

bdUSD USDC Vault

Delta neutral USD yield on Ethereum · August 2026

1. Summary

Bitcoin Dollar is built around real yield generating products, powered by the ecosystem token BTCD and its staked counterpart, sBTCD.

BTCD is a 50/50 collateralized token, similar to a Uniswap V2 wBTC/USDC pool, where the peg reflects the constant rebalancing of both assets. sBTCD is the staking token, earning yield from three distinct sources. Rather than sourcing yield from perpetual futures funding, BTCD sources it from a hedged 50/50 BTC/USD portfolio that harvests Bitcoin volatility through systematic rebalancing and deploys both sleeves into yield bearing instruments.

- ▶ Transparent onchain yield through bluechip protocols
- ▶ Yield sleeve expanding across assets such as Spark sUSDS, Maple syrupUSD, Fluid USDC and Yield Basis yBTC
- ▶ Institutional team with 40+ years of combined experience across quantitative trading, protocol security, and credit markets

Phase 1 size is a \$10M campaign TVL anchor across a 4 month window, with \$FISC incentives quoted at a \$50M target FDV and downside protected at a \$20M FDV floor.

Headline Terms

Term	Detail
APY Breakdown	First \$2M: 8% APR floor, guaranteed in USDC, plus 16% APR \$FISC residual, floor protected (exp. Q4 2026 TGE). \$2M to \$5M: 8% APR floor in USDC, plus 12.5% APR \$FISC residual. \$5M to \$10M: 8% APR floor in USDC, plus 10% APR \$FISC residual. Fallback options for a delay in TGE are covered in Section 2.
Minimum Allocation	\$25K minimum check size, subject to bilateral arrangement with the BTCD team
Audits	3 audits by Nethermind and Omniscia (docs.btcd.fi/security-and-audits)
Vault Infra	IPOR Fusion Vault on Ethereum. Strategy live onchain since April 2026.
Lockup	Soft lockup across the 4 month campaign. Early withdrawal forfeits the \$FISC and fallback layer entirely; the base yield floor accrues for the period held.

Term	Detail
Custody	Fireblocks MPC for onchain holdings; Fireblocks policy multisig for admin authority
Reporting	Live vault dashboard

2. Yield Breakdown

Net APY on the USD Vault is composed of two distinct layers.

