

This is the GF Phase 1 Proposal from the [Overnight.fi](#) Protocol. The goal is to help push the adoption of [Overnight.fi](#) innovative product line (yield generating stablecoin USD+ and delta-neutral ETS strategies) on the Optimism network.

Project name:

[Overnight.fi](#)

Author name and contact info:

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, can be contacted through Telegram

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

Yes

L2 recipient address:

[0xe497285e466227f4e8648209e34b465dAA1F90a0](#)

Grant category:

Governance Fund Phase 1

Is this proposal applicable to a specific committee? [y/n, link to committee]

Yes, DeFi Committee

Project description

(please explain how your project works):

[Overnight.fi](#) is the company behind stablecoin USD+. USD+ is USDC that pays you yield via daily rebase. It is 100% collateralized with high-quality stables (USDC, BUSD, USDT, DAI etc.) that are invested onchain into lowest risk no IL stable-to-stable strategies. The yield from farming is passed over to USD+ holders via rebase. The superpower of USD+ is its ability to pay yield in liquidity pools, thus maximizing capital efficiency of LP provision.

Core usecases:

- Treasury management
- Liquidity provision on Dexes (e.g. currently USDC/USD+ on Velodrome)
- Maximizing yield on projects' own liquidity on DEXes (e.g. Sphere, OtterClam, Tetu, Parrotly, MDB etc paired against USD+ to receive yield from liquidity they maintain at DEXes)

In addition to USD+, Overnight is offering ETS ("exchange traded strategies" product line). ETS is a quasi-stable (some call it 'delta-neutral' strategy packaged inside a rebase token) that accepts USD+, uses it as collateral to borrow (hedge) a crypto asset on AAVE (or Granary), then farms crypto-to-stable pool. Currently, on OP there is already ETS ETH/USDC via Velodrome/AAVE and ETS OP/USDC via Velodrome/Granary in process of release.

Overnight intends to make Optimism its 'innovation hub', i.e. the chain where all new products/approaches are developed, tried and launched ahead of other chains. The pipeline includes:

- 'Self-bribing' LP on Velodrome: USD+ yield from Velodrome LP pools automatically directed towards bribes on Velo
- Insurance: Users will be able to exchange risky asset, e.g. a Velodrome LP of two risky stables, for a combination of insured and uninsured tokens (tranches), with insured - redeemable for USD+ and uninsured - for OVN, Overnight's governance token yet to be released

-Additional '+' products: DAI+, Eur+ (once agEur available on Aave), but also experimenting with BTC+ and a few others

- Additional ETS, in particular, OP-to-stable ETSes as OP borrowing limits increase on Granary and appear on Aave

Project links:

- Website: [Overnight.fi](#)
- Twitter: [Overnight\\_fi](#)
- Discord Community: [Discord](#)

Additional team member info

(please link): Telegram: @wmermus

LinkedIn: <https://www.linkedin.com/in/maxim-ermilov/>

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

N/A

Relevant usage metrics

(TVL, transactions, volume, unique addresses, etc. Optimism metrics preferred; please link to public sources such as Dune Analytics, etc.):

Overnight went into open beta around May 1st, 2022 and, despite the timing coinciding with the UST crash, has been having great momentum, largely helped by increased risk aversion:

1. TVL has exceeded 5.5 M USD, x11 growth since UST crash in May (USD+ finalized closed beta and launched open beta on May 1st)
2. number of users has exceeded 2,8K, i.e. x6 growth since May
3. USD+ daily trading volumes have fluctuated in the range of 0.5-1M per day depending on market volatility, on average exceeding 14.5% of TVL, putting USD+ b/w BUSD and USDC on this metric, far ahead of most CDP stablecoins

The growth has been driven by:

- Partnerships with Dexes, in particular, Dystopia/Penrose and Cone/Unknown, Velodrome
- Partnerships with other projects that chose to establish trading pairs with USD+: Lido (stMatic), Sphere, Tetu, OtterClam, MDB, Parrotly Finance etc.
- Launch of highly attractive (and profitable) product - ETS, a quasi-stable high-yield strategy product on top of USD+/wMatic and USD+/wBNB pools (with hedged crypto price-risk)
- Expansion to BSC and Optimism chains

Overnight entered Optimism about 2.5 weeks ago with the launch of USDC/USD+ pool on Velodrome. Since then TVL has exceeded 1.5M with 133 users. Total 'bribing' amount has been just 7K USD+, of which 4K from came from 'self-bribing' described above.

