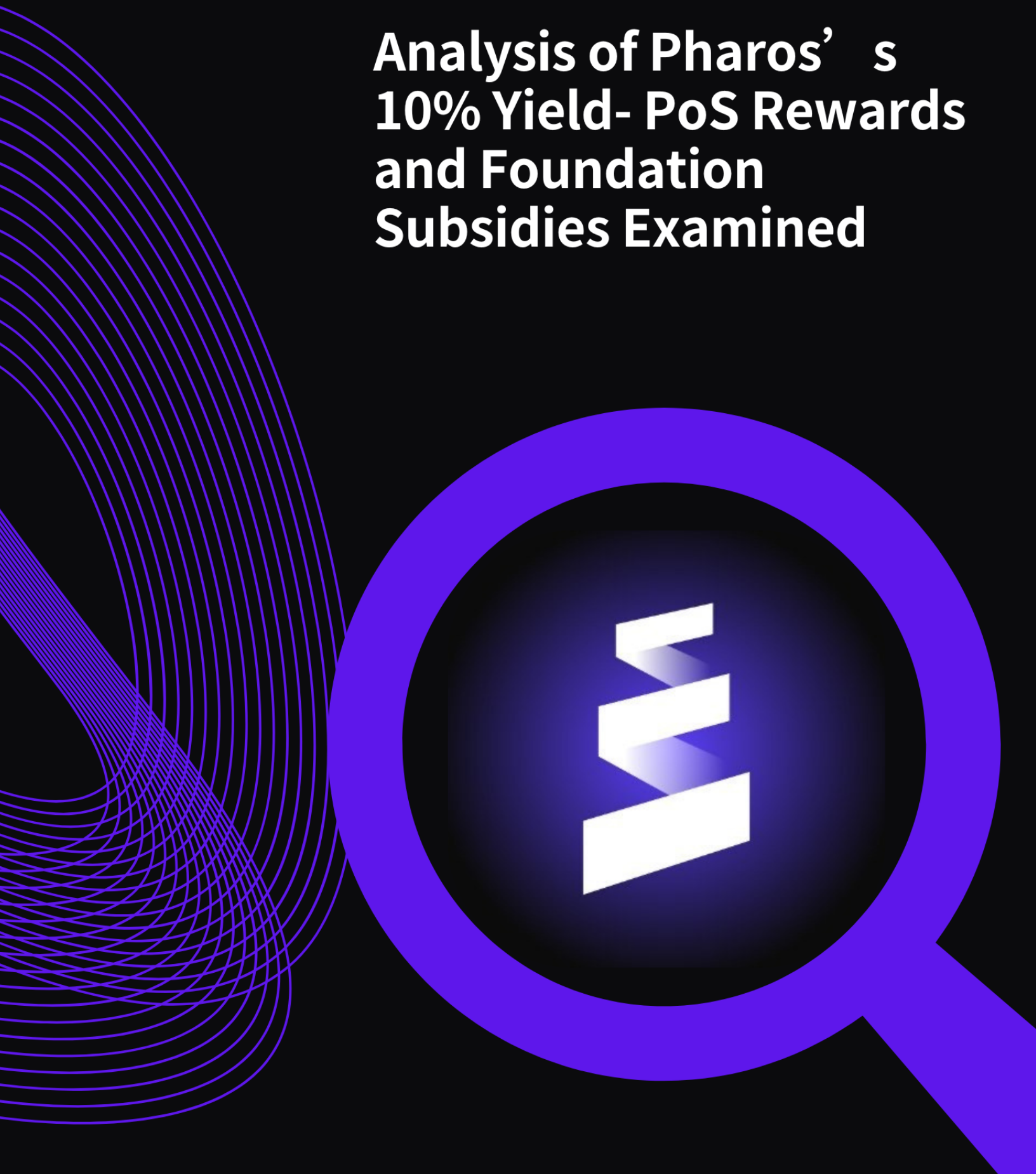
PHAROS
RESEARCH

Analysis of Pharos’ s 10% Yield- PoS Rewards and Foundation Subsidies Examined



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Abstract

This report assesses the feasibility of tbPROS, Pharos's on-chain native PoS fixed-income product. At the mechanism level, tbPROS is fairly complete. The foundation uses its balance sheet as the counterparty, which helps reduce the cold-start constraint that has held back many on-chain fixed-rate products. Under the base case, and assuming a total issuance size of $16 million across three tranches, the annual payout gap is about $60,000. That implies a much longer reserve runway than Anchor Protocol's theoretical runway of roughly 69 days at peak TVL, and points to stronger short- to medium-term payment stability.

From a return perspective, tbPROS combines a fixed-income buffer with exposure to the upside and downside of the $PROS token. Payouts are denominated in USD terms. If the $PROS price remains broadly stable, the product can provide roughly a 5% total-return buffer. But the principal remains denominated in $PROS, so realized returns over the holding period still depend heavily on the token price. In practice, tbPROS is better understood as a $PROS holding instrument with an added yield buffer. Its return profile carries both fixed-income characteristics and token-price beta.

Sensitivity analysis shows that the $PROS price remains the main variable for total holding-period returns. Using a one-year holding period and an initial investment of 10,000 USDC as the base case, if $PROS falls by 10%, the total return is about +0.4%; if it falls by 20%, the total return is about -10%, all else equal. The payout buffer can support returns in a moderate volatility range. Once price moves widen, however, the product behaves much more like a $PROS-linked exposure.

In the competitive set, Plume Nest represents the off-chain institutional custody route, Pendle represents market-based splitting and pricing of mature yield-bearing assets, and tbPROS represents a foundation-balance-sheet route built around a native PoS asset. These products all sit under the broad label of on-chain yield, but they differ sharply in credit source, underlying asset structure, and target user base. The point of comparison is therefore not a simple yield ranking. It is to identify the risk-return logic and the practical boundaries of each path. For tbPROS, the durability of its differentiation rests mainly on the stability of the foundation's credit support and on $PROS remaining reasonably stable. Those are also the main assumptions behind the mechanism analysis in this report.

Keywords: on-chain fixed income, PoS staking yield tokenization, foundation credit support, dual-track yield structure, Pharos Network / tbPROS, Anchor Protocol risk model, DeFi fixed-rate cold start, Uniswap V4 liquidity vault

01 / Market Background

The on-chain fixed-income market still has a fairly clear product gap: a fixed-rate yield instrument backed by a public chain's native PoS staking yield, without relying on off-chain institutional custody.

The two validated paths in the market do not cover this position. The first is the off-chain asset tokenization path. Products such as BlackRock BUIDL have pushed tokenized Treasury assets to about $7.3 billion, but access is still limited by compliance requirements. The second is the on-chain market-pricing path, represented by Pendle. Pendle's TVL once approached $9 billion, but that model depends on an underlying asset that already has deep liquidity and clear price discovery. It does not transfer cleanly to the native token of a new L1. tbPROS, developed by the Faroo team on Pharos Network, is a direct product attempt at this open slot in the market [17].

Unlike Notional and similar protocols, which require both borrowers and lenders to become active at the same time and rely on AMMs for rate formation, tbPROS puts the foundation's balance sheet in the counterparty role. That helps it bypass part of the cold-start problem faced by earlier fixed-rate protocols. Compared with Anchor Protocol, the annualized gap between the promised return and underlying output is also much lower: about 0.5%, rather than the 13%-14% gap Anchor carried near its peak. This report therefore asks a narrow question: is the tbPROS mechanism structurally sustainable?

Before 2023, the slowdown or shutdown of Notional, Element, 88mph, and other on-chain fixed-rate protocols left the market stuck on a basic question: does real demand for on-chain fixed income exist? The mechanisms themselves were never tested at much larger scale. In 2024, Pendle's breakout in assets such as stETH and sUSDe pushed its TVL close to $9 billion, which gave stronger evidence that there is real demand for fixed-income-like products on-chain. But Pendle's success also shows the constraint of that route. Its success does not come from fixed-income demand alone. It depends on mature underlying assets with deep liquidity, stable expectations, and continuous price discovery. That makes it hard to apply directly to a new L1's native token.

In 2025, the off-chain asset tokenization route expanded further. BlackRock BUIDL and similar products pushed tokenized Treasury assets to about $7.3 billion. But this route is still built mainly for compliant institutions, not for open permissionless access. Between the two validated paths, the market still lacks a product that combines three features: on-chain native asset yield, fixed-rate yield packaging, and permissionless access. tbPROS is a direct response to that gap.

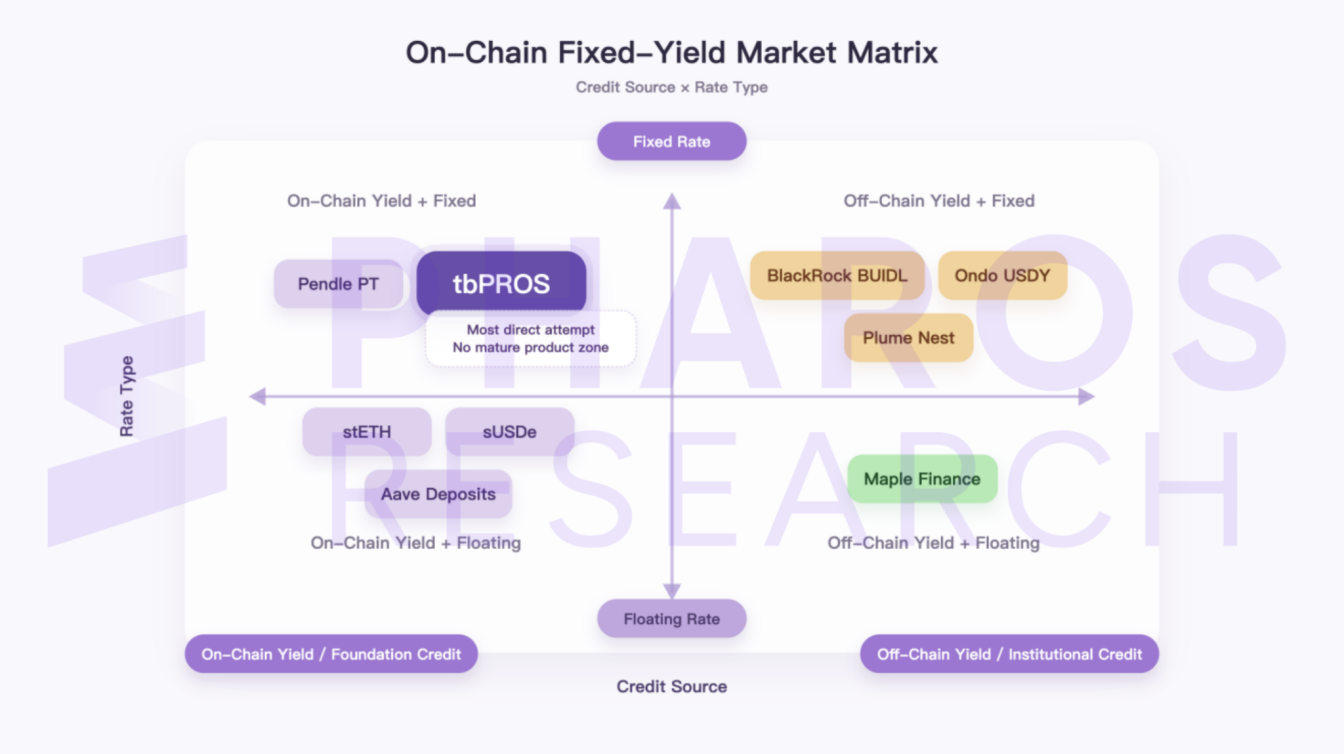
The analysis in this report focuses on two linked questions. First, mechanism sustainability: can the foundation use its balance sheet as counterparty and maintain USD-denominated payouts across the three planned tranches, and does tbPROS share enough structural similarity with Anchor Protocol that it may face similar constraints over time? Second, risk positioning: because the principal is denominated in $PROS, does the yield-spread structure amplify sensitivity to the token price, and is that risk-return profile still consistent with a "fixed-income" product label? The first question determines whether the product can keep running. The second determines whether it creates real allocation value for its target users.

