

PROPOSAL TO THE RADIX COMMUNITY

Root Finance V2: Lending & Borrowing made simple

A Proposal to Rebuild, Optimize, and Decentralize Root Finance

01 Executive Summary	2
02 The Market & Why Root Finance V2?	3
Proposal Scope, Rationale & Outcomes	3
03 State of the Project	4
Current Situation of Version 1	4
Transition from V1 Team to V2 Team	4
04 Restructuring and Milestones	6
Smart Contract	6
Frontend Improvements	6
Infrastructure Optimization	6
Decentralized Team Formation	6
Milestone Roadmap	7
Deliverables	8
05 Governance via Muan Protocol	9
06 Budget & Payment Structure	10
Budget Breakdown	10
Cost Breakdown	11
07 Risk & Mitigation	12
08 Security & Access Control	14
09 Tax & Legal Considerations	14
10 Business Plan & Future Development	15
11 Conclusion	16

01 Executive Summary

Root Finance is a decentralized Lending & Borrowing protocol operating on the Radix DLT, enabling users to participate as depositors or borrowers in an overcollateralized, non-custodial market environment.

Launched in October 2024, the dApp currently suffers from low liquidity, smart contract bugs, and high operational costs.

The original founding team is no longer active and has stepped away from the project, citing the economic non-viability of running a lending platform on Radix given its current low usage.

I am the IT Infrastructure Manager from the original team, and I am stepping up as Product and Strategy Owner with the intention of forming a new decentralized, community-driven team to build and launch **Root Finance V2**.

My objective is also to help establish a **Root Finance DAO** that will manage protocol governance through transparent on-chain decision-making.

I began actively supporting this application immediately after launch, from November 2024 onward, across frontend operations, backend infrastructure, and smart contract auditing activities.

Since the initial release, I have personally contributed to the delivery and implementation of multiple key features and optimizations, including the calculation of Root Points, the calculation of Ignition-related Points, the deployment of new hAsset pools such as hBTC, hUSDC, hETH and hUSDT, the review and optimization of the liquidation process, and improvements to the price extraction and pricing engine workflows.

I also conducted detailed analysis of the current smart contract regarding excessive operational costs during interest accrual updates, and prepared an initial version of a new V2 smart contract focused on correcting major issues affecting interest calculations, particularly on hBTC pools and on pools operating with very low liquidity.

Additional contributions include the creation of new analytics and insights available through the data page, such as volume and transaction count by token, identification of NFTs closest to liquidation thresholds, daily interest calculations by token for both the protocol and lenders, frontend performance improvements, detailed pool metrics and interest curve visibility, utilization percentage displayed on the homepage, dust elimination during repay operations, and multiple dashboard usability enhancements.

In addition, approximately two years ago I won the latest Scrypto Challenge organized by Radix, demonstrating hands-on capability within the Radix ecosystem.

To achieve this result, I am proposing to the community the creation of a **new decentralized team and a dedicated Root Finance DAO focused on delivering Root Finance V2** through an application for a **\$23,000 USD Radix DAO Grant**.

This grant will fund a complete evaluation and potential rewrite of the smart contract, essential frontend GUI upgrades, infrastructure cost optimizations, and the integration of **Muan Protocol** for fully decentralized governance.

02 The Market & Why Root Finance V2?

The Radix ecosystem is growing, with the Xi'an protocol for cross-shard transactions progressing under a defined roadmap and with low-hardware validator accessibility designed to improve decentralization and scalability.

At the same time, blue-chip DeFi applications that have suffered from security exploits are proving that true atomic composability without bridges or fragmentation is needed, and this is possible on Radix.

Radix's Resource-Oriented Architecture (ROA) and the Scrypto programming language significantly reduce common DeFi vulnerabilities, including reentrancy risks, by treating tokens as real resources rather than simple balances inside smart contracts.

Currently, the lending landscape on Radix is primarily represented by Weft Finance, which released an improved V2 featuring stronger position health checks, isolation mode, and advanced NFT collateral management, before shifting toward maintenance mode.

For the Radix ecosystem to thrive, it requires healthy competition, resilient alternatives, and multiple lending options.

