



Haym Salomon @SalomonCrypto

Aug 30 · 23 tweets · [SalomonCrypto/status/1564620825289846784](https://twitter.com/SalomonCrypto/status/1564620825289846784)

(1/22) [@ethereum](#)'s first gift: Decentralized Finance

What is De-Fi and why is it the first speciality of The World Computer? How is De-Fi different from Trad-Fi? What does the De-Fi endgame look like?

Pay attention, anon... there's a financial revolution underway!

(2/22) [@ethereum](#) is The World Computer - a credibly neutral, globally shared utility that exists between a network of 1000s of untrusted computers.

Consensus is coordinated around \$ETH; economics incentivize actors to behave properly without explicit trust.



Haym Salomon
@SalomonCrypto · [Follow](#)

(1/7) The Hitchhiker's Guide to [@ethereum](#)

In 2014, [@VitalikButerin](#) gave us an idea that WILL change the world. Have you wrapped your head around The World Computer yet?

DON'T PANIC, I'll break it down for you. Read on for 4 threads that will show you the future.



Ethereum

The World Computer



- Virtual Machine (EVM)
- Ethereum Blockchain
- Ethereum Network

1:01 AM · Aug 3, 2022

 [Read the full conversation on Twitter](#)

 388  Reply  Copy link

[Read 17 replies](#)

(3/22) The system is based around the distribution of \$ETH: positive behaviors are rewarded with \$ETH, malicious actions are punished with confiscation.

In order for consensus, and therefore [@ethereum](#), to operate, the system must natively support property rights.



(4/22) When a user chooses to use The World Computer they are implicitly agreeing to respect the property rights defined by the rules of consensus:

- no user can create or destroy \$ETH
- txns require the explicit signature of the account owner
- txns cannot be reversed

(5/22) The first class of applications that have seen rigorous development have been built on this novel property of [@ethereum](#).

The World Computer provides property rights and a neutral environment to run code, and so it was turned towards THE financial primitive: money.

Haym Salomon
@SalomonCrypto · Follow

(1/17) Programmable Money: [@ethereum](#)'s (First) Killer App

The World Computer provides us with capabilities never before possible: we can add code directly to the primitives that make up our financial system...

...and then, we can start assembling them together!

6:14 PM · Aug 26, 2022

[Read the full conversation on Twitter](#)

51 Likes Reply Copy link

[Read 4 replies](#)

(6/22) The World Computer allows code to be injected directly into financial assets.

A crypto-asset can be a simple representation of value or a sophisticated, self-aware piece of technology; the only limit is the imagination (and capabilities) of a developer.

(7/22) In fact, The World Computer isn't even limited by the contributions of individual developers. Just as property rights are native to [@ethereum](#), so is the open-source principle of composability.

Everything is readable by everyone. And everyone can build on everything.

Haym Salomon
@SalomonCrypto · Follow

Replying to @SalomonCrypto

(6/17) Building on The World Computer requires a focus on Composability.

A highly composable system provides components that can be selected and assembled in various combinations to satisfy specific requirements (both current and future).

6:14 PM · Aug 26, 2022

1 Like Reply Copy link

[Read 1 reply](#)

(8/22) De-Fi is so audacious and complex that (at this point) even [@VitalikButerin](#) couldn't wrap his head around it.

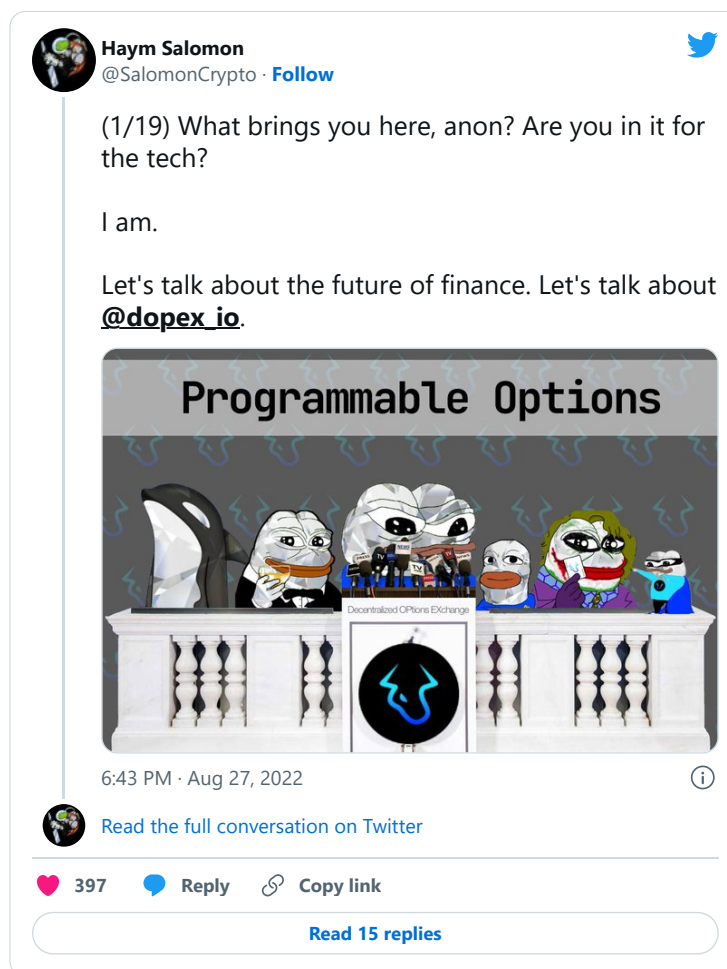
If complexity is the paradox, composability is the solution. Each builder can provide a piece of the puzzle, while others stitch the greater picture together.