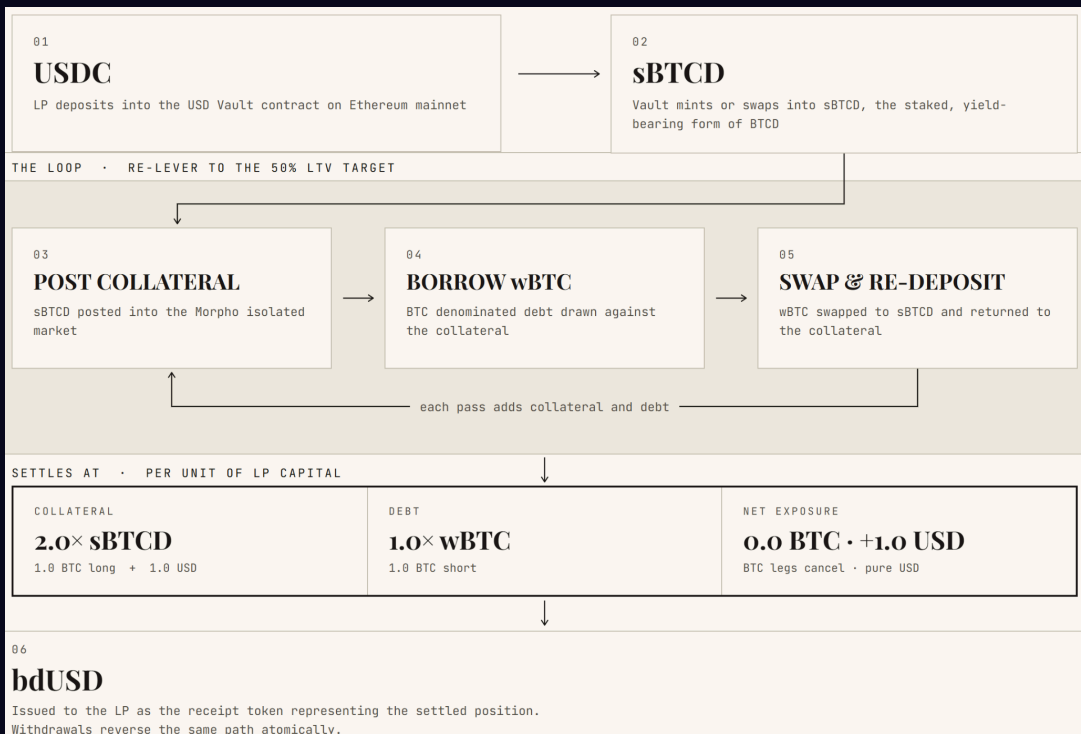
Yield Source	Details
Base yield and fallback mechanism	Tiered by campaign size. First \$2M: 8% APR floor in USDC plus 16% APR \$FISC residual. \$2M to \$5M: 8% APR floor plus 12.5% APR \$FISC residual. \$5M to \$10M: 8% APR floor plus 10% APR \$FISC residual. All \$FISC residuals are floor protected (exp. Q4 2026 TGE). Base yield is generated by the leveraged sBTCD loop and yield strategies detailed below. If TGE does not happen prior to Q2 2027, LPs are paid additional yield in USDC for their participation: first \$2M receives 16% total USDC yield (additional +8% in USDC); \$2M to \$5M receives 14% total (additional +6%); \$5M to \$10M receives 10% total (additional +2%).
\$FISC Rewards	The \$FISC residual is layered over the 4 month campaign window. \$50M target FDV is the reference valuation, based on the prior raise with Polygon Labs. Allocation is determined at listing by the 3 day TWAP at TGE. Downside protection: if the 3 day TWAP implies an FDV below \$50M, BTCD compensates with additional \$FISC from the remaining pool, subject to a \$20M floor. LPs earn a pro rata share of the incentive pool based on allocation size across the window. Vesting: 50% unlock at TGE, then 3 months linear. More detail on \$FISC and vesting in the Appendix.

The base yield originates in the BTCD reserve portfolio rather than in the vault itself. Both sleeves are deployed into yield bearing instruments, and mixed BTC/USD assets are funded from both.

3. Vault Mechanics

The capital path starts from a USDC deposit and settles at a leveraged position. Withdrawals reverse the same path atomically.

FIGURE 1 • CAPITAL PATH • USDC DEPOSIT TO SETTLED POSITION



Exposure units are per unit of LP capital at the 50% LTV target. Yield mechanics are shown separately in Section 2.

Rebalancing and the internal liquidity engine

As Bitcoin moves, the position's LTV drifts and the vault re-levers or de-levers to restore the 50% target. Separately, the BTCD reserve portfolio rebalances toward its 50/50 exposure target. These two needs are typically opposite sides of the same trade, and BTCD internalises the match through a request for quote engine between the portfolio and the vault. Internalised flow carries no external slippage, no MEV, and no swap fees. External venues act as a fallback where no internal match exists.

Withdrawal

Withdrawals flash loan the wBTC required to unwind the debt, redeem the collateral, and return USDC to the LP within a single transaction. There is no queue, no cooldown, and no dependence on secondary market liquidity for the receipt token. Atomic capacity is 1 to 2% of TVL per Ethereum block, expandable beyond that rate where the internal RFQ engine finds offsetting flow. Exiting a

\$10M position is therefore a multi block staging exercise measured in hours rather than days under normal conditions.

Vault Risk Management Systems

The following risk management systems are programmatically deployed by the vault engine to maximise yield while mitigating liquidation risk. The BTCD Labs team adjusts these variables periodically based on performance data.