Root Finance V2 aims to complement the ecosystem by offering a highly optimized, community-governed lending platform focused on transparency, sustainability, and user growth.

Proposal Scope, Rationale & Outcomes

This proposal is for the delivery of **Root Finance V2**, a simple and decentralized lending & borrowing protocol to be realized through the formation of a technically competent decentralized team with strong knowledge of DeFi mechanics, protocol risk, and product execution.

The rationale behind Root Finance V2 is to allow Radix to benefit from an additional lending & borrowing player within its ecosystem. A new market participant would help increase liquidity efficiency, improve available interest rates through competition, and introduce new innovation and product competitiveness.

Maintaining and expanding a functioning lending dApp is strategically important for Radix, as the network positions itself as the **chain for DeFi**.

A stronger lending sector increases ecosystem credibility, supports capital formation, and creates more reasons for users and builders to remain active on Radix.

As with any protocol initiative, risks include execution delays, technical complexity, changing market conditions, and adoption uncertainty. These risks are intended to be mitigated through milestone-based funding, decentralized governance, transparent reporting, and phased delivery commitments.

03 State of the Project

Current Situation of Version 1

The current Root Finance V1 has been online since October 2024 and has operated throughout this period, reaching a Total Value Locked (TVL) of approximately **\$2 million USD** at its peak.

Following the broader reduction of liquidity across the Radix ecosystem, liquidity available on the platform progressively declined. At the same time, several bugs and operational limitations emerged, negatively impacting user confidence in the protocol.

The team has consistently attempted to keep the service operational under difficult market conditions.

At present, almost all pools are operating at **100% utilization**, while interest accrual has been paused across all pools.

The **Supply**, **Withdraw**, and **Repay** functions remain available, while **Borrow** functionality is currently disabled.

Some liquidation events cannot currently be completed due to insufficient liquidity, including external liquidity pools used through Ociswap and Caviar to facilitate liquidation flows.

Transition from V1 Team to V2 Team

The proposer of this initiative and the future decentralized team responsible for the development of Root Finance V2 are not responsible for the current state of Root Finance V1.

The proposed new Root Finance V2 team does not have the economic capacity to inject liquidity into the legacy Root Finance V1 pools, nor to redistribute user-supplied tokens in full or in part.

Responsibility for managing existing Root Finance V1 users and legacy operational matters remains with the original Root Finance V1 team, which should continue maintaining processes related to liquidations and withdrawals from the existing smart contract.

Root Finance V1 users should be offered guidance and communication on how to withdraw available funds, while liquidation transactions will remain transparently visible on-chain.

Users who supplied liquidity could continue to interact with the current smart contract in a fully decentralized manner and may access its available functionalities whenever and where technically possible.

The legal and operational boundary between the Root Finance V1 team/entity and the proposed new Root Finance V2 structure is intended to be as follows:

- **Intellectual Property (IP):** transferred without charge to the new team, including all repositories related to the frontend, backend, and the V2 Smart Contract release currently in development.
- **Communication Channels:** Telegram and X accounts will be formally transferred to the new Root Finance V2 team.
- **Cloud Service Subscriptions:** remain subject to the decision of the new team, which may choose either to continue with the current providers under renegotiated commercial terms or migrate to alternative providers, including services such as Vercel, DigitalOcean, and MongoDB.

Liability Separation Clause: The newly proposed Root Finance V2 team and its associated structure are to be considered legally and operationally independent from the Root Finance V1 team.

The transfer of intellectual property, repositories, or communication channels does not imply continuity of legal obligations, liabilities, or responsibilities.

Any past, present, or future obligations related to Root Finance V1 remain exclusively under the responsibility of the original V1 team/entity.

The new entity does not assume any contractual, financial, or fiduciary obligations from the V1 structure.

04 Restructuring and Milestones

Smart Contract

A new V2 release of the smart contract is already a work in progress to resolve known bugs and improve overall architecture.

Given the security guarantees of Scrypto and the Radix Engine, the new team will fully evaluate whether to continue improving the current contracts or execute a complete clean rewrite to maximize long-term security, maintainability, and capital efficiency.