(9/22) De-Fi Summer, the genesis of De-Fi, was only 2 years ago; we've barely gotten things working, I can't even imagine what's coming.

I mean, look what we've already achieved...

(10/22) In Trad-Fi, options are simple financial primitives; hedge funds and other sophisticated actors will build complex strategies by mixing and matching different options.

In De-Fi, options can be programmed to integrate directly with each other.



(11/22) Step one: take a traditional strategy and deploy it as a one-click product. Result: Atlantic Straddles

Step two: create an entirely new product. Result: unliquidatable perps, nested puts, single sided LP staking...

Step three: change the world

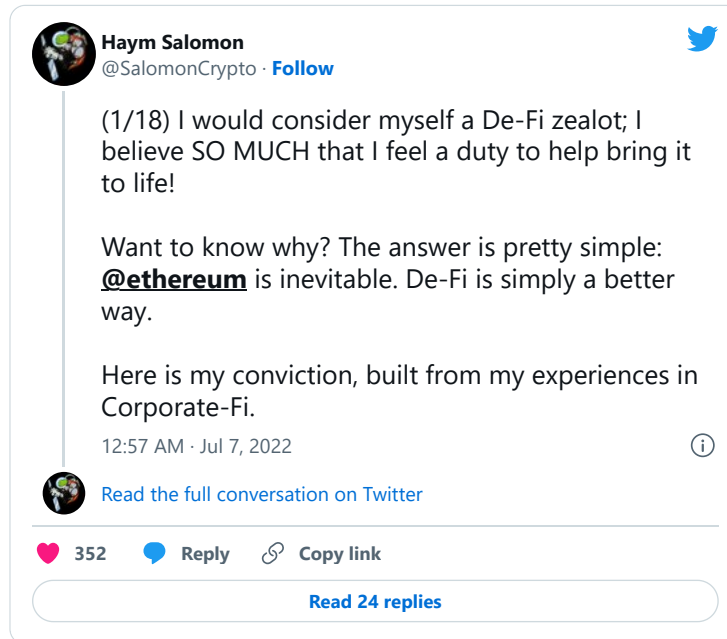
(12/22) De-Fi is not just about new capabilities, it's a complete financial revolution.

The old ways were about opacity, implicit trust and asymmetric power dynamics. The new ways are about transparency, decentralization and fairness.

And about bleeding edge technology.

(13/22) Before I found crypto I worked in corporate finance at one of the 3 largest consumer goods companies in the world. The deeper you dig, the more you learn life's universal truth: nothing works, the system is barely holding together.

De-Fi is simply a better way.



(14/22) You don't have to take my word for it, let's roll back the tape.

It's May 2022 and crypto is in the process of melting down. The moon has already crashed landed, causing massive shockwaves across the ecosystem.

Though most didn't know it yet, Goliath was about to fall.

(15/22) At its peak, [@3arrowscap](#) managed almost \$20B in crypto assets. However, in less than 1 month in 2022, the firm would collapse in destructive chaos.

The root cause: absurd leverage and poor risk management.



(16/22) At the time of its death 3AC owed >\$3.5B to >20 companies.

In the end, it turned out that most of these companies had given absurdly irresponsible, unsecured loans to 3AC. They both enabled the firm to create the bubble and suffered catastrophically when it popped.