The scope of this report is limited to observable product-design documents, public on-chain data, and market information from comparable products. It does not make an independent judgment on the broader Pharos Network ecosystem, nor does it forecast the $PROS token price. The long-term ceiling for tbPROS will ultimately depend on the maturity of the Pharos ecosystem. At this stage, the more useful question is narrower: before the ecosystem has enough outside support, is the tbPROS product design strong enough to get through the first redemption cycle and build the credit record needed for later scale-up?

02 / Market Map: The Current State and the Gap in On-chain Fixed Income

2.1 Market Size and Growth

Figure 1. On-Chain Fixed-Yield Market Matrix

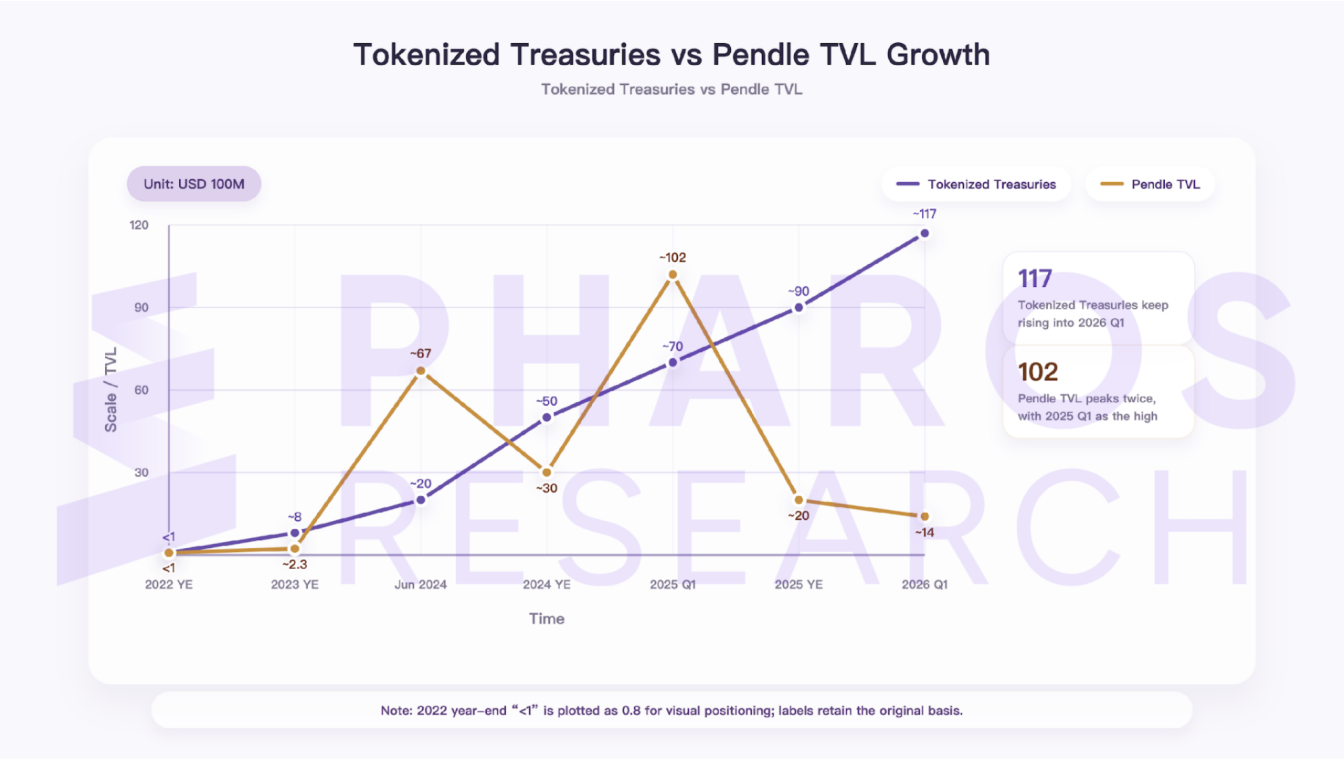


Source: Pharos Research

Over the past two years, the on-chain RWA sector has grown quickly. Most of that growth, however, has come from wrapping off-chain assets on-chain, not from creating on-chain native fixed-income products. In 2025, tokenized Treasuries reached roughly $7.3 billion, up about 80% from the start of the year. Tokenized money-market funds grew from about $770 million at the end of 2023 to nearly $9 billion in October 2025. Products such as BlackRock BUIDL and Franklin Templeton FOBXX are backed by Treasuries held by traditional custodians. The credit counterparty is a regulated asset manager, not the on-chain protocol itself.

That means the institution-driven growth has mainly solved the problem of making off-chain yield available on-chain. It has not solved the separate problem of how to turn on-chain native PoS yield into fixed-income-like exposure. These two problems differ in credit constraints, yield source, and product structure. In the current market, fixed-income products built around on-chain native PoS yield remain underdeveloped. tbPROS is a direct attempt to occupy that position.

Figure 2. Tokenized Treasuries vs Pendle TVL Growth



Source: Pharos Research

2.2 What Fixed Income Solves

DeFi lending markets have long been dominated by floating rates. That is not an accident of product design. It follows directly from utilization-based pricing. In protocols such as Aave and Compound, interest-rate curves are tied to pool utilization: higher utilization pushes borrowing rates up; lower utilization pulls them down. The advantage is that the protocol itself does not carry maturity-mismatch risk. The cost is that interest-rate uncertainty is passed to borrowers.

Historical data shows that this uncertainty is not a theoretical tail case. For USDC, borrowing costs rose from about 3.5% to more than 15% between June and August 2022, with some spikes forming within hours. The market has priced this uncertainty clearly. Maple Finance fixed-rate products are usually priced around 5.3%-8%, implying a premium of about 180-450 bps over Aave's average floating rates. Under the original measurement basis, the Maple Syrup pool currently manages about $2.67 billion. For a credit-basis strategy targeting about 15% annualized returns, borrowing from Maple often means giving up around 300 bps of spread, or roughly 20% of the target return. That tells us institutions are paying not just for capital, but for predictable financing costs.

The reason on-chain fixed-rate markets have struggled to scale is that borrower and lender needs are not symmetric. Borrowers want fixed rates to lock strategy costs and cash-flow assumptions. Lenders often prefer not to give up liquidity for long periods, because liquidity has its own value. The

two sides do not naturally line up, so stable matching is hard to achieve through permissionless markets alone.

The deeper constraint is the structural conflict between DeFi's permissionless mechanisms and the maturity-transformation function of traditional finance. Banks can absorb maturity mismatch through balance-sheet scale, capital, and regulation. DeFi protocols do not have a comparable buffer. The contraction or shutdown of Notional, Element, and similar protocols between 2021 and 2023 showed that, without enough depth in the underlying asset, on-chain fixed-rate markets struggle to clear on their own. The probability that both sides remain active at the same time is low.

From this angle, tbPROS is not trying to solve borrower-lender mismatch directly inside a permissionless market. It uses the foundation's credit as a counterparty to solve the most important early-stage problem for a fixed-rate product: cold start. The trade-off is that some of the credit and liquidity constraints that would normally sit across the market are concentrated on the foundation. Sustainability therefore depends more heavily on the foundation's balance-sheet management, liquidity reserves, and continued willingness and ability to support the product.

Figure 3: Aave / Maple Finance / tbPROS rates and risk exposure

Product	Rate type	Typical rate range	Rate behavior	Main risk exposure	Access
Aave (USDC borrower side)	Floating	3.5%-15%+	Moves in real time with pool utilization; spikes can form within hours, as seen in June-August 2022	Borrowing cost is unpredictable; strategy returns can be compressed or reversed during rate spikes	Permissionless
Maple Finance Syrup pool	Fixed	5.3%-8%	Locked rate; typically priced about 180-450 bps above Aave's average floating rate; current pool size about $2.67 billion	Locked liquidity reduces ability to rebalance; institutional borrower default risk	Permissionless on the lender side
tbPROS	Fixed USD-denominated payout plus PoS rewards	About 10% in a flat $PROS price scenario	The foundation's 5% promise does not move with market rates; PoS rewards vary with staking participation; total return is mainly driven by $PROS price	$PROS price is the core exposure; foundation credit risk is concentrated in a single party	Permissionless

Source: Pharos Research

Note: The Aave USDC borrowing range of 3.5%-15%+ is based on observed 2022-2024 data. Maple Finance Syrup pool premium data is referenced in Section 2.2. The tbPROS total return assumes a flat $PROS price.

2.3 The Two Main Existing Product Paths

Current fixed-income-related products mostly follow two routes.