Frontend Improvements

Small but meaningful frontend GUI upgrades will be developed to improve usability, onboarding, and daily interaction with the platform.

Infrastructure Optimization

The current infrastructure is oversized and expensive for the current scale of the platform. Previous monthly operating costs were approximately:

- \$250 DigitalOcean (backend infrastructure with Kubernetes)
- \$100 Vercel (frontend hosting)
- \$100 MongoDB (database)

The new optimized infrastructure is expected to reduce costs to approximately:

- \$200 DigitalOcean (backend infrastructure with VM)
- \$50 Vercel
- \$50 MongoDB / PostgreSQL

These optimizations are critical to ensure long-term sustainability of the platform even under low-liquidity conditions.

A key responsibility of the new Backend & DevOps role will be migrating Root Finance V2 toward a leaner, more cost-efficient architecture.

Decentralized Team Formation

We are building a decentralized team preferably from the Radix community with the following roles:

1. Product and Strategy Owner (filled by former IT Manager)
2. Frontend Developer
3. Backend & DevOps Developer
4. Scrypto Developer
5. Operations & Marketing Manager

Initial Role Responsibilities

1. Product and Strategy Owner

Responsible for defining product functionality, prioritizing platform features, evaluating which use cases the protocol should support, and planning future releases and development roadmaps.

2. Frontend Developer

Responsible for designing and developing the web interface, improving user experience, and building additional interfaces that can also be accessed through prompt-based interactions. Also responsible for deployment management and release operations through the Vercel platform.

3. Backend & DevOps Developer

Responsible for continuous jobs and automated tasks related to on-chain data indexing, extraction and application of pricing data across the platform, and all off-chain/on-chain data services. Also responsible for deployments and infrastructure management on the DigitalOcean Kubernetes cluster.

4. Scrypto Developer

Responsible for performing a renewed audit of the current V1 smart contract and continuing the work already started on Root Finance V2, finalizing missing functionality and building all required test cases.

Also responsible for creating and configuring the necessary badges and access roles for smart contract administration, including administrator permissions, liquidator permissions, pricing account permissions, and owner permissions used to modify protocol parameters after governance approval.

Following approved governance decisions, this role will also manage smart contract deployment to testnet and mainnet environments, as well as Dapp Definition configuration and release readiness.

5. Operations & Marketing Manager

Responsible for managing the support mailbox, responding to information requests from users and potential partners, creating governance proposals on Muan Protocol, and handling payment operations for Vercel, MongoDB, and DigitalOcean invoices. Payments may be managed through a dedicated corporate card funded via assets bridged from the Radix network.

Also responsible for managing the protocol's **X account**, publishing updates regarding current progress, milestones, launches, governance activity, and broader marketing initiatives designed to promote the new Root Finance V2 release and expand community awareness.

Milestone Roadmap

Timelines represent target deadlines that should absolutely be targeted because market timing is important, but they may be adjusted via governance if required at the appropriate time.

The project milestones are designed to deliver concrete artifacts that the community can evaluate over time.

The order of the milestones is intentionally structured to achieve a technically sound result through the progressive delivery of a functional product.

- **Milestone 1:** Team formation and technical assessment.
- **Milestone 2:** Testnet deployment.
- **Milestone 3:** Mainnet launch.
- **Milestone 4:** Six months of stable continuous operations.

Milestone 1 is focused on evaluation and planning of activities and a detailed specification document (including full list of functional, technical, and architectural specifications), cloud systems, and the formation of the team. This is a highly important strategic phase that defines the execution path of Root Finance V2. The milestone will only be considered successfully completed once all team members have been formally confirmed and once all the required use-case and functionalities have been defined.

Milestone 2 is the implementation phase, where plans are translated into execution and the full service is developed up to deployment on the test network.

Milestone 3 includes a community testing period. Once the full application has been validated, the protocol is expected to be deployed and launched on the production network.

The dApp is not currently planned to be subject to a mandatory external audit within the scope of this proposal. However, the community may elect one or more qualified individuals to perform an internal audit review. Compensation for any such audit activity is outside the scope of this document.

