Incentivising Innovation - SwerveStrats

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PROPOSAL

Summary

While stable-swaps remains the core product and will continue to be the primary focus of Swerve Finance, there is a potential to start expanding into other areas, and experimenting with concepts which can add more value to the Swerve ecosystem.

Implementation of independent "SwerveStrat"(s) is one such experimental idea, inspired by yVaults that I would like to propose.

Core Idea

A SwerveStrat is an independent strategy-based smart-contract that by default, does not rely on the existing pools or the ecosystem, and has no direct effect on the APYs or other metrics of the existing pool. It will not be linked to the assets currently locked in the protocol. There will be no redirection of existing funds into any SwerveStrats.

One could think of each SwerveStrat as an isolated containment of strategies devised by the proposer. Since this is a smart contract, it is not bound by the current features and limitations of Swerve Finance. It can make use of all other assets available on the Ethereum network to put together an intelligent investment vehicle that users can opt into.

Basic Features

- SwerveStrats will be independent smart-contracts with its own set of features and dependencies. They can make use of all other protocols on the Ethereum ecosystem and their assets such as Compound, Synthetix, Aave, dydx, etc.
- SwerveStrats will be audited prior to public participation.
- Strategists would be free to use any of the building blocks available to suggest strategies that they would like to propose, this could lead to products that make use of, but not limited to: arbitrage, insurance, options, flashloans, etc. Anything that the smart contract can do, is acceptable.
- Users would have to deposit funds into SwerveStrats separately to participate. If the experiment works out, we could later think of integrating and making onboarding easier.

Incentivisation

To promote strategists to come and develop strategies to be converted into SwerveStrats, I propose the following:

- While a certain standardisation would exist for SwerveStrats, strategists are free to choose critical parameters such withdrawal fee, min. investment, upper cap, etc. It is to be understood here that there are certain strategies that might work on smaller scale, but might not scale up. Giving flexibility to tune these parameters helps the strategists to fine tune the strategies in accordance to their models.
- All SwerveStrats would redirect a fixed % of revenue from the SwerveStrat to the strategist for their entire existence.
- Community approved SwerveStrats would have their development funded from the treasury.

Intended Outcome

This concept encourages innovation and experimentation, while lowering the possible losses incurred if these strategies were to be tested directly with the ecosystem. The isolation from Swerve Finance, allows the SwerveStrats to remain independent and grow separately. It can be thought of as a subset within Swerve Finance where experimentation takes place.

Right now, the only other "real" alternative for strategists is to join the YFI efforts and propose strategies to be adopted within the y Ecosystem. I think by taking this initiative, we can further increase overall development and resources available to strategists. If some SwerveStrats grow big enough to be considered a core product of Swerve, a migration for the same can be facilitated later on by community vote.