The first route tokenizes off-chain assets. Plume Nest, Ondo, OpenEden, and similar products place the underlying yield source in traditional financial institutions and regulated assets. This gives a clearer credit trail and a more established compliance path. At the same time, reliance on off-chain institutions creates delisting or access-tightening risk when the regulatory environment changes. KYC requirements also exclude a large share of permissionless DeFi users. In short, this route comes with the structural constraint of "institutional credit plus compliant access." Product iteration alone cannot remove that constraint.

The second route uses on-chain market pricing, represented by Pendle. This path works only when the underlying asset already has deep liquidity and stable price discovery. Pendle V2 reached a TVL peak of about $9 billion in 2024, not by creating a market for a brand-new asset, but by entering after assets such as stETH and sUSDe had already matured. It is closer to reorganizing the yield rights of mature assets than to natively pricing yield on a new underlying. For the native token of a new L1, where on-chain price discovery is not yet stable, it is hard to apply a fixed-income model based on AMM discounts and term decomposition.

Between those two routes, the market still has an open position: use on-chain PoS staking as the first layer of verifiable yield, add a fixed-income buffer on top, and package the product fully on-chain with permissionless access. tbPROS is one of the more direct attempts at this position. The cost is that foundation credit becomes a core variable. At this stage, that credit risk has not yet been fully priced by the market.

2.4 The Open Slot and the Historical Reference: On-chain Native PoS plus Fixed-Yield Packaging

Strictly speaking, this path is not without precedent. The most obvious historical reference is Anchor Protocol. Anchor tried in 2021 to combine on-chain native yield with a fixed-return promise. It collapsed in May 2022 and triggered a major liquidity shock across the crypto market. The risk-transmission mechanism is discussed in Chapter 4.

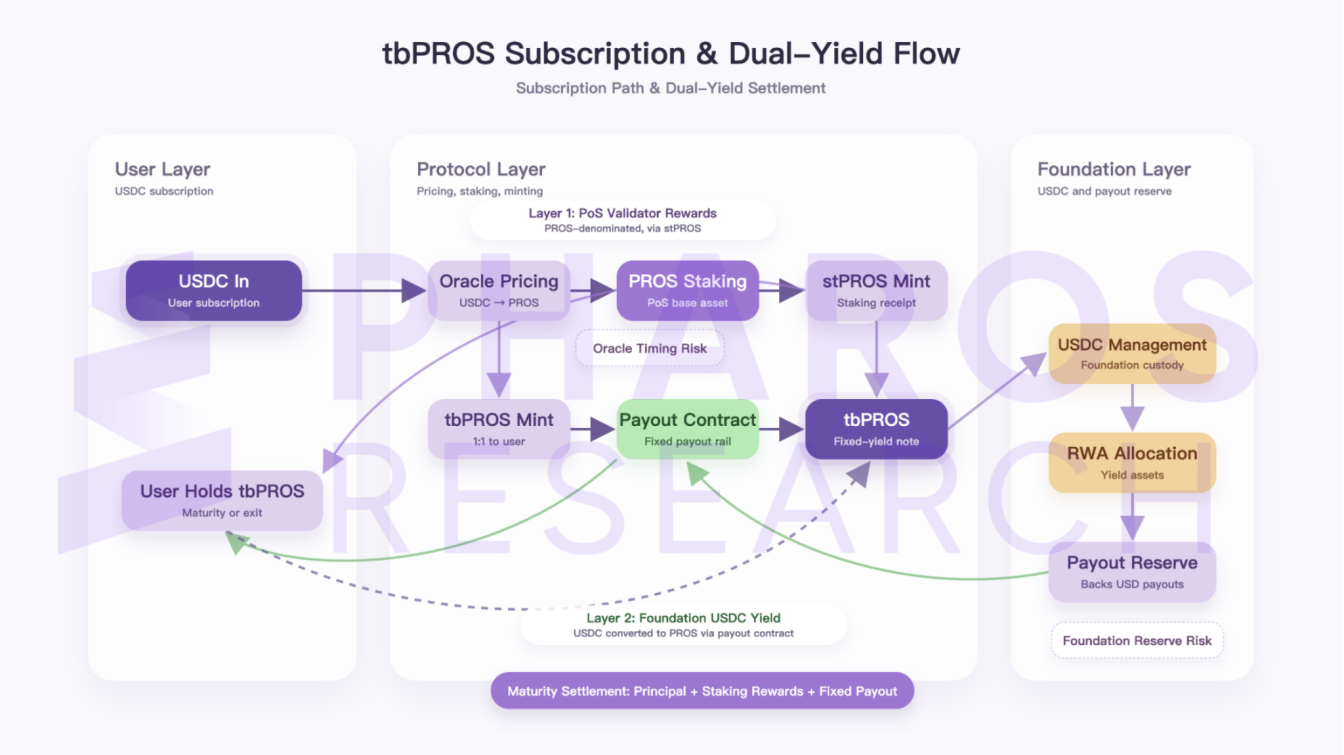
tbPROS makes several deliberate improvements over Anchor's core risk points, especially in yield-gap control, issuance pacing, and counterparty arrangement. Still, some residual similarities remain. A foundation or protocol reserve must still smooth and support payouts. If the underlying asset price falls sharply, that buffer can come under greater stress. For tbPROS, the most important issue is not just the advertised yield. It is the durability of the mechanism under both token-price volatility and foundation-credit constraints. That is the main tension in the rest of this report.

03 / tbPROS Product Mechanism

3.1 Subscription Path and Two Layers of Yield

tbPROS, short for Treasury Bill $PROS, is issued by the Pharos Foundation. It is a fixed-income-style yield certificate backed by native PoS staking on the Pharos chain. Subscription happens fully on-chain. A user deposits USDC. The system uses the real-time Oracle price to convert that amount into an equivalent $PROS principal. The $PROS then enters PoS staking and mints st$PROS. At the same time, the system mints tbPROS 1:1 and delivers it to the user. The USDC retained during subscription is managed by the foundation and allocated to yield-bearing assets such as RWA products to support the USD-denominated fixed payout.

Figure 4. tbPROS Subscription & Dual-Yield Flow



Source: Pharos Research

tbPROS has two yield layers that need to be understood and priced separately.

The first layer is the native PoS staking reward. Under the product design, this layer targets 5% annualized yield, denominated in $PROS and generated by the chain's consensus mechanism. The 5% figure should be read as a current network design target, not a static locked rate. Actual yield will depend on validator count, network fees, inflation parameters, and overall staking participation. If the

initial staking ratio is around 50%, actual yield may be higher, possibly close to 10%. For conservative analysis, this report uses a 5% annualized assumption.

The second layer is the foundation's promised fixed payout. It targets 5% annualized yield, measured in USDC terms, and is paid at maturity after conversion into $PROS. The sustainability of this layer does not depend on consensus output. It depends on the foundation's balance-sheet support.

This creates the core pricing issue: the holder's realized return is still mainly denominated in $PROS, while the USD-denominated payout is also converted into $PROS at payment. The product therefore has a fixed-income buffer, but total performance still depends heavily on the $PROS price path.

Take an example: a user invests 10,000 USDC, the initial $PROS price is $1, and the holding period is one year. At maturity, the holder receives 10,000 $PROS of principal, about 500 $PROS of staking rewards, and a USD-denominated payout worth about $500. If the $PROS price has fallen to $0.90 at maturity, the principal is worth about $9,000, the 500 $PROS staking reward is worth about $450, and the $500 payout converts into about 555 $PROS, still worth about $500 at the prevailing price. Total recovery is about $9,950, close to breakeven but already near the limit of the return buffer.

This example shows that the USD-denominated payout can partly cushion the impact of $PROS price moves, but the cushion is limited. If $PROS falls more sharply, the holding-period return is again driven mainly by the token price. tbPROS is therefore better understood as a $PROS holding instrument with a fixed-yield buffer. It fits investors who already have a view on the $PROS price and want extra fixed payout income during the holding period. Separating the two yield layers is the starting point for assessing the product's risk-return profile.

The three-tranche issuance plan follows a staged validation logic: start with a small first tranche to build a redemption record, then expand gradually.

Figure 5：tbPROS three-tranche issuance parameters and estimated holder losses under a $PROS -20% scenario

Tranche	Term	Issuance cap	Staking yield, denominated in $PROS	USD-denominated payout	$PROS -20% scenario: estimated holding-period loss
Tranche 1	3 months	$1 million	5% APY	5% annualized	About -17.8% (principal loss of $200,000, payout offset about $22,500)
Tranche 2	6 months	$5 million	5% APY	5% annualized	About -15.5% (principal loss of $1 million, payout offset about $225,000)
Tranche 3	12 months	$10 million	5% APY	5% annualized	About -11% (principal loss of $2 million, payout offset about $900,000)

Source：Defillama、Circle、Visaonchainanalytics

Note: Risk exposure uses a $PROS -20% scenario. Payouts are calculated from a 5% annualized rate and prorated by holding period: 1.25% for Tranche 1, 2.5% for Tranche 2, and 5% for Tranche 3. Issuance sizes are tranche caps; actual subscriptions may be lower.

The $1 million cap in the first tranche shows a deliberate risk-control choice. At the early stage, the foundation’s maximum single-tranche risk exposure is kept within a manageable range. Whether later tranches launch on the planned schedule depends not only on the foundation’s willingness to proceed, but also on whether the first redemption cycle builds enough market trust.