Given that an audit is strongly recommended, the community may elect instead a third-party auditor before proceeding with deployment to the production environment.

In the event that an evaluative audit is conducted, the commitment of this proposal is to address and resolve all findings identified during the audit process.

Additionally, the commitment of this proposal is to deliver a codebase that is fully prepared and suitable to undergo a professional audit.

Milestone 4: Successfully operating on mainnet for six months, implementing necessary changes and improvements as identified through dApp usage and user feedback, verifying and optimizing processes related to liquidations and price updates, and producing reporting and insights on dApp usage.

Deliverables

Deliverables describe what is being produced and validated at each milestone. They are intentionally defined without timelines, as timing is governed separately within the milestone schedule.

- **Milestone 1 Deliverable:** A formal project document detailing all required smart contract features, web interface functionality, backend off-chain services, architectural specifications, and selected cloud provider.
- **Milestone 2 Deliverable:** A fully functional web application deployed on the test network with active lending pools available for community usage and testing.
- **Milestone 3 Deliverable:** The application updated with fixes identified during the previous phase and deployed to production with all intended pools active.
- **Milestone 4 Deliverable:** An application that remains active, available, and continuously functioning for at least six consecutive months.

05 Governance via Muan Protocol

Detailed governance lifecycle will be defined during Milestone 1 and 2 with the intended result of having it read as a deliverable of the Milestone 3.

The governance of Root Finance V2 will be decentralized and managed through Muan Protocol.

Through the Muan Protocol, token holders and stakeholders will be able to create governance proposals, vote on proposals, and approve on-ledger execution once proposals pass. Each governance proposal will define a clear executable action and implementation path.

However, certain operational activities will initially require centralized execution due to current technical limitations. In particular, operations such as payments to cloud service providers cannot yet be executed fully on-chain. For this reason, specific roles (e.g., Operations & Marketing Manager) will be responsible for executing these actions off-chain.

This should not be interpreted as a contradiction to decentralized governance, but rather as a necessary operational layer. Where possible, governance decisions will still be made in a decentralized manner, while execution may temporarily rely on trusted roles.

In the future, as tooling and infrastructure evolve, these operations may also be governed and executed fully on-chain, with payments approved via governance and executed automatically after approval.

The governance system will be responsible for managing all key lending market parameters, including but not limited to:

- Loan-to-Value (LTV) ratios
- Liquidation thresholds and penalties
- Reserve Factor parameters
- Interest rate model parameters
- Supported collateral assets
- Borrow caps and supply caps
- Treasury allocations
- Risk controls and emergency measures
- Any other configurable parameter of the lending platform

This removes dependency on a centralized business team and transfers protocol control to the community.

The Radix Accountability Council (RAC) acts as the execution and verification layer for Root Finance DAO-approved decisions. While governance decisions are made through the Root Finance DAO, the RAC is responsible for validating milestone completion and executing payments accordingly.

06 Budget & Payment Structure

To successfully deliver Root Finance V2, we are requesting a structured grant from the Radix DAO offering in exchange a project that is sustainable and tied to measurable execution milestones.

The total grant requested is **\$23,000 USD**, distributed through milestone-based payments to ensure accountability, transparency, and delivery alignment.

Milestone	Deliverable	Grant Payout	Timeline
1	Proposal accepted, formal kickoff, onboarding of the new community team (Frontend, Backend/DevOps, Operations), detailed specification document. Team members must be confirmed for milestone completion.	\$3,000	upon completion of the mandatory pre-execution hold period.
2	Root Finance V2 smart contract (patched or rewritten) deployed to Stokenet testnet, frontend upgrades completed, infrastructure overhead reduced	\$5,000	Within 6 months from proposal approval
3	Root Finance V2 deployed to Radix Mainnet with Muan Protocol governance active and ready for community participation through the Root Finance DAO	\$10,000	Within 9 months from proposal approval
4	Successfully operating on mainnet for six months, implementing necessary changes and improvements as identified through dApp usage and user feedback, verifying and optimizing processes related to liquidations and price updates, and producing reporting and insights on dApp usage	\$5,000	Within 15 months from proposal approval

This structure ensures that funds are released only when meaningful progress is achieved and aligns incentives between builders, the community, and the Radix ecosystem.