LTV constraints. The sBTCD/wBTC Morpho market on Ethereum (market ID 0xc2ab3fb4...a3a220) has a 77% max LLTV. The vault engine targets 50% LTV, rebalancing on event driven bands, not continuously:

Band	LTV	Action
Lower / re lever	49%	Borrow wBTC, swap to sBTCD, deposit
Target	50%	None
Upper / de lever	51%	Sell sBTCD, repay wBTC
Emergency Upper	76%	Emergency lower LTV: hybrid of flash loan repayment and buffer utilization to feed collateral into the loan
Liquidation LTV	77%	Backstop only

77% sits roughly 26 points above the rebalancing band. Using $LTV(P) = 0.5 \times \sqrt{P}$, that requires P of about 2.55, i.e. Bitcoin more than doubled with zero rebalancing in between.

Band Management

The vault holds two things that both change value as Bitcoin's price moves, but they do not move the same way.

The collateral (sBTCD) is a claim on a portfolio that is continuously rebalanced to stay roughly 50% Bitcoin and 50% USD. Because it is constantly trimming Bitcoin as the price rises and adding Bitcoin as the price falls, it never captures the full move in Bitcoin's price. Mathematically, its dollar value grows with the square root of the Bitcoin price change. If Bitcoin doubles, the collateral does not double; it grows by about 41%.

The debt (wBTC) is a fixed amount of Bitcoin borrowed at the start and never rebalanced on its own. Since it is a set quantity of Bitcoin, its dollar value moves one for one with Bitcoin's price. If Bitcoin doubles, the debt's dollar value doubles too.

Why that matters: the debt grows faster than the collateral in a rally. As Bitcoin rises, the debt eats up a larger share of the collateral's value, so the loan to value ratio climbs and the collateral to debt ratio shrinks. Spelled out in numbers, starting from the 50% LTV, 2 to 1 collateral to debt target at position open:

- ▶ Bitcoin flat: LTV stays at 50%, collateral is 2.00x the debt

- ▶ Bitcoin up 10%: LTV rises to about 52.4%, collateral is about 1.91x the debt, and a rebalance occurs pulling LTV back to roughly 50%
- ▶ Bitcoin up 100% with no rebalancing at all: LTV reaches about 70.7%, collateral is only about 1.41x the debt

What stops the ratio from collapsing further: the vault does not let this run unchecked. Once Bitcoin has risen enough to push the ratio past its trigger points, the vault sells some collateral, buys back some of the wBTC debt, and resets the position back to the 2 to 1 target at the new price. Over a long rally, the ratio does not drift indefinitely; it gets pulled back to 2 to 1 repeatedly, at higher and higher price levels, each time the bands are crossed.

4. About BitcoinDollar

BitcoinDollar is a product line of BTCD Labs Inc (BVI), wholly owned by the Dollar Foundation, a Cayman foundation. The protocol's design centre is a perpetually rebalanced 50/50 BTC/USD portfolio whose peg moves with the square root of the Bitcoin price rather than tracking a single asset.

Three core BTCD ecosystem tokens

Token	Role
BTCD	The base token. Tracks the 50/50 peg and is instantly redeemable through the protocol. The liquid building block of the ecosystem.
sBTCD	The staked, yield bearing form. Receives portfolio yield; the distributed rate is concentrated above the portfolio's raw earning rate because yield generated by unstaked BTCD also flows to stakers.
\$FISC	The governance and value accrual token. Controls protocol parameters and the fee switch directing ecosystem wide yield to holders. Fixed supply of 10 billion tokens. TGE pending (est. Q4 2026).

BTCD distribution surface

Surface	Detail
Live today	bdUSD Vault (this memo); upcoming BTC Vault; wBTC lending market on Morpho; bdUSD looping market; bdBTC looping market
Integrations	Distribution surface for bdUSD and bdBTC across leading DeFi venues including Pendle, Royco, Curve, Spark, and Aave
Roadmap	Upcoming vaults pairing USD with ETH, SOL, XRP, and HYPE, with tokenised gold, equities, and indices beyond

Surface	Detail
Risk posture	Conservative launch caps, isolated lending markets, and a portfolio mandate built around collateral ratio stability first

Investors

Bitcoin Dollar has raised \$1.5 million+ from Polygon, Coinme, and angel investors. Strategic partners include IPOR, Fireblocks and notable institutional operators.

Team

Core team members form the protocol's risk committee, assessing portfolio construction and yield strategies.