3.2 Exit Design

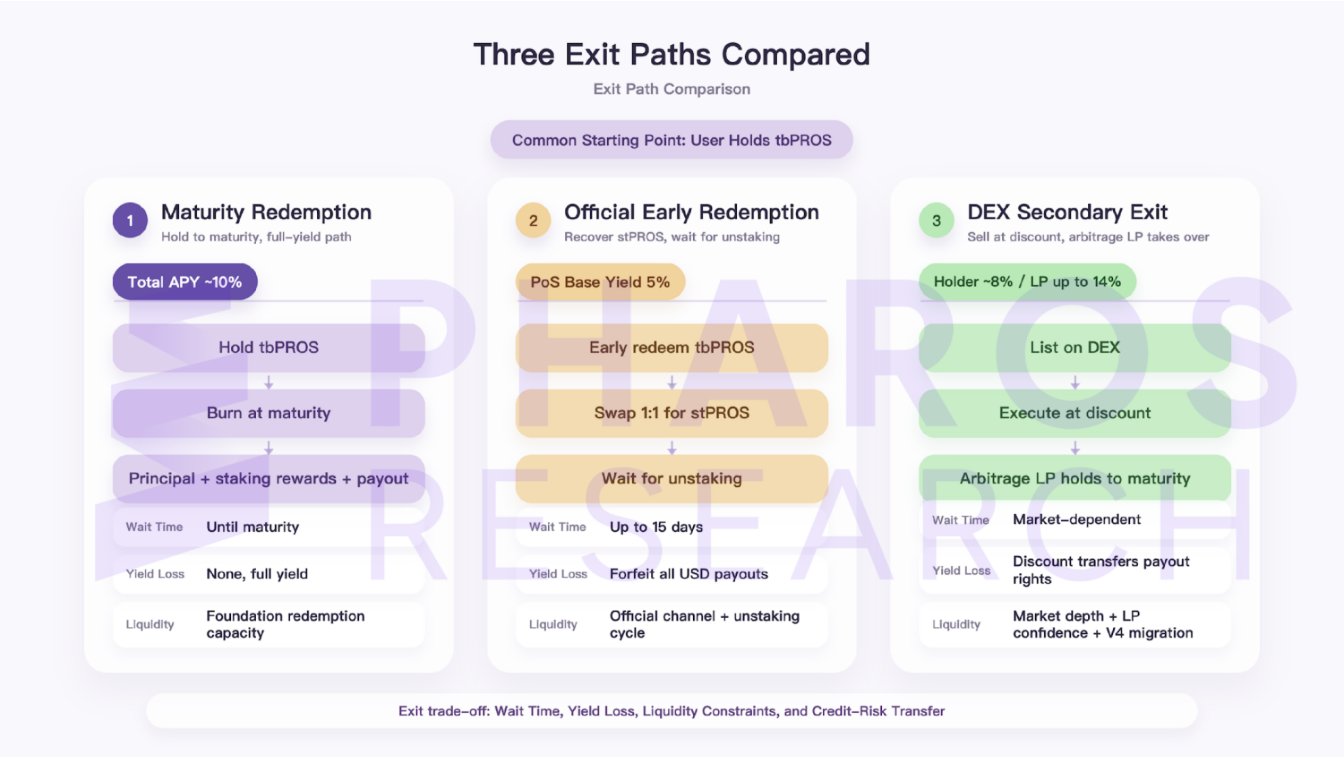
Figure 6：Three tbPROS exit paths

Exit method	Path	Approximate total APY
Full redemption at maturity	Burn tbPROS and receive principal, staking rewards, and payout	About 11%
Early official redemption	Swap 1:1 back into st$PROS, wait up to 15 days for unstaking, and forfeit the entire payout	About 6%
Early secondary-market exit	Sell at a discount on DEX; arbitrage LP takes the position	Holder about 8%; LP side up to about 14%

Source：Pharos Research

The $1 million cap in the first tranche shows a deliberate risk-control choice. At the early stage, the foundation's maximum single-tranche risk exposure is kept within a manageable range. Whether later tranches launch on the planned schedule depends not only on the foundation's willingness to proceed, but also on whether the first redemption cycle builds enough market trust.

Figure 7. Three Exit Paths Compared



Source: Pharos Research

Under the official early-redemption mechanism, holders must give up the full USD-denominated payout. This functions as a soft redemption constraint. Its effectiveness depends on whether the opportunity cost of giving up the payout is enough to compensate holders for the perceived risk of staying in the product. If the market begins to doubt the foundation's ability to pay, the loss of a 5% annualized payout may be smaller than the uncertainty of continued holding. In that case, the constraint will do much less to slow redemptions.

The secondary-market exit path transfers part of the credit and term risk from the holder to the arbitrage LP that buys the discounted asset. When a holder sells tbPROS at a discount on a DEX, the holder is effectively selling the remaining payout claim as well. If the holder exits at a discount implying roughly 8% APY, the realized return is typically higher than official early redemption, at about 6%, but lower than holding to maturity, at about 11%. For the buyer, taking the discount and holding to maturity can generate a mix of remaining PoS staking rewards, the USD-denominated payout, and discount capture. The theoretical total APY can reach about 14%.

This secondary-market route should not be confused with guaranteed liquidity. It works only if there is continuous arbitrage capital willing to buy discounted tbPROS, and if LPs retain basic confidence in the foundation's maturity payment. If secondary-market depth is thin, or if concentrated selling pressure rises quickly, the tbPROS discount can widen sharply. In that case, the implied 8% APY is no longer a stable exit price. It is closer to a normal-liquidity reference point. In weak-liquidity

conditions, holders may realize lower returns than official early redemption, or even take principal-level discount losses.

The discount itself may also feed back into expectations. If investors interpret a falling secondary-market price as a sign of stress in foundation credit, selling pressure may increase. Arbitrage LPs will then demand a steeper discount to compensate for inventory risk and payment uncertainty. The result can be a chain reaction: weaker liquidity, wider discount, higher credit concern, more selling. For early-stage tbPROS, the secondary-market price is not only an exit tool. It is also a market proxy for the foundation's credit quality. Before the product has enough redemption history, that proxy still needs to be tested through real trading and tranche-migration cycles.

3.3 Token Utility and Governance Transparency

The current planned utility for tbPROS mainly includes two use cases: integration as lending collateral and use as yield-bearing margin in Perp DEXs. Both depend on the later launch of supporting protocols inside the Pharos ecosystem and remain roadmap items for now.

On transparency, the foundation plans to disclose cash reserves, yield, liability ratio, and insurance-fund size through a real-time on-chain treasury dashboard. It also plans to use quarterly third-party audits to verify the authenticity of RWA assets. Compared with Anchor Protocol, the real-time treasury dashboard is an important difference. Before Anchor collapsed, reserve depletion was almost invisible to the market. If tbPROS can implement continuous disclosure as planned, it should improve observability of the foundation's balance sheet. The value of that mechanism will still depend on the disclosure standards, update frequency, and data granularity after launch.

04 / On-chain Fixed Income: Historical Failure Modes and Risk Precedents

4.1 The Collective Failure of DeFi Fixed-Rate Protocols

Notional Finance, Element Finance, Yield Protocol, 88mph, and similar protocols launched around 2021. Most had closed, slowed materially, or stopped active maintenance by around 2023. On the surface, their shared problem was insufficient liquidity. At the mechanism level, a more precise description is that fixed-rate products require lenders and borrowers to enter the market at the same time. In the early stage, when rate expectations are unclear, lenders prefer to keep floating-rate exposure so they can adjust. Borrowers usually switch only when the fixed rate is low enough and clearly better than expected floating rates. The clearing range is narrow, and the probability of both sides being active at the same time is low.

Notional V2 is a useful example. Its fCash mechanism used an AMM to discover rates. The design was not obviously flawed, but AMM depth depended on two-sided trading flow, while trading flow itself depended on AMM depth. That created a classic cold-start deadlock. When Element Finance shut down in 2023, it described the issue as “product-market mismatch.” The underlying point was similar: before deep liquidity exists in the underlying asset, the product cannot build a stable market base.

The lesson from this history is that the root problem for early fixed-rate protocols was the inability to activate both sides of the market at the same time.

Pendle’s success in 2023-2024 does not mean this deadlock was solved in the abstract. It more likely means Pendle entered after the necessary conditions had matured. Its rapid growth depended on stETH reaching about $20 billion in scale and sUSDe reaching several billions of dollars. Holders of those assets already had a natural need to manage yield. Pendle was a yield-management layer built on mature underlying assets, not a protocol that independently cold-started a fixed-rate market in an early-stage asset. Its success came more from timing and underlying-asset maturity than from solving the cold-start problem itself.

tbPROS takes a third route. It does not wait for a permissionless market to form both sides naturally. Instead, the foundation acts as counterparty and converts a hard market-matching problem into a single-party credit and payment-capacity problem. From a risk-distribution standpoint, tbPROS does not remove risk. It changes the risk from “two-sided market clearing may fail” into “foundation credit and payment ability are concentrated.”

Figure 8：Historical failure mechanisms in on-chain fixed-income protocols and tbPROS’s corresponding changes

Historical protocol / case	Failure mechanism	tbPROS change	Residual / unresolved risk
Notional Finance	fCash AMM depended heavily on two-sided volume; the market entered a cold-start deadlock and could not clear on its own	Foundation acts directly as counterparty; one-sided promise replaces two-sided matching and bypasses the clearing problem	Two-sided matching risk is replaced by concentrated foundation credit risk
Element Finance	Needed mature underlying liquidity before it could work; described by the team as “product-market mismatch”	Does not depend on existing on-chain liquidity; uses foundation credit to bridge the early liquidity gap	$PROS price discovery is not yet stable, so price risk is passed directly to holders
88mph and other early fixed-rate protocols	Fixed-rate funding depended on external LP subsidies; scaling was not sustainable	Foundation balance sheet directly absorbs the spread; yield has two sources, RWA and PoS staking, that can be checked separately	The gap between RWA income and the 5% payout, about $60,000 per year, still needs ongoing foundation support
Anchor Protocol	20% fixed rate depended on UST minting subsidies; reserves grew much more slowly than liabilities; no early-redemption penalty, so runs had little friction	Smaller scale ($16 million versus Anchor’s $17 billion peak); early redemption forfeits the entire payout; staged issuance validates scale gradually	Still relies on foundation subsidies to cover the spread; if $PROS falls sharply, USD payouts require more $PROS issuance and create an internal amplifier

Source: Compiled based on public RWA project cases, industry interviews, and project review samples from 2024 – 2026; the sample pool primarily covers RWA projects in real estate, private credit, supply chain finance, and cash management.

Note: tbPROS improves the cold-start and scale-control issues at the mechanism level, but it still faces $PROS price volatility and concentrated foundation credit risk. Those two risks were not fully addressed in earlier historical analogues and need separate analysis.

4.2 Anchor Protocol: A Precise Look at the Foundation-Promised Fixed-Yield Mechanism

Before its collapse, Anchor Protocol had peak TVL of about $17 billion and promised UST depositors a fixed annualized return of 20%. The real staking yield from underlying assets such as bLUNA and bETH was roughly 6%-7%. The remaining 13%-14% yield gap had to be subsidized by the Luna Foundation Guard reserve. That reserve peaked at about $450 million.

Using $17 billion of TVL and a yield gap of about 14%, Anchor needed roughly $6.5 million of daily subsidies. Dividing the $450 million reserve by that $6.5 million daily burn gives a theoretical runway of about 69 days. Even without the May 2022 market shock, the reserve structure alone could not have supported more than about three months. The market shock affected the timing. It did not create the mechanism outcome from scratch.