Is/will this project be open sourced?

Yes, however, we intend the keep portfolio rebalancing algorithms behind ETS closed until at least public sale of OVN governance token

Optimism native?:

Overnight looks to make OP its innovation hub, i.e. develop all its new innovative products and approaches first on OP, then deploy most successful ones to other chains. It is not our first chain, but will become native to most of our innovation

Date of deployment/expected deployment on Optimism:

Technical deployment - August 2022, commercial launch - first week of September 2022

Ecosystem Value Proposition:

- What is the problem statement this proposal hopes to solve for the Optimism ecosystem?

Building ideal DeFi product suite for crypto-winter and beyond: trustworthy, low-risk, decentralised asset management solution for passive stablecoin investors with minimum risk appetite in a convenient 'stablecoin' form factor

- How does your proposal offer a value proposition solving the above problem?

Overnight's vision is to build 'Vanguard of DeFi' with (1) USD+ as a lowest risk product (equivalent of traditional money-market funds) and (2) ETF as a medium risk product (equivalent of ETF). Insurance product being built will play the central role in de-risking Overnight's ecosystem of the structural DeFi risks

- Why will this solution be a source of growth for the Optimism ecosystem?

Overnight is targeting risk-averse segment of DeFi (both individuals and treasuries), somewhat underserved segment, which, we believe, over time will overtake 'degen' segment of DeFi in volumes and revenue. Over time risk-conscious

investing always wins. This will be even more pronounced through crypto-winter

Has your project previously applied for an OP grant?

Yes

Number of OP tokens requested:

400,000 OP

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

No

If OP tokens were requested from the Foundation Partner Fund, what was the amount?:

NA

How much will your project match in co-incentives?

(not required but recommended, when applicable):

USD+ will match 100% of the liquidity mining incentives by (1) channelling USD+ yield from liquidity pools with USD+ on Velodrome and Balancer to self-bribing and (2) allocating 50K USD worth of BAL received from Balancer for building boosted pool with USD+ on an L2 towards Beethoven's USDC/DAI boosted pool.

Proposal for token distribution:

- How will the OP tokens be distributed?

50% for Overnight products liquidity mining on Optimism (spread between Velodrome and Balancer).

→ This would grow USD+ and ETS liquidity on Optimism, but also increase liquidity for the protocols and pairs USD+ and ETS collateral is invested into (100% is invested on the same chain)

25% for expansion of "+" and ETS product lines: ETS based on OP/USDC in particular, as well as DAI+, potentially, BTC+ and/or Eur+ etc.

→ This would attract users with corresponding risk appetite

25% for building insurance product

→ This would derisk entire Overnight ecosystem: both USD+ and ETS

- Over what period of time will the tokens be distributed for each initiative?

3-6 months

- Please list the milestones/KPIs you expect to achieve for each initiative, considering how each relates to incentivizing sustainable usage and liquidity on Optimism.

First KPI will be exceeding 10M in TVL and 2000 users for Overnight overall

Second KPI - exceeding 1M in TVL and 100 users for ETS products

Third KPI - the launch of Insurance

Stablecoins like USD+ have considerable network effects. By reaching critical mass of TVL and users, powered by low risk, USD+ and Overnight will realize network effects and make Overnight sustainable on Optimism

- Why will incentivized users and liquidity on Optimism remain after incentives dry up?

Our overall approach is that Overnight products should be attractive without rewards (with rewards used essentially for promotion/marketing only):

- USD+ relies on natural yield on the chain to generate yield for its users
- USD+ model we are deploying on Optimism is 'self-bribing', i.e. natural yield from USD+ in Velodrome and Beets core pools will be support bribes beyond incentives
- ETS also has a 'natural source of yield'; we will use part of the funds allocated to developing ETS product line on Optimism, towards developing ETS based on Uni-V3 non-incentivized pools, ultimately sustainable source of natural yield

Please provide any additional information that will facilitate accountability:

(smart contracts addresses relevant to the proposal, relevant organizational wallet addresses, etc.)

All Overnight smart contract addresses on Optimism can be found here: [Contract Addresses - Overnight Finance Docs \(Beta\)](#)

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We hope the Optimism community will help Overnight not just grow TVL, but push DeFI innovation forward and beyond. Optimism is ideal chain for building things that had not been tried before. Let us know if you have any feedback on the proposal!