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Ondo Finance – CeDeFi Leader

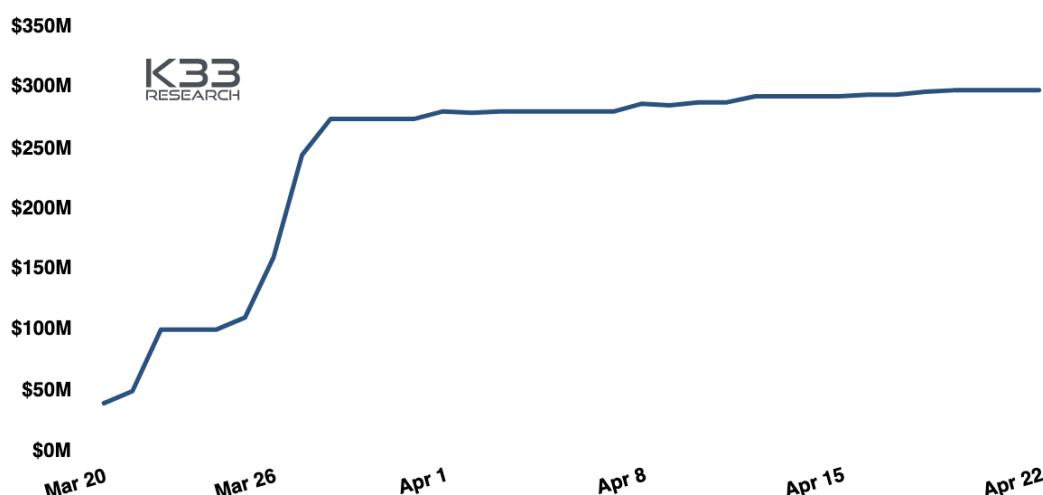
TLDR

- Institutions are getting more involved in the crypto market – traditional finance and crypto are becoming more interlinked.
- BlackRock's establishment of the "USD Institutional Liquidity Digital Fund" (BUIDL), which initially brought in \$100 million and now has \$300 million net deposits deployed on Ethereum, exemplifies this trend.
- Ondo Finance leads the RWA narrative and "CeDeFi," offering tokenized exposure to securities like US treasuries and money market funds, aiming to merge traditional finance and crypto.
- Ondo's product suite includes USDY (a stablecoin with yield), OUSG (tokenized short-term US treasuries), OMMF (tokenized money market fund), and Flux Finance (a lending protocol supporting permissionless and permissioned tokens).
- While the state of ONDO's token utility and value accrual are questionable, the RWA narrative is not. Bullish market flow trumps all. There was a warning shot with the recent market wipeout, but if BTC has put in a local low, RWA (and ONDO) can run.

The Institutions Are Here

BTC ETF flows are now another factor for crypto traders to consider when weighing the market. With this increased institutional involvement, Navigating Narratives has commented that this time is slightly different. Some are even calling for this cycle to be "institutionally driven". From a narrative perspective, entertaining this idea directs us to one narrative in particular – Real World Assets (RWA). Last month, BlackRock set up its [first tokenized asset fund](#) – "USD Institutional Liquidity Digital Fund", otherwise known as BUIDL. The fund quickly pulled in \$100m before these funds were deployed to the Ethereum blockchain. Since then, net deposits / capital deployed has grown to \$300m.

BlackRock BUIDL Net Deposits



Source: [TokenTerminal](#)

In our Q1 roundup, we commented that Ondo Finance and \$ONDO were positioned to do well going into this second quarter due to this spike in RWA hype. Despite a big pullback for BTC and a huge leverage wipeout for alts, ONDO has held up well. We always take note of strength in the face of market-wide weakness, and ONDO is demonstrating resilience on the back of the momentum that drove it in late Q1. But what is Ondo Finance? Is it worth using? Does the native token stand a chance to be a big winner in the RWA sector? Let's have a closer look.