Anchor also had an internal accelerator: TVL growth increased subsidy obligations and burned reserves faster. At its peak structure, every additional $1 billion of TVL added about $380,000 of daily subsidy demand, shortening the reserve runway linearly. When the promised rate is far above

real underlying output, scale growth is not necessarily a sign of success. It can become the accelerator of imbalance.

The table below compares the main mechanism parameters of Anchor and tbPROS.

Figure 9: Anchor Protocol and tbPROS mechanism parameters

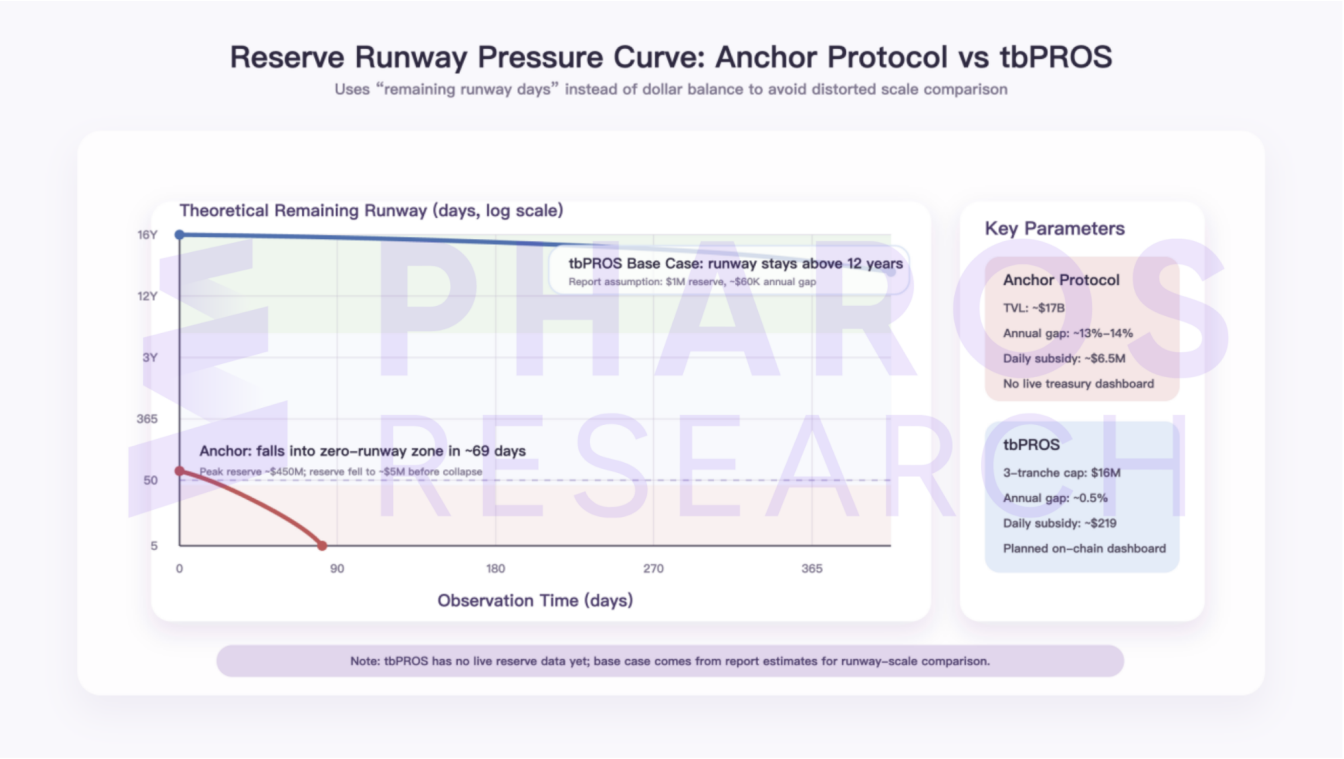
Metric	Anchor Protocol	tbPROS, three tranches combined
Promised annualized return	20%	About 11% (6% PoS plus 5% payout)
Real underlying output	About 6%-7% from staking yield	About 10.5% (6% PoS plus 4.5% RWA allocation yield)
Annualized gap	About 13%-14%	About 0.5%, only the difference in the payout layer
Peak TVL / issuance scale	About $17 billion	$16 million cap across three tranches
Daily subsidy demand at peak scale	About $6.5 million	About $164, based on a $60,000 annual gap
Theoretical reserve runway at peak scale	About 69 days	More than 16 years, assuming $1 million of reserves and a $60,000 annual gap
On-chain transparency	No real-time dashboard	Planned real-time on-chain treasury dashboard

Source: Pharos Research

Note: One important difference is that the foundation in tbPROS retains USDC assets. For a meaningful period, that capital may have a reasonable chance of earning more than 5% through allocation and treasury management. From a mechanism perspective, this makes the long-term sustainability outlook stronger than Anchor's.

Even so, the structural similarity remains: a foundation-like entity covers the difference between promised yield and underlying real output. tbPROS is fundamentally different from Anchor in scale, gap size, and runway. But as it scales, it will still need to maintain the balance between a low yield gap and enough reserve buffer. That is the residual mechanism similarity with Anchor that deserves continued monitoring.

Figure 10. Reserve Runway Pressure Curve: Anchor Protocol vs tbPROS



Source: Pharos Research

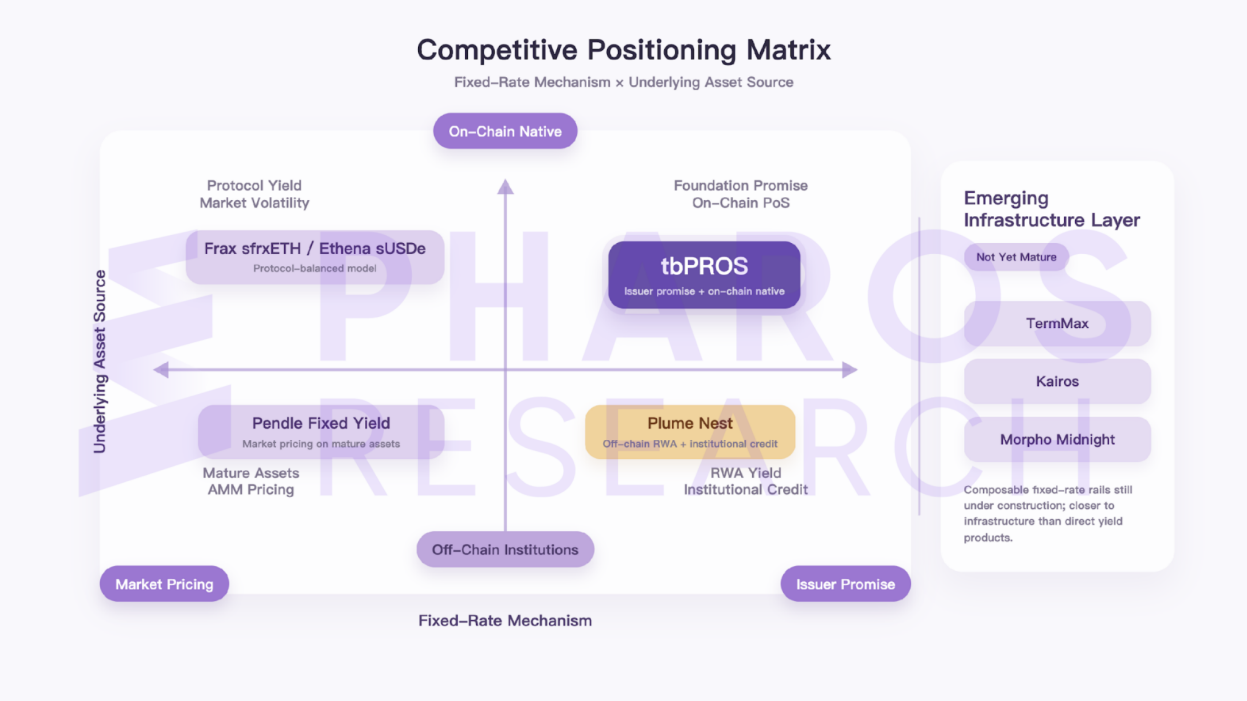
05 / Competitive Landscape and Market Positioning

5.1 Competitive Landscape Overview

Using yield source and fixed-income implementation as the two axes, current on-chain fixed-income-related products fall roughly into four groups. The first is institution-credit-backed products, represented by Plume Nest and tbPROS. The second is market-priced fixed yield, represented by Pendle Fixed Yield. The third is protocol or algorithmic balancing, represented by Frax's sfrxETH and Ethena's sUSDe. The fourth is a newer infrastructure layer for composable yield, represented by TermMax, Kairos, Morpho Midnight, and similar projects.

tbPROS currently sits closer to the institution-credit-backed category. Its main difference from Plume Nest, which sits in the same quadrant, is the underlying yield source. Plume Nest anchors yield in off-chain RWA assets, while tbPROS anchors it in on-chain native PoS staking. That means the first yield layer of tbPROS is theoretically more observable on-chain, but it also introduces greater native-token price volatility.

Figure 11. Competitive Positioning Matrix



Source: Pharos Research

5.2 Core Comparables: Plume Nest and Pendle Fixed Yield

Plume Nest (nTBILL / nBASIS)

Plume Nest is an RWA yield product system on Plume Network. It currently includes two main asset types: nTBILL and nBASIS. nTBILL is backed by short-term U.S. Treasuries held by licensed institutions. nBASIS is backed by credit-basis assets. The yield for both comes from real off-chain financial assets. In theory, holders can trace the underlying yield source through custodian audit reports, making the credit path relatively clear among comparable products.

nTBILL yield mainly follows the Federal Reserve policy-rate environment. In a hiking cycle, yield rises. In a cutting cycle, yield falls. This type of product is closest to an on-chain mapping of the quasi-risk-free rate. It offers relatively high certainty, but limited upside. During the 2022-2023 hiking cycle, nTBILL-like products earned more than 5%. Since 2024, as rate-cut expectations strengthened, yields for similar products have gradually moved down toward about 4%. The rate environment passes through directly to holders.

nBASIS yield comes mainly from credit basis, meaning the spread between institutional credit yields and benchmark rates. Its performance depends more on overall credit-market risk appetite. When risk appetite improves, spreads tighten and yield compresses. When market volatility rises, spreads widen and theoretical yield rises, but default risk rises as well. Plume Nest's aggregate yield source is therefore still floating in nature. It can be reasonably predictable, but it is not locked yield.