Budget Breakdown

- **Milestone 1:** The \$3,000 USD grant will be assigned entirely to the proposer for preliminary preparation activities carried out prior to project execution.
- **Milestones 2, 3, and 4:** Grants will be distributed equally among all team members after deducting necessary operational costs related to cloud services (frontend, backend, and database hosting).

No hourly or monthly rates will be defined for any team member. The working model will follow a **delivery versus payment** approach, where compensation is strictly tied to the successful completion of defined milestones.

Given the modern development approach and the expected use of AI-assisted tools within the team, the cost of such tools will be covered by the protocol.

Cost Breakdown

Cost Item	Provider	Estimated Monthly Cost
Frontend Hosting	Vercel	\$80
Backend Infrastructure (off-chain processes, liquidations, pricing)	DigitalOcean	\$200
AI Development Tools (team license for 5 users)	ClaudeCode	\$100
Database (aggregated on-chain data storage)	MongoDB	\$80

Open Source License

Given that this release will be funded by the community, upon proposal approval all repositories and existing codebase will be subject to the **DeFi OS License (DeFOSS)**, the first open-source license specifically designed for DeFi ecosystems.

Code will be open-source, while development workflow may remain private during execution phases.

Accountability

Development work does not necessarily happen fully in public. However, repositories should be shared among all team members and made accessible to members of the **Radix Accountability Council (RAC)** for verification purposes.

The **Operations & Marketing Manager** has the duty to prepare, at the end of each milestone, a formal evidence document describing completed work, delivered artifacts, and any material required for the RAC to verify that milestone results have been achieved.

Milestones should be formally signed off by the Radix Accountability Council, which would then confirm milestone completion and authorize the corresponding payment to the team.

The internal distribution of milestone payments among team contributors remains subject to further verification and operating rules, but this coordination responsibility would most likely be managed by the Operations & Marketing Manager.

07 Risk & Mitigation

Team Coordination Risk

This project is not expected to be executed by a centralized team, but by a decentralized group of contributors who may also operate across different time zones.

For this reason, each contributor's commitment, competence, autonomy, and execution capability must be of high quality and sustained over time. This creates execution risk, particularly because initial compensation levels may be relatively limited.

Radix Ecosystem Liquidity Risk

The current and prolonged lack of liquidity across the Radix ecosystem may prevent the project, once deployed to production, from attracting sufficient capital to operate efficiently.

Network Upgrade / cross-shard Risk

The expected future transition of the Radix network toward a cross-shard architecture may require protocol adaptations, engine-level changes, or smart contract redeployments.

This could require users to remove liquidity from older contracts and redeploy funds into newer versions, while some users may choose not to migrate.

Conflict of Interest Risk

The proposer of this initiative has been part of the Root Finance V1 team since November 2024, contributing to IT infrastructure and technical support activities.

However, the proposer has never had access to protocol configuration management, nor to accounts responsible for liquidation execution or protocol reserve collection.

User Participation Risk

The Stokenet testing phase will require active community participation for validation, stress testing, and feedback collection. Given the current limited user base of the network, participation levels are uncertain.

Final Considerations on Risk Reduction

The mitigation actions intended to reduce overall risk perception are the following.

Regarding **Team Coordination**, preference should be given to contributors who are already known within the Radix ecosystem and who have been active members of the community for a meaningful period of time. In addition, any person wishing to join the team should be able to formally present themselves, clearly indicating their professional background, specific skills, intended function, and proposed role, so that alignment between the candidate profile and the needs of the project can be properly evaluated.

Regarding the risk of **low liquidity**, there is currently no direct mitigation available. The main practical approach is to maintain a lean team structure and operate an application capable of remaining sustainable through low cloud-service operating costs.

Regarding **low user participation**, it is expected that incentive systems may be introduced once the application is live on production. These systems could periodically redistribute, through targeted

campaigns, a portion of revenues that would otherwise be allocated entirely to the protocol, rewarding users who actively utilize the platform.

08 Security & Access Control

Each member of the new team will hold responsibilities that require access to sensitive systems, credentials, and operational environments. For this reason, security standards, accountability, and controlled access management will be essential from day one.

