

Project Name:

[Interest Protocol](#)

Author Name & Contact:

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L2 Recipient Address:

0xa6e8772af29b29B9202a073f8E36f447689BEef6

I understand that I will be required to provide additional KYC information to the Optimism Foundation to receive this grant

: Yes

Number of OP tokens requested:

240,000

Category:

DeFi

Is this proposal applicable to a specific committee?

Yes. One of the DeFi Committees.

Project Description:

Interest Protocol is a fractional reserve, overcollateralized borrowing protocol. IP software allows users to permissionlessly generate USDi stablecoins against their collateral assets. Users may also swap USDC for USDi (and vice versa) at a 1:1 exchange rate through the protocol. All USDi utilize rebasing to report accrued fees. USDi accrues through fees paid by borrowers.

Project Links:

[Website](#)

[Twitter](#)

[Discord](#)

Please link to any previous projects the team has meaningfully contributed to:

To avoid forum clutter, this can be disclosed privately upon request.

Relevant Usage Metrics:

On Ethereum, [Interest Protocol ranks 118th in TVL](#) after less than 1 month, and \$3.9m in overcollateralized loans (both at time of writing).

Competitors, peers, and similar projects:

Compound and Aave are both competitors. Similar projects (overcollateralized while also fractionally reserved) are difficult to locate.

Is/will this project be open sourced?

Yes.

Optimism native?

No.

Date of deployment/expected deployment on Optimism:

Ultimately up to IP governance, but this grant would likely prioritize that deployment to the immediate future.

Ecosystem Value Proposition:

Interest Protocol plans to support the OP token as collateral on Optimism. Interest Protocol is designed to allow tokens held as collateral to still be able to participate in governance via delegation controlled by the user.

This means token holders – in particular small holders whose governance voice is not particularly loud – avoid choosing between using their OP to finance on- or off-chain priorities, or participating in Optimism governance.

Has your project previously applied for an OP grant?

No. But there is a separate grant request for this project for an incentives subsidy.

Did the project apply for or receive OP tokens through the Foundation Partner Fund?

No.

Proposal for token distribution (under 1000 words):

How will the OP tokens be distributed?

Tokens will be distributed to incentivize borrowing usage of Interest Protocol. Note that Interest Protocol supports vote delegation by users' collateral tokens, so users do not need to choose between governance participation and accessing value from their holdings, should they choose to place the tokens as collateral at Interest Protocol.

How will this distribution incentivize usage and liquidity on Optimism?

Interest Protocol will support OP as a collateral type. Interest Protocol notably allows users to delegate votes from their collateral tokens even while in the vault. This added utility combined with the fact that Interest Protocol does not lend out collateral provides a use for OP other than selling into the market.

Why will the incentivized users and liquidity remain after incentives dry up?

Users will hopefully retain their OP to borrow against, delegate their votes, or both. Note that Interest Protocol will support OP as a collateral, and will also allow users to continue delegating their OP while serving as collateral. The screenshot below shows what this looks like on Ethereum Interest Protocol with other governance tokens.

[

1094×1048 70.1 KB

](<https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/9/96959709eb37a720469426c5c9131506036c6a53.jpeg>)

Over what period of time will the tokens be distributed?

The specific schedule is ultimately up to Interest Protocol governance, but 20,000 OP per week for 12 weeks to celebrate the launch on Optimism is the intention at this time.

How much will your project match in co-incentives?

IPT, the governance token of Interest Protocol (not yet in circulation as of writing), will be used to incentivize borrowers. IPT will at least match with OP incentives on a 25 cent price basis for IPT.