The first difference to clarify when comparing Plume Nest with tbPROS is the yield-formation method. Plume Nest yield changes with interest rates and credit spreads. tbPROS's 5% USD-denominated payout is a one-sided promise from the foundation and does not adjust dynamically with market rates. In a rate-cutting cycle, Plume Nest yield may be compressed while tbPROS's fixed payout becomes relatively more attractive. In a high-rate environment, however, nTBILL-like products may offer yields above the fixed payout layer of tbPROS without adding foundation-credit risk.

Put simply, Plume Nest users face a clear underlying asset but uncertain future rates. tbPROS users face a clear promised payout path, but payment ability depends on foundation credit.

Plume Nest's structural constraints mainly come from KYC and regulatory dependence. The licensed-custodian path requires identity verification. If the regulator in the custodian's jurisdiction changes its stance, the product may face tighter access, distribution limits, or delisting. These constraints are not easily removed by product design. They are a natural tension between off-chain institutional credit and permissionless access.

By contrast, tbPROS's main weakness is that foundation credit does not have the same external discipline as licensed institutional custody. Off-chain custodians are constrained by regulation, audits, and legal liability. Foundation credit is built more on transparency commitments. An on-chain treasury dashboard and quarterly third-party audits would help, but they are not the same as a licensed-institution credit framework. The point is especially important because the treasury dashboard is still a planned feature, not a long verified operating record.

From a target-user perspective, the products are fairly segmented. Plume Nest is better suited to institutions and high-net-worth users who can pass KYC and prioritize traceable credit. tbPROS is

aimed more at DeFi-native users who prioritize permissionless access and exposure to on-chain native yield. Choosing between them is essentially a choice between verifiable credit source and open access.

Pendle Fixed Yield

Pendle's core mechanism is principal-yield separation. Users deposit yield-bearing tokens such as stETH or sUSDe. The protocol splits the asset into PT, or principal token, and YT, or yield token. Both trade on Pendle's dedicated AMM, and both prices move in real time. PT represents the right to receive one unit of the underlying asset at maturity and trades at a discount. Buying PT locks in fixed yield: the buyer pays less than one stETH today and receives one stETH at maturity. The difference is the fixed return. YT represents the right to all staking rewards generated by that stETH during the term. YT decays over time and expires at zero because, after the term ends, there are no future rewards attached to it. YT buyers are taking a leveraged view that future yield will rise. Their demand is the opposite of PT buyers' demand.

The price relationship is simple: PT price plus YT price should be approximately equal to the market price of one unit of the underlying asset. If not, arbitrage exists.

For a concrete example, assume stETH trades at $2,200, the term is six months, and the implied annualized yield is 4%. PT-stETH would trade around $2,156, a discount of about 2% for six months. YT-stETH would trade around $44, representing the expected six-month staking reward. The two together add up to about $2,200, or the market value of one stETH.

The important point is that PT locks in a yield rate denominated in the underlying asset, not an absolute dollar return. If stETH falls from $2,200 to $1,800 by maturity, the PT buyer still receives one stETH, but the dollar value has fallen. This risk is partly acceptable in the stETH market because ETH has mature derivatives. A PT buyer can short ETH futures or options to hedge underlying price risk and make the position closer to pure fixed income. YT buyers can use similar tools to manage their exposure.

For $PROS, there is not yet a mature derivatives market. PT and YT holders would lack effective hedging tools. Under those conditions, price-volatility risk must be built directly into the discount. PT would require much higher risk compensation than in the stETH case. This is not a judgment on the quality of $PROS as an asset. It reflects the precondition of the Pendle model: its pricing logic assumes that underlying price risk can be hedged. Without that condition, the fixed-yield discount may need to compensate for more risk than the underlying PoS yield can cover. Product structure alone cannot close that gap. It can only narrow as the $PROS derivatives market matures.

From this angle, tbPROS's decision to use a foundation-credit model rather than directly integrate with Pendle is a way to get around immature price discovery and incomplete hedging tools before the market is ready.

There is another issue. Pendle's PT/YT split is built around the underlying on-chain yield itself. tbPROS's USD-denominated payout comes from the foundation's balance sheet and is not part of st$PROS's native yield. If tbPROS were simply plugged into Pendle for principal-yield separation, that extra foundation payout would not naturally map into an independently priced on-chain yield right. The product's main feature could be weakened rather than clarified.

The two products also have different credit sources. In Pendle, “fixed yield” comes from market discount pricing. It is the AMM’s collective expression of underlying yield and risk, with no single party standing behind it. In tbPROS, the fixed-yield buffer comes from a one-sided foundation promise. Market price cannot directly reveal the foundation’s payment ability. Users need external analysis and credit judgment. Both products may be called fixed-income products, but they do not belong to the same risk framework.

Plume Nest / Pendle Fixed Yield / tbPROS full comparison

Figure 12：Core dimensions of three on-chain fixed-income product types

Dimension	Plume Nest (nTBILL / nBASIS)	Pendle Fixed Yield	tbPROS
Yield type	Floating, follows Fed policy rates and credit basis	Fixed, priced through AMM discount and market clearing	Fixed, foundation promises 5% USD-denominated payout plus about 6% PoS rewards
Underlying asset	Off-chain RWA such as U.S. Treasuries and institutional credit, held by off-chain institutions	Mature on-chain yield-bearing tokens such as stETH and sUSDe, backed by large liquidity bases	On-chain PoS staking of $PROS, the native token of a new L1
Credit source	Licensed institutional custody, independently traceable through custodian audit reports	No single guarantor; AMM market pricing collectively clears risk	Foundation’s one-sided promise; market price cannot directly reflect foundation payment ability
Access	Mandatory KYC	Permissionless	Permissionless
Liquidity / exit	Off-chain institutional redemption with windows; limited secondary liquidity	PT / YT trade in real time on Pendle AMM; liquidity depends on underlying asset depth	Uniswap V4 two-pool design, concentrated plus full-range; early redemption forfeits the full payout
Current size reference	nTBILL-like products around $400-$500 million	Peak TVL about $9 billion in 2024	Planned $16 million across three tranches
Main assumption	Rate environment remains stable; regulation does not tighten; custodian compliance continues	Underlying asset has mature price discovery and can be hedged; AMM liquidity is sufficient	Foundation credit remains valid; $PROS price stays reasonably stable and does not fall sharply
Main risk	Rate cuts compress yield, with nTBILL already down from 5%+ toward about 4%; regulatory changes may force delisting	Underlying asset price falls sharply; AMM discounts widen when liquidity dries up	$PROS price volatility is the core exposure; foundation payment ability is concentrated risk
Best-suited users	Compliant institutions and high-net-worth users who accept floating yield and prioritize traceable credit	Professional yield managers who can hedge underlying price risk	DeFi-native users with no compliance requirement and an independent view on $PROS

Source：Pharos Research

Note: Pendle peak TVL data is cited in Section 5.2. nTBILL size is an estimate. tbPROS size is planned size and has not completed the first issuance. User-fit judgments are based on public mechanism descriptions and are not investment advice.

5.3 Dual-Track Yield References: Frax sfrxETH and Ethena sUSDe

tbPROS has a clear two-layer yield structure. The first track is on-chain PoS staking output, denominated in $PROS, with the current discussion basis around 6%. The second track is the foundation's USD-denominated fixed payout, around 5% annualized. There is no exact one-to-one comparable product in the current market. But if the two yield sources are viewed separately, useful references do exist.

Frax's sfrxETH is a reference for the first track. It uses protocol design to direct underlying PoS staking yield to a specific group of holders. Ethena's sUSDe is closer to the second track, because it adds a second yield source on top of native staking yield. Neither is a direct competitor to tbPROS. Their value here is to clarify the economic logic and risk profile of each track in tbPROS's yield structure.

Frax sfrxETH

Frax's staking system has two layers. frxETH is a liquid staking token pegged 1:1 to ETH. sfrxETH is the yield-bearing version of frxETH. Frax stakes all user-deposited ETH through validators, but it does not distribute staking rewards evenly to all frxETH holders. Rewards are concentrated for users who choose to lock into sfrxETH. frxETH holders have two choices: deposit into Frax and receive sfrxETH to earn staking rewards while giving up liquidity, or provide liquidity on Curve and similar pools to earn trading fees and protocol incentives while giving up staking rewards. The ETH behind the LP users' frxETH is still staked by Frax, but those rewards go to sfrxETH holders rather than LP providers. As long as not all frxETH enters sfrxETH, the yield on sfrxETH remains above ordinary ETH staking yield.

sfrxETH yield is denominated in ETH. The exchange rate of sfrxETH against frxETH rises over time, so holders ultimately receive more frxETH, equivalent to more ETH, not a dollar-denominated return. If ETH falls, the holder's dollar return still comes under pressure.

As a reference for tbPROS's first track, sfrxETH is useful because its redistribution logic runs entirely inside protocol rules. There is no entity-level payment obligation. The protocol produces as much yield as the staked frxETH generates, and the parameters are public. tbPROS's first track also comes from on-chain PoS staking and is similarly transparent. But its second track adds an active foundation promise, introducing a credit dimension that sfrxETH does not have. The denomination also differs: sfrxETH yield moves with ETH, while tbPROS's second track targets dollar value and provides a partial buffer when $PROS falls.

Ethena sUSDe

Ethena's core strategy is built around a delta-neutral structure. The protocol holds ETH or stETH spot long positions and opens equal-sized perpetual futures shorts on centralized exchanges, hedging directional price exposure. Yield mainly comes from two sources: staking yield on assets such as stETH, and funding-rate income earned by the short perpetual position. In a bullish market, longs typically pay funding to shorts, so the strategy can earn additional income. When the market reverses, funding rates can turn negative and compress or even erode total yield.

sUSDe is Ethena's yield-bearing stablecoin. Its returns are denominated in dollars. During bullish markets and periods of high positive funding, annualized returns once exceeded 20%. But in the fourth quarter of 2022, when funding rates turned negative, this type of strategy actually produced negative yield. That tail scenario is not just theoretical. It has already appeared in real market data.

As a reference for tbPROS's second track, sUSDe shows that on-chain products can add a second yield source on top of PoS-native income. The two products, however, have very different risk sources and pricing logic. sUSDe's second layer comes from a market strategy. It is floating, can expand materially in favorable environments, and can shrink or turn negative when market conditions reverse. It also has natural exposure to centralized-exchange counterparties. tbPROS's second track is a foundation credit promise. The rate is fixed by design and does not move with market sentiment, but the main risk becomes the foundation's ability to keep supporting the balance sheet.

