Multi signature wallet. These are wallets that are controlled by other wallets and will only process a transaction if the required number of signatures are met. For example a 5/6 multisig requires 5 signatures from its 6 owners to process a transaction.
8. Wallet – A general term for a contract that may control, own, or hold cryptocurrencies or protocols. Even though the wallet and its contents is always online and readable on the blockchain’s ledger, the keys to access the wallet can be taken offline and stored securely. Apps like MetaMask are designed to control personal wallets through invoking the correct key structure as entered by the user.
9. KYC – Know Your Customer. A practice that is increasingly imposed by nations and regulatory entities where a any entity that offers a service or sells something is required to hold personal information on its clients, basically doing the state’s work for them.
10. Dapp – Decentralized Application. This is the front-end software, site or application, that allows users to more comprehensively interact with the contracts deployed by BetterBank, as direct contract interaction on the blockchain’s ledger is confusing to the average user.
11. Utilization – This is the percentual amount to which the deposited assets in question have been borrowed. For example if there is 100M PLS and 65M PLS has been borrowed, the utilization for PLS is at 65%.
12. MBP – Maximum Borrowing Potential. This is a hard limit on borrowing beyond a set utilization level. Withdrawals of assets remain available.
13. Bad Debt – Debt that is left unpaid after collateral seizure and sell.
14. Slippage – The loss that is taken while selling over LP’s because during the selling, the price of the sold token drops and the price of the bought token rises. Slippage is worse on shallow Liquidity Pools
15. POL – Protocol Owned Liquidity
16. Borrow Limits – Hard limits in absolute numbers to the amount that can be borrowed of a certain asset.
17. Isolated Tokens – Tokens that may only serve as collateral to borrow a limited set of assets, and may only be borrowed against a limited set of collateral assets.
18. Cross-Lending – Borrowing assets against a collateral of a different type.

19. APY – Annual Percentage Yield. This is a projected interest that assumes keeping the asset deposited for a full year against the current APR (12) while compounding the interest during that full year.
20. APR – Annual Percentage Rate. This is the current interest rate for the whole year. It does not take into account compound interest.
21. LTV – Loan To Value. This is the amount that a user is borrowing based on their collateral. For example, an LTV of 80% on a collateral value of $50k in PLS would mean a loan of $40k value in any available token.
22. Liquidation Threshold. When the borrowed value of a position reaches this threshold, 50% of the position's collateral get seized and any Favor gets sold over an untaxed route. The treasury takes the liquidation penalty (17) and the rest of the assets are used to buy assets that the position had borrowed and repays them, bringing the position to a better health factor, which is a different way of expressing the current LTV in the position.
23. Liquidation Penalty. During a liquidation event, this is the amount of value that the protocol sends to its own treasury.
24. Reserve Factor. This is the percentage spread, or difference, between the interest paid by the borrowers and the interest received by the depositors. It is claimed by the protocol treasury as revenue.
25. Flash loan. This is a loan of unlimited value that has to be repaid within the same transaction or the transaction will fail.