Member	Background
Matt Moschella	Quantitative Research. Ex Susquehanna (SIG); Princeton physics PhD. Architect of the portfolio mathematics and hedging engine.
Hunter Prendergast	Chief Technology Officer. Former US Navy nuclear cryptographer; building Ethereum infrastructure since 2016. Leads protocol engineering and security architecture.
Daniyal Inamullah, CFA	Head of Business Development. Ex Credora; prior at EY and Houlihan Lokey. Leads institutional partnerships, credit market integrations, and go to market.
Grant Leslie	Head of DeFi. Ex Bullish Treasury. Product strategy, yield sourcing, tokenomics, and DeFi integrations.
Charles Morris	Risk Advisor. Founding engineer at Ether.fi; worked across hedge funds, DeFi funds, and blockchain infrastructure projects.

The BTCD team reports an active ongoing search for a CEO as of July 2026.

5. How to Participate

Participation is via direct deposit of USDC into the bdUSD Vault contract on Ethereum mainnet (IPOR Fusion, vault 0xf8f226da66244f89e70c5b5d1a5c5b0d505eb1d8).

- ▶ **Step 1.** Indicate interest with the BTCD team and finalise bilateral terms.
- ▶ **Step 2.** Deposit USDC to the IPOR Vault. bdUSD is issued as the receipt token and is non-transferable across the soft lock period.
- ▶ **Step 3.** Campaign closes at month four. \$FISC distributes at TGE, assumed Q4 2026, with 50% unlocked at TGE, followed by 3 months linear vesting.

6. Resources

- ▶ **BitcoinDollar:** btcd.fi · docs.btcd.fi · X @BTCDOfficial · [bdUSD Vault on IPOR](#) (app.ipor.io/fusion)
- ▶ **IPOR:** app.ipor.io/fusion · X @Ipor_io · docs.ipor.io

Disclaimer

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Yield figures are modelled under stated assumptions and depend on inputs, including the rate environment, \$FISC valuation at token generation, market depth on the underlying yield instruments, and operational continuity, that may move materially. Past performance, including backtest results, is not indicative of future results.

The \$FISC incentive component is denominated in \$FISC tokens. Allocation is quoted against a \$50M target FDV and determined at listing by the 3 day TWAP at TGE; where that TWAP implies an FDV below \$20M, BTCD compensates with additional \$FISC. The \$FISC component is therefore exposed to the token's realised valuation at TGE and is not a fixed token quantity or a guaranteed dollar amount. Vesting starts with 50% unlock at TGE, followed by 3 months linear vesting. Participation carries a soft lock; withdrawal before the campaign closes forfeits the \$FISC incentive and fallback incentives layer in full.

Appendix

A1. Summarized \$FISC tokenomics and vesting

- If the 3 day TWAP at TGE implies an FDV below \$50M, downside compensation is drawn from the remaining pool and is limited by a \$20M floor.
- The pool is funded from BTCD's Community Rewards and Treasury allocation, which holds 35% of a fixed 10 billion supply.
- Vesting: 50% of earned \$FISC is unlocked at TGE, followed by 3 months linear vesting.

A2. Why the position is delta neutral

The leverage is not only an amplifier; it is also the hedge. sBTCD is half BTC and half USD by construction, so 2x sBTCD collateral carries one unit of BTC exposure and one unit of USD exposure. The wBTC debt is one unit of BTC short. The BTC legs cancel and the LP is left holding dollars.

Component	BTC exposure	USD exposure
2x sBTCD collateral	+1.0 unit	+1.0 unit
1x wBTC debt	-1.0 unit	—
Net position	0.0, BTC neutral	+1.0 unit, pure USD

Bitcoin can move in either direction without changing the LP's dollar denominated return. What the LP is exposed to is the spread between what sBTCD earns and what the wBTC borrow costs, less the friction of maintaining the loop as prices move.

A3. BTCD thesis whitepaper

docs.btcd.fi/research-and-mathematical-foundations

A4. Notes on rebalancing cost at \$10M scale

The roughly 5% LTV rebalancing cost figure is not AUM driven, so it does not balloon at \$10M. It is a volatility modelled cost that is already net of an offsetting yield effect, and it is already embedded in the reported 30 day APY.