Viewed through the second-yield layer, the difference is simple: sUSDe relies on a market strategy, while tbPROS relies on entity credit; sUSDe yield floats, while tbPROS yield is fixed. Both products add extra return beyond PoS yield, but their risk-return frameworks are not the same.

5.4 Emerging Fixed-Income Infrastructure: A Trend Signal

Beyond the more mature references above, the on-chain fixed-rate sector is also seeing a newer path that contrasts sharply with the tbPROS choice.

The first wave of independent fixed-rate protocols failed mainly because of cold start. If a protocol builds an independent pool from zero, it must attract borrowers and lenders at the same early stage. Each side often waits for the other to enter first, and the market struggles to gain traction. The second wave has moved away from building standalone fixed-rate markets from scratch. Instead, it embeds fixed-rate functions into large existing protocols or mature liquidity networks. That shifts the cold-start burden onto an already existing user base and liquidity base.

TermMax V2 is one example. It is built on Morpho, which currently has about $7.7 billion in TVL across Ethereum, Arbitrum, BNB Chain, and other major networks. TermMax serves Morpho's existing users directly with fixed-rate functions, and its own TVL has reached about $49 million. Morpho is also developing its own fixed-rate product, Morpho Midnight, which is now in security audit. Once launched, it will target the same Morpho user base, so distribution and user education costs should be lower.

Kairos is more vertical. It positions fixed rates as an interest-rate swap tool for institutional users, not as a general DeFi-user product. Although still in testing, its notional scale has already exceeded $300 million. At the same time, Notional, one of the larger names from the first wave of independent fixed-rate protocols, has shifted V3 toward a leveraged yield strategy platform. That shift further illustrates the limits of the standalone protocol route.

This infrastructure trend is almost the opposite of tbPROS's choice. The infrastructure route attaches fixed-rate functions to existing liquidity and users, and avoids trying to build a market from zero. tbPROS uses foundation credit to carry the cold-start responsibility directly and bypasses the need

for existing liquidity. The trade-off is that the protocol no longer mainly carries market-matching risk. It carries foundation credit and payment-capacity risk.

At this stage, the target users of the two paths do not fully overlap. Infrastructure fixed-rate products depend more on the existing liquidity and professional users of protocols such as Morpho and Aave. tbPROS is aimed more at DeFi-native users who trust Pharos Foundation credit and are willing to hold native-token price exposure. They are not direct competitors yet, but as new protocols mature and underlying liquidity expands, the boundary may become less clear.

5.5 Competitive Positioning Summary

tbPROS's differentiation is the combination of PoS staking yield, denominated in $PROS, and a foundation fiat payout, denominated in USD. There is no direct equivalent among current competitors. This differentiation works only if foundation credit remains credible, and the market currently lacks enough historical data to assess that credit with confidence.

Figure 13: Full comparison of major on-chain fixed-income products

Dimension	tbPROS	Plume Nest	Pendle Fixed Yield	Frax sfrxETH	Ethena sUSDe
Product form	Fixed-term dual-yield certificate	Continuously held RWA yield token	Fixed-maturity principal note	Redistributed ETH staking token	Delta-neutral yield stablecoin
Underlying asset	USDC converted into st$PROS through PoS staking	T-Bills / credit basis, off-chain	Yield tokens such as stETH and sUSDe	frxETH, issued by Frax	ETH spot plus perpetual shorts
Yield source	PoS staking yield plus foundation fiat payout	Licensed-institution RWA yield	AMM implied discount through market pricing	ETH staking rewards pooled and redistributed	Funding rates from basis trades
Rate type	Dual-track fixed, $PROS plus USD denomination	Floating, follows underlying assets	Fixed to maturity, market-priced	Floating, varies with staking ratio	Floating, varies with market sentiment
Term structure	Fixed terms, rolling quarterly	No fixed term	Fixed terms, weekly to quarterly	No fixed term	No fixed term
Liquidity mechanism	Uniswap V4 dedicated pool plus LP vault	Secondary-market circulation	Pendle dedicated AMM	Secondary-market circulation	Secondary-market circulation
Composability	Early stage, not yet accepted as collateral	Limited, mainly inside Plume ecosystem	Broad, accepted as collateral in Morpho / Aave	Medium	Medium
Core risk	Foundation payment ability / reserve depletion	Institutional credit risk plus compliance risk	Underlying yield-token risk plus liquidity risk	Frax protocol risk plus frxETH depeg	Negative funding plus exchange counterparty risk
Regulatory status	No existing framework	Linked to licensed institutions, clearer path	No existing framework	No existing framework	No existing framework
Target users	DeFi-native users who accept foundation credit	Compliant institutions / high-net-worth users	Yield speculators plus fixed-rate demand	ETH holders seeking yield maximization	Stablecoin yield users
Historical precedent risk	Anchor-like structure	Lower, because real assets are the backstop	Lower, because pricing is market-based and on-chain verifiable	Lower	Yield can turn negative during negative-funding periods, as in 2022 Q4
Current size reference	New product, TVL not yet public	Not public, Plume still early	Peak TVL about $9 billion in 2024	sfrxETH TVL about $300-$400 million	sUSDe TVL about $3 billion

Source: Pharos Research

06 / Financial Feasibility: Can the USD-denominated Payout Continue?

6.1 Yield Sources and Stress Analysis

The foundation has two USD-denominated income sources, with very different levels of reliability. RWA yield is the more stable source, currently around 4%-5% in the market. DEX market-making fees depend on ecosystem activity and are highly uncertain in the early stage. Applying the full three-tranche size of $16 million gives three scenarios.

Optimistic scenario, RWA yield at 5% and an active DEX ecosystem: a 5% RWA yield sits near the upper end of the actual range for tokenized Treasury products in mid-2025, around 4.5%-5.2% [14], so it requires high allocation efficiency. RWA income is about $800,000 per year. DEX market-making fees are about $150,000, based on a tbPROS liquidity-pool daily turnover rate of roughly 0.86%, using a 100x conservative discount to mature Uniswap V4 pool data from DeFiLlama [16]. Total income is about $950,000 against an $800,000 USD payout obligation, implying coverage of about 119% and a safety margin of about $150,000.

Base scenario, RWA yield at 4.5% and limited DEX activity: a 4.5% yield corresponds to the middle range of tokenized Treasury products [14]. But the Fed's rate-cutting cycle has already pushed the 3-month Treasury yield down from about 5.24% at the start of 2024 to about 3.61% in May 2026 [15], so active treasury management is needed to maintain this assumption. RWA income is about $720,000 per year. DEX market-making fees are about $20,000, corresponding to daily turnover of roughly 0.11%, a low-activity range for a new protocol [16]. Total income is about $740,000. The annual gap is about $60,000, and coverage is 92.5%. If the foundation maintains $1 million of reserves, the base-case gap can be covered for more than 16 years.

Figure 14: Three-scenario stress analysis for the USD-denominated payout, Section 6.1

Scenario	RWA yield	DEX fees	$PROS price	Coverage ratio	Annual gap
Optimistic	5%	About $150,000	Stable	119%	No gap; about $150,000 safety margin
Base	4.50%	About $20,000	Stable	92.50%	About $60,000
Stress	3%	0	Down 60%	60%	About $320,000, plus added $PROS issuance pressure

Source: Pharos Research

The stress scenario reveals the core weak point. A falling $PROS price simultaneously increases the nominal value of $PROS liabilities against RWA assets and increases the amount of $PROS that must be issued to satisfy the same USD payout. The latter supply effect becomes harder to ignore as the product scales. It is the internal amplifier in the tbPROS financial model under extreme market conditions and could further weigh on the $PROS price.

6.2 Investment Return Analysis from the Foundation's Perspective

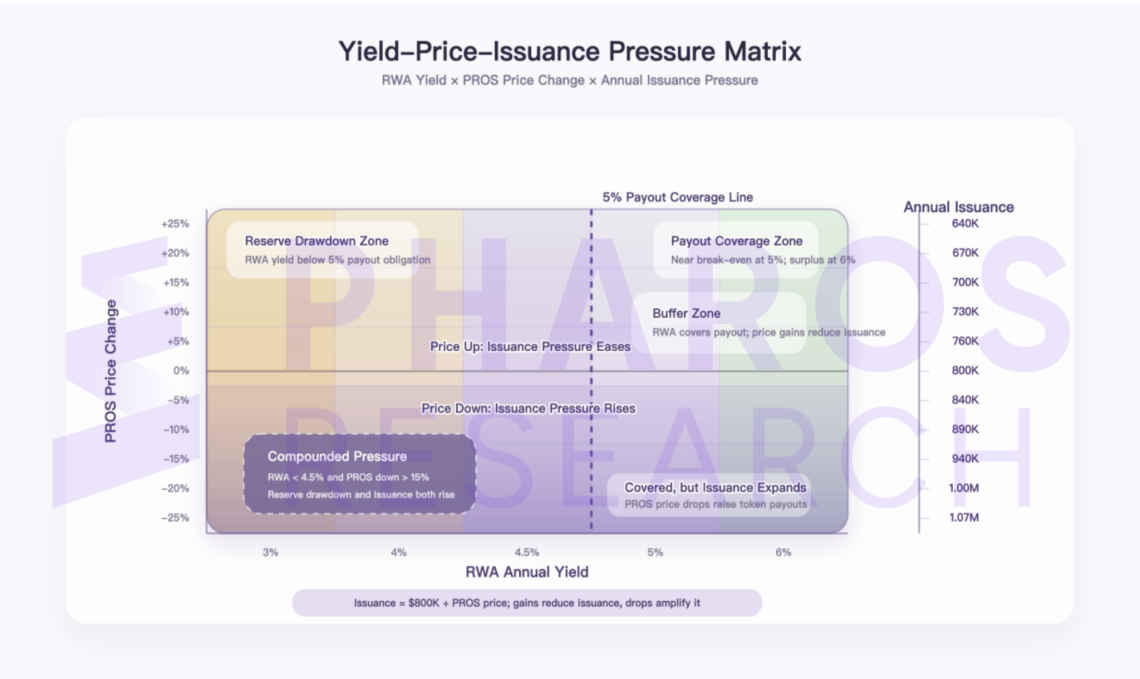
The foundation's financial logic is straightforward: use managed USDC assets to generate income, cover the promised 5% USD-denominated payout, and rely on the spread for sustainable operation. There are three income sources, and their reliability differs sharply.

