

# BeL2 ELA Rewards Program Guide

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## Overview

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The BeL2 protocol connects Bitcoin (BTC) and EVM-compatible networks to create a secure, decentralized lending environment. To encourage adoption and usage, BeL2 is launching a rewards program using \$ELA tokens for participants in a pilot dApp lending platform.

## Core Program Parameters

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### Duration and Pool

- Program Length: 30 days from launch
- Total Reward Pool: 12,000 ELA
- Daily Maximum Distribution: 400 ELA
- Status: Program ends when either the 30-day period concludes or the reward pool is depleted

### Loan Parameters

- Loan Term: 24 hours with 24-hour grace period
- Maximum Limits:
  - USDT Borrowing Cap: 100 USDT
  - BTC Collateral Cap: 0.002 BTC
- Interest Rate: 0% APY (promotional rate)
- LTV (Loan-to-Value) Requirements:

- Initial minimum LTV: 80%
- Liquidation threshold: 85%
- Fees:
  - Cross-Chain Gas: Users pay their respective network fees
  - Arbitrator Fee: 0.01% (waived during promotional period)

## Reward Structure

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### Basic Requirements

- Minimum loan amount: 50 USDT
- Transaction must complete successfully (proper repayment and collateral release)
- Limited to first 100 qualified transactions per day

### Fixed Reward Distribution

For each qualified transaction:

- Borrower receives: 3 ELA
- Lender receives: 1 ELA

### Important Limitations

- One reward per address per day, regardless of transaction count
- Rewards distributed within 72 hours of successful loan completion