Frontend Developer

Will have access to deployment credentials required to release updates to both the test web application and the production web application. These credentials must be stored securely, as they provide the ability to modify public-facing interfaces.

Backend & DevOps Developer

Will have access to credentials required to maintain backend services, update continuous jobs, and manage deployments within the DigitalOcean Kubernetes cluster.

Operations & Marketing Manager

Will have access to operational systems including the support mailbox, business email communications, and payment credentials used to settle invoices for services such as Vercel, MongoDB, and DigitalOcean.

Given the operational sensitivity of these responsibilities, all core team members should complete a **Know Your Customer (KYC)** verification process before receiving access to grant-funded systems, treasury resources, or critical production credentials. The proposer of this initiative has already completed KYC with the Radix Foundation in the past.

This requirement helps ensure trust, legal accountability, and responsible management of the resources requested to build and operate Root Finance V2.

09 Tax & Legal Considerations

Any compensation, grant distribution, or payment received by members of the decentralized Root Finance V2 team for services performed shall remain the personal responsibility of each recipient with regard to tax declaration, reporting obligations, and payment of taxes in their respective countries of residence.

Each contributor is expected to independently comply with all applicable local tax laws, employment rules, invoicing requirements, and financial reporting obligations.

From a legal and regulatory perspective, further analysis is required to determine how a decentralized lending protocol such as Root Finance should operate under current and emerging regulatory frameworks.

This may include reviewing the applicability of frameworks such as the **CLARITY Act**, **MiCA** in the European Union, and any other jurisdiction-specific digital asset or DeFi regulations.

It must also be assessed whether a decentralized organization supporting the protocol would require registration, licensing, or authorization as a **Crypto-Asset Service Provider (CASP)** or under equivalent legal classifications, and in which jurisdiction such obligations may arise.

This legal and tax analysis should be treated as an important workstream for the future team in order to ensure responsible, sustainable, and compliant long-term operations.

10 Business Plan & Future Development

The request presented in this document is aimed at obtaining an initial grant from the Radix DAO. This grant represents the starting point for the creation and development of Root Finance V2.

Both the team and the broader community may introduce early-stage investors interested in supporting the project, potentially contributing up to \$30,000 in initial funding.

Despite recent security incidents in the DeFi ecosystem, which have led to temporary liquidity contractions, the lending and borrowing market continues to present strong long-term potential.

For this reason, the future commercial potential of a well-executed Root Finance V2 remains substantial. A complete long-term business plan has not yet been finalized, as it should be developed collaboratively by the proposer and by the newly formed team together with community input and future governance decisions.

However, it is already clear that the market opportunity exists, that demand for decentralized lend & borrow platforms remains real, and that relaunching Root Finance V2 directly addresses this opportunity. The proposer has a clear strategic vision in this direction, and the intention to deliver measurable results is concrete, serious, and long-term oriented.

The following table presents a highly preliminary projection of potential platform revenues over the coming years.

“These projections assume successful execution and improved market conditions.”

Year	Total Value Locked (TVL)	Liquidation Revenues	Protocol Interest Revenues
2027	\$2M	\$10k	\$20k
2028	\$10M	\$50k	\$100k
2029	\$20M	\$100k	\$200k
2030	\$50M	\$250k	\$500k

11 Conclusion

Radix was designed to host the global financial system, and a robust decentralized money market is a foundational requirement for that long-term vision.

Lending infrastructure is one of the core pillars of every successful DeFi ecosystem. Without efficient money markets, users cannot unlock capital efficiency, leverage productive assets, or build advanced financial strategies on-chain.

By funding Root Finance V2, the Radix DAO has the opportunity to rescue an existing protocol, rebuild it on stronger technical foundations, and transition it into the hands of a capable, decentralized, community-led team.

The result will be a sustainable lending platform governed transparently through Muan Protocol, able to compete, innovate, and contribute meaningful liquidity infrastructure to the Radix ecosystem.

Root Finance V2 is not only a protocol recovery initiative — it is an opportunity to strengthen the future of decentralized finance on Radix.