The first is RWA yield. The foundation allocates the raised USDC to RWA products, where current mainstream yields are about 4%-5% for Treasury-backed products. If RWA yield exceeds 5%, the foundation can cover the payout and keep a surplus. If it sits between 4% and 5%, the spread is thin and other income sources must fill the gap. If it falls below 4%, the 5% payout itself creates a deficit and the foundation must use reserves. This matters because the current Fed cutting cycle is compressing Treasury yields. Three-month Treasury yield has fallen from about 5.5% at its 2023 peak to about 3.6% in May 2026, so actual RWA allocation yields may be lower than the assumptions used at product design.

The second source is DEX market-making fees. The tbPROS Uniswap V4 liquidity pool generates trading fees, and the foundation can earn a portion as liquidity manager. With a $16 million total size, an early-stage DeFi protocol daily turnover range of 0.05%-0.5%, and a 0.3% pool fee, the foundation could earn about $9,000 to $88,000 per year in fees. That equals about 1%-11% of the annual payout obligation. DEX fees are unlikely to be the main source of coverage in the base case, but if trading activity reaches the upper end, they can be a useful marginal supplement when RWA yield is not enough. Whether that upper end is achievable depends on tbPROS secondary-market depth. There is no chain data to support the assumption before the first redemption cycle.

The third source is validator commission. As a validator operator on Pharos, the foundation can take commission from user staking rewards. Using a common industry commission range of 5%-10%, annual commission would be worth about $48,000-$96,000, denominated in $PROS and with dollar value moving with the $PROS price. This equals about 6%-12% of the annual payout obligation. It is the most reliable non-RWA source, but its contribution to the overall coverage ratio is limited.

Figure 15. Yield-Price-Issuance Pressure Matrix



Source: Pharos Research

Among the three sources, RWA allocation yield is the cleanest. But the current rate environment means the margin between RWA yield and the 5% payout promise is already narrow. DEX fees point in the right direction but need real early activity. Validator commission is reliable but small. Whether the foundation can keep covering the USD-denominated payout depends mainly on actual RWA allocation yield and whether ecosystem activity can generate enough DEX income to help in the early stage. Before the first redemption, there is no chain data that can answer this question.

Figure 16: Foundation income sources and certainty assessment

Income type	Scale, three tranches combined	Certainty	Main risk
RWA yield spread, based on a 5% composite-yield assumption for mainstream RWA products	About $800,000	Medium	Actual allocation efficiency may differ from assumptions
$PROS token value upside	About $16 million	Low, highly dependent on $PROS market price	$PROS price decline
Staking commission, validator-node commission	Small, can be ignored in the overall model	High	Scale is too small to matter much

Source: Pharos Research

When the $PROS price falls, paying the same USD-denominated amount requires more $PROS issuance and directly pressures circulating supply. Using the three-tranche annual payout obligation of $800,000 as the base, the $PROS issuance amount under different price scenarios is as follows.

Figure 17: Impact of $PROS price decline on annual issuance

$PROS price decline	Annual $PROS issuance for USD-denominated payout	Increase versus $PROS = $1.00 baseline
Down 5% ($0.95)	About 840,000 $PROS	5.30%
Down 10% ($0.90)	About 890,000 $PROS	11.10%
Down 15% ($0.85)	About 940,000 $PROS	17.60%
Down 20% ($0.80)	1,000,000 $PROS	25.00%
Down 25% ($0.75)	About 1,070,000 $PROS	33.30%

Source: Pharos Research

PHAROS RESEARCH

07 / Conclusion and Variables to Monitor

Based on the analysis above, tbPROS is internally coherent as a mechanism. The foundation steps in as counterparty and helps the product avoid the cold-start problem that has affected many on-chain fixed-rate protocols. The early-redemption design, which requires holders to forfeit payouts, gives stronger holding-period friction than Anchor's free-redemption structure. The staged issuance plan also limits initial risk exposure. If the on-chain treasury dashboard launches as planned, it will add useful transparency. Under the assumed $16 million total issuance across three tranches, the base-case annual gap is about $60,000. That reserve runway is not in the same category as Anchor's theoretical 69-day runway at peak TVL.

Still, tbPROS differs materially from a traditional fixed-income instrument. For holders, the main driver of realized return is still the $PROS price, not the foundation's short-term payment ability. The USD-denominated payout can provide roughly a 4%-5% total-return buffer in the base case, but if $PROS falls sharply, that buffer weakens quickly. tbPROS is better treated as a $PROS price-exposure instrument with a yield buffer, not as a traditional fixed-income note.

From a competitive-positioning perspective, Plume Nest represents the off-chain institutional custody route. Its credit structure, underlying assets, and access rules are fundamentally different from tbPROS. It is aimed at institutions and high-net-worth users who can satisfy compliance requirements. The two products serve different user groups, but they do not live in completely separate markets. When demand for fixed yield is clear, users will compare the relative attractiveness of different routes. For tbPROS, the product is still in the credit-record-building stage. The first redemption cycle will be the market's first meaningful sample for judging the credit quality and sustainability of later tranches. Longer-term assessment needs to be updated as real redemption records accumulate.

Looking further out, lending-collateral integration and yield-tokenization derivatives are two expansion paths worth monitoring. The first depends on the progress of lending protocols inside the Pharos ecosystem. The second depends on tbPROS secondary-market liquidity becoming deep enough. At the current stage, both should be treated as optional future extensions rather than inputs to the product's present valuation framework.

Variables to Monitor

First: USD-denominated payout coverage.

This is the primary measure of financial sustainability. The relevant metric is actual income from RWA yield plus DEX market-making fees after all three tranches are issued, divided by the annual promised payout amount. If the coverage ratio stays below 85%, reserve burn needs to be recalculated and the need for additional reserves should be assessed. If it falls below 60%, the product's subsidy intensity moves much closer to an Anchor-style reserve-support model. At that point, the main risk factor shifts from a matter of degree toward a more similar structure, and the feasibility of later tranches should be reassessed.

Second: execution quality of Vault liquidity migration.

The migration from Tranche 1 to Tranche 2 will be the first real test of the secondary-market mechanism. The question is whether old LP positions can migrate automatically with low slippage. The direct indicator is tbPROS secondary-market price volatility during the migration window. If volatility stays within 2%, the migration mechanism is probably functioning well. If volatility exceeds 5%, a liquidity gap may exist. That would affect later subscription demand and secondary-market confidence, and the mechanism should be adjusted before Tranche 3 launches.

Third: $PROS price stability.

During the three-tranche issuance period, the $PROS price relative to the subscription price will directly shape holder returns. If the price stays above 70% of the subscription price, the USD-denominated payout can still provide some total-return buffer. If it falls below 40%, the amount of newly issued $PROS required to make the same dollar payout will exceed the original design level by a large margin. That supply pressure may feed back into the $PROS price and create an internal amplifier. In that scenario, the main questions become whether the foundation intervenes and whether future tranche payout rates need to be adjusted.

Figure 18: Monitoring indicators and trigger conditions for the three main variables

Variable to monitor	Indicator	Trigger condition
USD-denominated payout coverage	Actual income after three tranches, RWA yield plus DEX fees, divided by annual payout obligation of $800,000	Below 85%: recalculate reserve runway and assess need for additional reserves. Below 60%: risk profile becomes closer to an Anchor-like structure; reassess feasibility of later tranches
Vault liquidity migration quality	tbPROS secondary-market price volatility during the Tranche 1 to Tranche 2 migration window	Below 2%: migration mechanism is functioning normally. Above 5%: liquidity vacuum exists; migration mechanism should be fixed before Tranche 3
$PROS price stability	$PROS price relative to subscription price during the three-tranche cycle	Below 70%: USD payout buffer has weaker marginal value; watch holder realized returns. Below 40%: $PROS issuance exceeds design amount by more than 150%, creating an internal amplifier; foundation intervention and payout-rate reassessment may be needed

Source: Pharos Research

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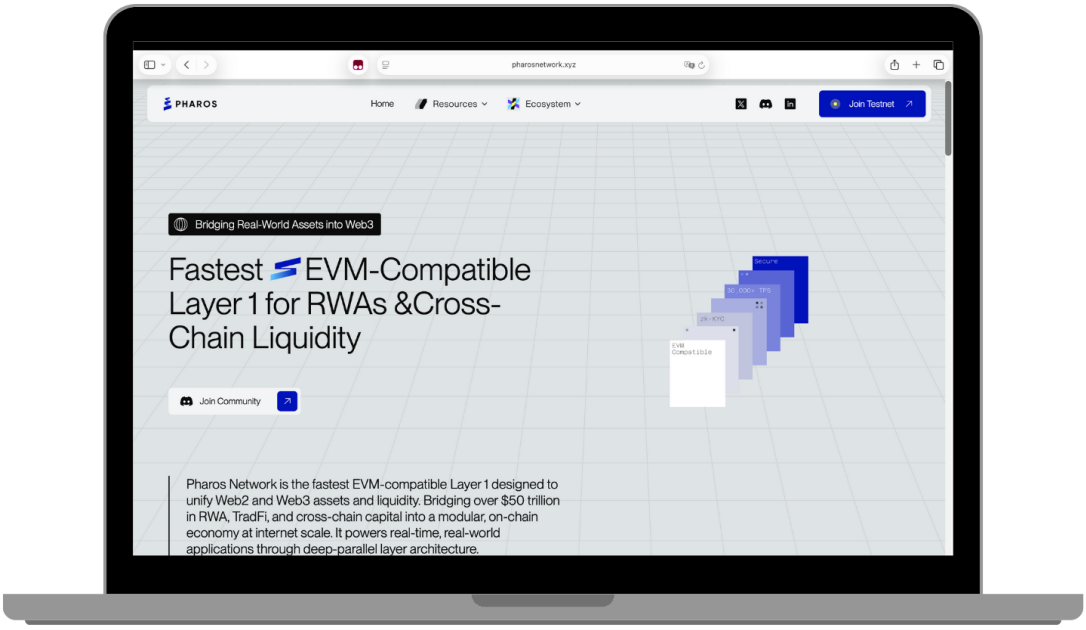
Pharos' Official Website: https://www.pharosnetwork.xyz/



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From RWA to On-Chain Finance.
Mapping Real-World Value.