## Risk Management

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### Liquidation Process

1. Triggered when LTV reaches 85%

2. Lender automatically receives borrower's BTC collateral at 85% of market value

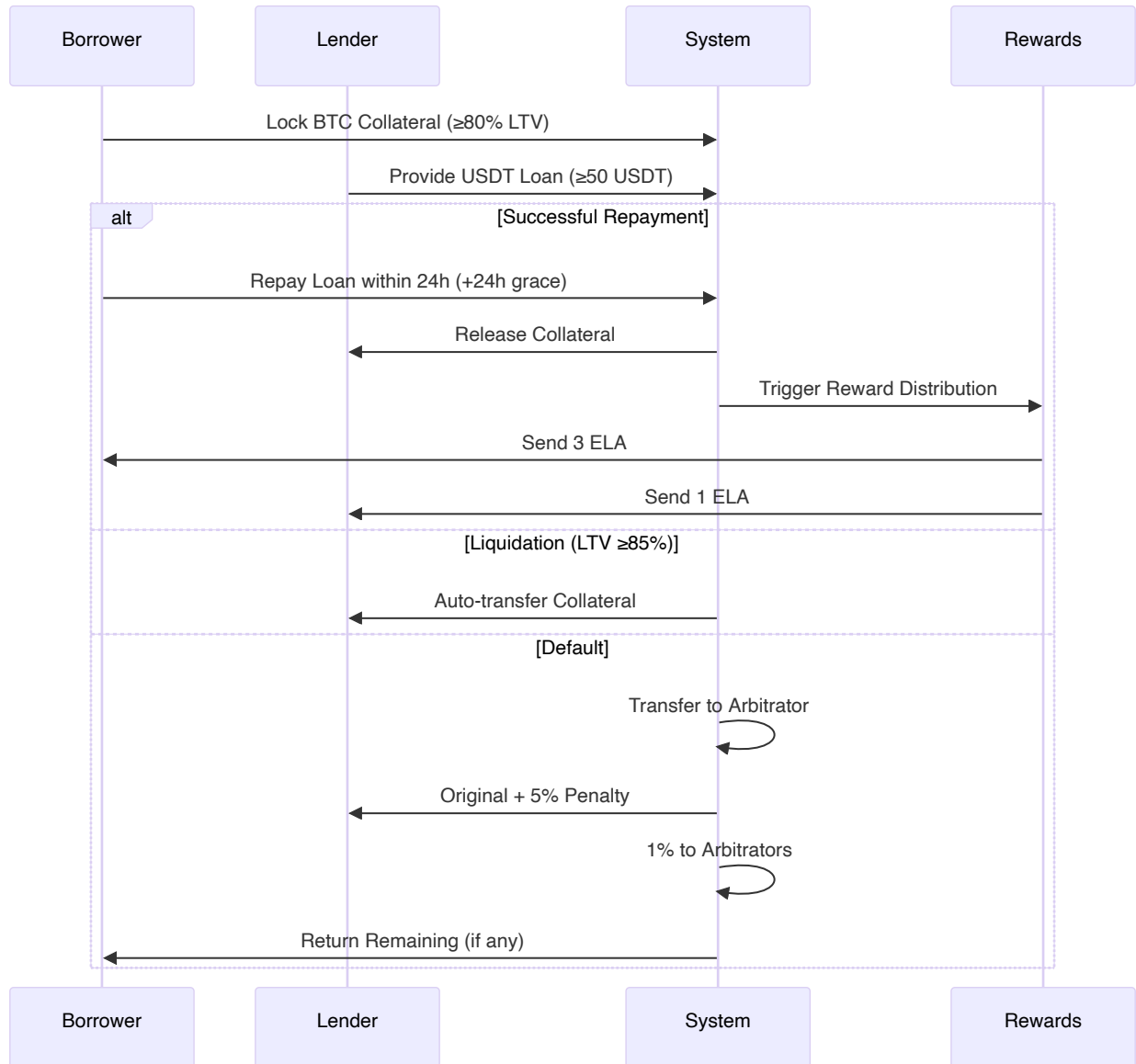
## **Default Process**

If loan isn't repaid within grace period:

1. Arbitrator confiscates borrower's BTC collateral
2. Sells portion to cover:
  - Original loan amount + 5% penalty for lender
  - 1% default penalty for arbitrators
3. Any remaining collateral returns to borrower

## **Transaction Flow Diagram**

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## Example Reward Calculation

### Scenario 1: Standard Transaction

- Bob (Borrower) locks 0.001 BTC as collateral
- Alice (Lender) provides 80 USDT loan
- After successful repayment:
  - Bob receives: 3 ELA

- Alice receives: 1 ELA

### **Scenario 2: Invalid Transaction**

- Bob locks 0.001 BTC as collateral
- Alice provides 40 USDT loan (below 50 USDT minimum)
- Result: No rewards distributed (transaction below minimum threshold)

## **Important Notes**

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1. Program is first-come-first-served for daily reward allocation
2. Only the first 100 valid transactions per day qualify for rewards
3. All parameters may be adjusted after the promotional period
4. Random default testing may occur from official test accounts
5. Smart contracts automatically handle compensation for defaults

# Understanding LTV Thresholds in BeL2

## What is LTV?

Loan-to-Value (LTV) ratio is a key risk metric in lending that compares the loan amount to the value of the collateral. In BeL2:

$$\text{LTV} = (\text{Loan Amount in USDT} / \text{Collateral Value in USDT}) \times 100\%$$

## LTV Thresholds Explained

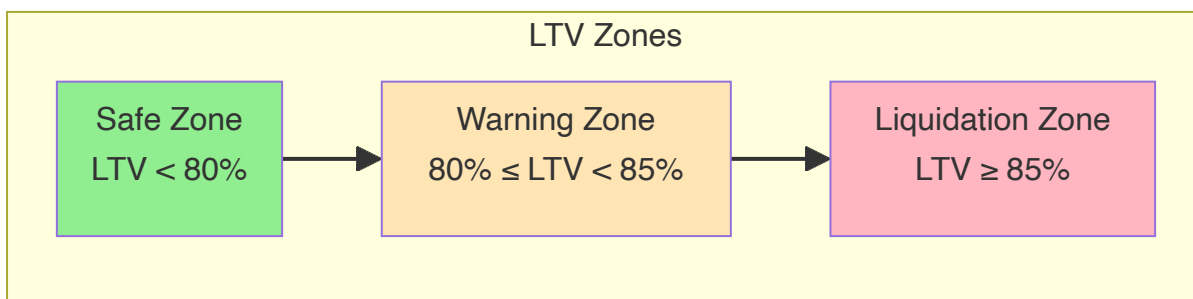
BeL2 implements two critical LTV thresholds:

### 1. Initial Maximum LTV (80%):

- The maximum allowed LTV when creating a new loan
- Example: To borrow 80 USDT, you need at least \$100 worth of BTC as collateral