- BlockFi: suffered huge losses after liquidating 3AC; acquisition terms with FTX
- Voyager: lent \$650 million to 3AC
- Genesis: lent \$2.36 billion to 3AC
- Deribit: 3AC was an investor of DRB Panama; on June 24, they had to file a liquidation application in the British Virgin Islands
- Blockchain.com: lent 3AC \$270 million; laid off 25% of staff
- Finblox: where 3AC was an investor, had to close withdrawals in the turmoil


(17/22) But that's what happened off-chain, in the centralized world of banks, CEXs and hedge funds.

3AC had lenders on-chain too, the largest of which was @AaveAave (holding 9 figures of debt).


 **Onchain Wizard**
@OnChainWizard · Follow 


This wallet (tagged as 3AC on Nansen) has been aggressively paying back AAVE debt against its 223k ETH / \$264mm position to avoid liquidation. With \$198mm in borrowings against it, @ a 85% liq threshold, a -11% move in ETH to \$1,042 liquidates it




etherscan.io/address/0x4093...



Aave V2				\$66,596.51
Lending				
Health Ratio 1.14				
Supplied		Balance	USD Value	
ETH	222,998.71 ETH		\$264,084,217	
Borrowed		Balance	USD Value	
USDC	106,024,717.90 USDC		\$106,024,718	
USDT	91,663,717.42 USDT		\$91,544,555	
Rewards		Balance	USD Value	
sH-AAVE	0.00 sH-AAVE		\$0	

3:47 AM · Jun 15, 2022 

 [Read the full conversation on Twitter](#)

 1.5K  Reply  Copy link

[Read 117 replies](#)

(18/22) In De-Fi, code is law. If [@AaveAave](#) says "we will liquidate you at \$X" they are not making a threat, they are stating a fact.

There are no negotiations. Not lawyers, lawsuits or bankruptcy. No protection.

There is simply a liquidation threshold.

(19/22) And so, as the market came crashing down around them, [@zhusu](#), [@KyleLDavies](#) and [@3arrowscap](#) did one final thing before they began searching for legal (and physical) protection.

They paid back [@AaveAave](#).

moon 🙄
@MoonOverlord · Follow

Replying to @MoonOverlord

people think Celsius is the biggest stETH dumper but its 3AC and it isnt relatively close, they are dumping on every account and seed round address they have, most looks like its going to payback debts and outstanding borrows they have

From	To	Value	Time
Three Arrows Capital	Zero Address	39,560	4h ago
Zero Address	Token Millionaire	38,421	4d ago
Three Arrows Capital	Zero Address	29,000	4h ago
First Mover Staking	Zero Address	18,811	28h ago
Token Millionaire	Zero Address	17,835	22h ago
Three Arrows Capital	Zero Address	11,842	4h ago
Medium Uniswap V3 LP	Zero Address	11,054	22h ago
Zero Address	Token Millionaire	10,593	3d ago
Zero Address	Token Millionaire	10,430	3d ago
yaemiko.eth	Zero Address	10,004	21h ago
Zero Address	yaemiko.eth	10,002	53h ago
Celsius: Trading Wall	Zero Address	10,000	5d ago
Celsius: Trading Wall	Zero Address	10,000	6d ago
Celsius: Trading Wall	Zero Address	10,000	6d ago
Celsius: Trading Wall	Zero Address	10,000	6d ago
Celsius: Trading Wall	Zero Address	10,000	5d ago
Instadapp V2	Zero Address	10,000	4d ago
Zero Address	Medium Uniswap V3 LP	10,000	4d ago
Three Arrows Capital	Zero Address	10,000	4h ago
Zero Address	Instadapp DeFi Smart Account	8,541	15h ago
EIP 1559 User	Zero Address	8,534	56h ago
Zero Address	Token Millionaire	7,454	51h ago
Three Arrows Capital	Zero Address	7,285	5h ago

1:10 PM · Jun 14, 2022

1.5K Reply Copy link

Read 46 replies

(20/22) In De-Fi's perfect future, something like [@3arrowscap](#) isn't supposed to happen. Losing bets that fall beneath a lender's collateral requirements would be liquidated without mercy, and no one would be waiting around for a margin call.

Case study: [@AaveAave](#) in June 2022

(21/22) De-Fi will not replace Trad-Fi, it will augment it. De-Fi can do everything that Trad-Fi can do, but it can do it transparently and can do it better.

And, more importantly, it will open up an entirely new area of economic activity: the Internet economy.



(22/22) De-Fi is still so young, we have so much more to build.

Today, we have a budding platform that emulates our real-world financial systems. This is the starting point.

The next step? Well, you tell me! What are you building?

Like what you read? Help me spread the word by retweeting the thread (linked below).

Follow me for more explainers and as much alpha as I can possibly serve.



...