Rebalancing costs at other protocols are usually a function of external liquidity: trading against thin order books gets more expensive as size grows. That is not the mechanism here. To hold the target LTV, the rebalancing engine takes the inverse of its own directional rebalance trades; the maintenance mechanic structurally buys high and sells low relative to the engine's own rebalancing flow. The cost comes from the mechanics of maintaining a fixed LTV band, not from consuming outside market depth.

Because these trades execute against the engine's own book rather than the open market, the cost scales linearly with TVL rather than accelerating with it. At \$10M this has the same proportional

impact on both the vault and the engine that it has today: close to net neutral, with a small residual cost on the engine side in the current configuration.

The real driver is volatility, not size. The current roughly 5% figure is a modelled, approximate number based on trailing 2 to 4 years of BTC volatility. If volatility rises, this cost rises; if it falls, the cost falls with it. sBTCD's yield captures the same volatility that drives this cost, so the two move together and the net volatility dependence at the portfolio level is close to zero. The reported 30 day APY is already net of this cost; LTV adjustments happen several times a month in the ordinary course.

A5. sBTCD price feed on the Morpho isolated market

Param	Value
Morpho market ID	0xc2ab3fb4...a220 (confirmed via idToMarketParams on Morpho Blue 0xBBBB...FFCb)
Collateral	sBTCD: 0x3BC801419479865B24b4d32faB0Bf64638Abbd5f
Loan asset	WBTC: 0x2260fac5e5542a773aa44fbcfedf7c193bc2c599
Oracle	SBTCDOracle: 0x332ebF042a7B7D87A8a2628186f8A5B12d8a6d94
LLTV	77%

How the price is built.

The oracle has no independent price source, no off chain component, no admin, and no mutable state; it is fully immutable. Every input traces to two Chainlink feeds plus one live onchain ERC 4626 exchange rate, combined through three pure algebraic steps: (1) $\text{peg} = \sqrt{\text{BTCUSD} / 94,000e18}$, a square root dampening overlay; (2) $\text{sBTCD_USD} = \text{peg} \times \text{sBTCD.convertToAssets}(1e18)/1e18$, applying the live sBTCD exchange rate; (3) $\text{price}() = \text{sBTCD_USD} / (\text{BTCUSD} \times \text{WBTC/BTC}) \times 1e26$, converting into WBTC terms. Inputs are Chainlink BTC/USD (roughly 1h heartbeat) and Chainlink WBTC/BTC (roughly 24h heartbeat). Because every overlay is a deterministic algebraic function, the oracle cannot introduce its own valuation error; it can only transform whatever the two Chainlink feeds report.

Stale print behavior, fork tested.

Forking at block 25,553,361 and advancing the clock 30 days with the Chainlink feeds held static: `oracle.price()` still returned deterministically with no revert, and `Morpho.liquidate` reverted with "position is healthy". Morpho correctly declined to liquidate because the position genuinely is healthy. This is by design: Morpho's oracle spec deliberately omits staleness checks and requires `IOracle.price()` to always return a value and never revert, because an oracle that reverts on a stale feed freezes liquidations entirely, a worse failure mode than continuing on the last good Chainlink print.

Three properties keep this safe in practice.

Bounded inputs: both Chainlink aggregators enforce `minAnswer` and `maxAnswer` on transmit, so the oracle is only ever fed well formed numbers. Sqrt peg dampening: collateral value moves as BTC to

the power of minus one half, so a transient BTC mispricing reaches LTV at roughly half magnitude. Structural headroom: the market's sole borrower sits at LTV of roughly 0.50 against an LLTV of 0.77, well clear of the liquidation boundary.

Failure mode, stated plainly.

The only path to a real problem is if the Chainlink BTC/USD or WBTC/BTC feeds themselves go down. If that happens, it takes a substantial portion of DeFi down with it, not just this market. The one complementary safeguard worth adding is operational, not contractual: an off chain freshness monitor on the two underlying Chainlink feeds using per feed heartbeat bounds.