### 2. Liquidation Threshold (85%):

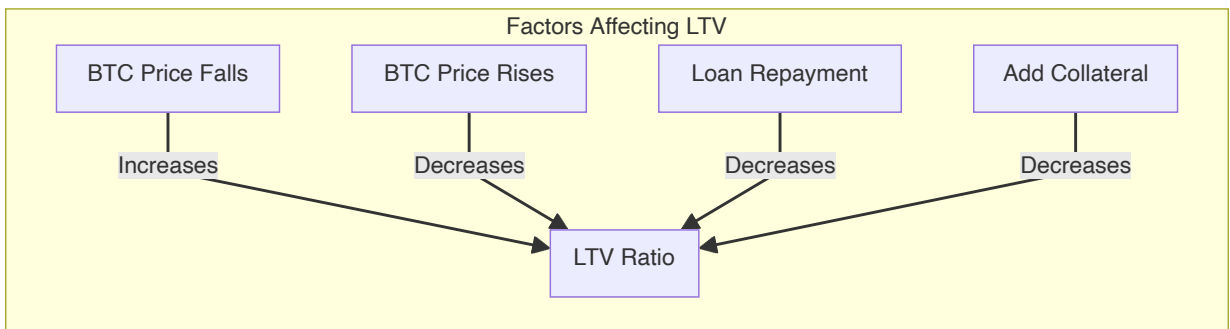
- The LTV level that triggers automatic liquidation
- Provides a safety buffer between initial loan and liquidation
- Protects lenders from potential losses due to market volatility



# How LTV Changes

The LTV ratio can change due to:

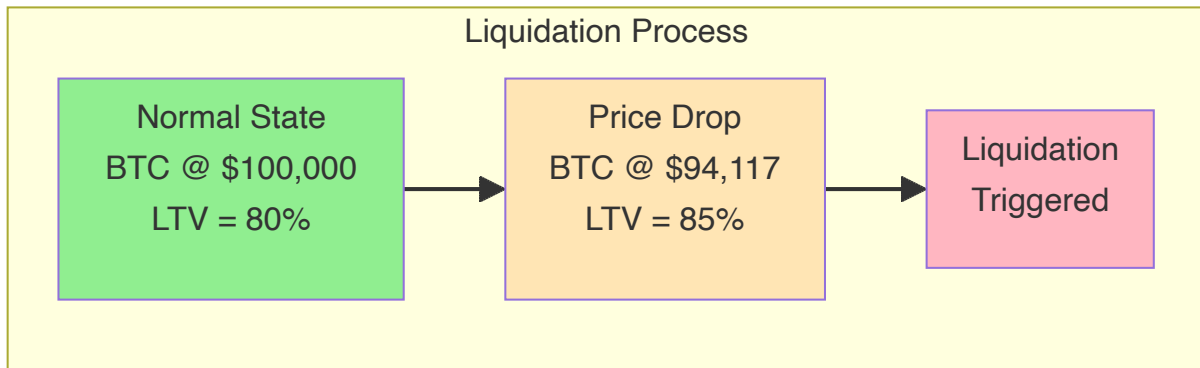
1. BTC price fluctuations
2. Partial loan repayments
3. Additional collateral deposits



## Liquidation Example

Let's examine a practical example:

1. Initial Position:
  - Collateral: 0.001 BTC @ 100,000/*BTC* = 100
  - Loan Amount: 80 USDT
  - Initial LTV: 80%
2. Price Movement Scenario:
  - BTC price drops to \$94,117
  - New collateral value: \$94.12
  - New LTV:  $(80/94.12) \times 100\% = 85\%$
  - **Result:** Liquidation triggered



## Safety Tips for Borrowers

1. **Buffer Maintenance:** Keep LTV well below 80% to provide a safety margin against price fluctuations
2. **Active Monitoring:** Watch BTC price movements and their impact on your LTV
3. **Preventive Actions:**
  - Add more collateral if LTV approaches 80%
  - Make partial repayments to reduce LTV
  - Consider closing the position if market volatility increases

[!note] Note: Some actions are not yet supported during pilot phase.

## Price Alert Recommendations

Set up alerts at these LTV levels:

- 75% - Early warning
- 78% - Consider adding collateral
- 80% - Immediate action required
- 85% - Liquidation imminent



# Real-World Calculation Example

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Starting Position:

- Collateral: 0.001 BTC
- BTC Price: \$100,000
- Collateral Value: \$100
- Maximum Safe Loan: \$80 USDT (80% LTV)

Price Movement Scenarios:

1. BTC drops to \$94,117:
  - New collateral value: \$94.12
  - LTV with \$80 loan: 85% (Liquidation triggered)
2. BTC drops to \$97,000:
  - New collateral value: \$97.00
  - LTV with \$80 loan: 82.47% (Warning zone)

Remember: The BeL2 system automatically monitors these thresholds and executes liquidations when necessary, but it's crucial for borrowers to actively manage their positions to avoid reaching the liquidation threshold.