Ondo Finance

Ondo Finance (Ondo) is one of the main drivers behind "centralized decentralized Finance" or "CeDeFi", giving crypto users access to securities exposure such as US treasuries and money market funds. Ondo's offerings represent deposits into funds managed by entities such as BlackRock and PIMCO. Currently, Ondo Finance is the market-leading protocol (that has a token - ONDO) in terms of [tokenized public securities](#). There is plenty of volatility for investors in crypto. Ondo aims to merge the reliability of traditional finance with blockchain technology and tokenize stable, income-generating assets. Ondo's structure is comprised of two primary elements: (i) the asset management side, responsible for creating and overseeing tokenized financial products, and (ii) the technology side, focused on developing DeFi protocols that support Ondo's offerings.

Ondo's Products	
USDY	Stablecoin with built-in yield
OUSG	Tokenized short-term US Treasuries
OMMF	Tokenized money market fund
Flux Finance	DeFi protocol

USDY is the leading product offering in Ondo's suite – a tokenized note secured by short-term US Treasuries and bank demand deposits, designed to provide non-US investors with stablecoin accessibility combined with US dollar-denominated yield. DeFi is renowned for its exploits and the often questionable actions/dealings of certain teams, which is part of what makes it such a great market to trade. In contrast, Ondo emphasizes transparency, compliance, and investor protection, setting high standards similar to those in traditional finance. With all of that, however, comes regulation and KYC, meaning Ondo is strictly more of a CeDeFi project than a DeFi project. Each Ondo product offering is structured and targeted differently:

	OUSG	OMMF	USDY
Collateral	Short-Term US Treasuries (SHV)	US Gov't Money Market Funds	Short-Term US Treasuries and Bank Deposits (w/ Equity Subordination)
Eligible Geographies	Global	Global	Non-US
Eligible Investor Types	Qualified Purchasers	Qualified Purchasers	Everyone
Structure	Limited Partnership Interest	Limited Partnership Interest	Senior Secured Loan
Return Type	Token appreciates in value as dividends are reinvested ("accumulating")	Price stays at \$1.00; dividends paid out as extra tokens ("rebasing")	Accumulating + rebasing (mUSD)

Flux Finance, developed by Ondo, is a lending protocol supporting both permissionless tokens (e.g. USDT) and permissioned tokens (e.g. USDY) alike. A fork of Compound V2, it allows users to lend and borrow in an overcollateralized framework and is ultimately aimed at enhancing the utility of Ondo's token offerings. Users can deposit tokens such as USDT or USDY and mint "fTokens" representing their position in the pool. This allows users to earn interest on their deposits and borrowers to use them as collateral for borrowing other assets. However, the parameters of such actions are limited by the tokens used in question. USDY, for instance, will have stricter parameters for borrowing/lending as governed by the Ondo DAO.

The ONDO token

Ondo Finance is a good protocol, delivering exactly what is promised. However, as is often the case, the native token (ONDO) is not much more than a token used for governance. It should be noted that investors received 25% of their allocation when the token was created and are currently up over 20x on that investment. While there will be no more major [unlocks](#) until next year, tokens continue to be unlocked with the next round of 1.66m ONDO on May 18th. Despite this, the token stands to do well simply because it has a narrative and momentum behind it. The most important factors here are the continuation of bullish market flows (**provided BTC has marked a local low**) and a relatively new token that can grasp attention and hype.

ONDO Tokenomics	
Circulating / Vesting Schedule	<ul style="list-style-type: none"> • Total Supply: 10,000,000,000 ONDO • Circulating Supply: 1,760,000,000 ONDO • ~18% circulating (supply capped) • Next unlock: May 18th (1.66M tokens)
Utility	<ul style="list-style-type: none"> • Governance
Value Accrual	<ul style="list-style-type: none"> • Nothing outside of speculation

"1 ONDO = 1 CONDO"?

Crypto loves memes. One such meme which arose from the RWA sector is that 1 ONDO will reach a price high enough to purchase 1 condominium unit. That would result in an FDV that would make peak 2021 mania blush. Alas, memes are just that – memes. However, ONDO has positioned itself as a market leader in the RWA sector. Ondo Finance has built a solid suite of products that have solidified their place in crypto. If we believe institutions have taken their next step into crypto this year, then having some form of RWA exposure makes sense, even if it is "CeDeFi". The RWA sector remains relatively small at \$7.5b market cap and we continue to see more and more institutional involvement in crypto. Bitcoin spot ETFs have arrived, BlackRock is moving \$100s of millions onto Ethereum, Larry Fink says he wants to [tokenize financial assets](#)... and we are here for it.

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