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Title: Elevating Earnings: Cyan's Innovative Approach to ApeCoin Profit Sharing

PROPOSAL NAME:

2.5 Million \$APE to Stake on Cyan

PROPOSAL CATEGORY:

Ecosystem Fund Allocation

TEAM DESCRIPTION:

Cyan is a developer-first team, with Mikio, Naba, and Derrick (DareVader) leading efforts on the overall mission. Mikio has over a decade of TradFi experience, working at various banks and hedge funds in trading and fund management roles. He made the full-time switch to crypto in 2017, where he transitioned from trader to builder and had his first startup exit in 2020. Naba is a competitive programmer with deep expertise in backend systems. At Google, he helped build the Google Pay app and has contributed to many projects, including predictive typing on Android devices.

Derrick is the resident NFT whisperer, with deep connections in the space. He specializes in Business Development and Relations by focusing on community building and outreach. Years of experience in business management and finance with migrating to crypto in 2021 to pursue Web3 experiences and growth.

ABSTRACT:

This proposal aims to have 2.5 million \$APE staked directly into the Cyan ApeCoin Vault from the ApeCoin DAO.

Cyan is a DeFi protocol enabling users to Buy Now Pay Later, Borrow, Lend, Stake, and truly retain their ownership through the power of our wallet, allowing users to take advantage of Wallet Connect.

The \$APE provided by this grant will be staked to the Cyan ApeCoin Staking vault until the emissions expire, upon which all funds will be retained by the DAO. This \$APE can safely be used to increase membership, spread awareness, and expand the ecosystem by putting \$APE directly into the hands of more BAYC and MAYC users who have little to no \$APE and no exposure to the DAO. We've battle-tested and have proven the vault increases participation in the ApeCoin DAO.

Our current users have created AIPs, voted on AIPs, and dived deeper into the ecosystem by developing stronger relationships and exploring deeper parts of the community. With Cyan, we can incentivize users to participate at no cost to them, while generating profits for the ApeCoin DAO. Cyan will pass through 100% of the yields from the 2.5 million \$APE to the DAO. Cyan will also share 50% of the revenue generated by staking activities with the DAO. At the end of the ApeCoin staking emissions schedule, the 2.5 million \$APE will be returned to the DAO.

How is Cyan able to do this through our protocol? Explainer here:

The Cyan ApeCoin Vault provides multiple ways to earn yield. Staked \$APE is always earning yield as the following logic is applied:

- \$APE is paired to BAYC/MAYC/BAKC owners who want to stake but don't have \$APE. The generated yield is shared between both parties.
- \$APE which isn't utilized for the above activity are directly staked into Horizen Labs staking contracts
- Staking positions are continuously compounded on a bi-weekly basis. Gas is paid by Cyan

Through these activities, staked \$APE is always earning yield to its maximum potential. For a deeper dive into the mechanics, please visit our documentation here: <https://docs.usecyan.com/docs/staking-apecoin>

The original AIP idea thread can be found here: <https://forum.apecoin.com/t/proposal-to-stake-5-million-ape-into-the-cyan-apecoin-vault/20921>

BENEFIT TO APECOIN ECOSYSTEM:

1. ApeCoin DAO generates more \$APE for their treasury and other initiatives.

2. Delegated people/groups can increase their voting power through users accessing \$APE.
3. BAYC/MAYC users can access \$APE for free and get voting power equal to their max stake allotment such as 10,094 for BAYC and 2,042 for MAYC, effectively onboarding more users.
4. The staked \$APE CANNOT be liquidated by users, ensuring the full amount of 2.5 million is protected at all times.
5. The 2.5 million \$APE grant will be returned at the end of the staking period. This effectively costs the ApeCoin DAO 0 \$APE.
6. The ApeCoin DAO generates 50% of the revenue from \$APE-related transactions processed through Cyan.

KEY TERMS:

Cyan Wallet: a smart contract wallet that is designed to act as an escrow during loans and staking activities. The Cyan Wallet behaves like a normal wallet, allowing users to sign into dapps, events, games, and other actions outside of selling or transferring out NFTs. The purpose is to retain the utility of the NFT during the loan or staking periods.

Cyan ApeCoin Vault: a vault designed to stake, pair, and compound \$APE. Owners of BAYC/MAYC/BAKC can freely access \$APE from the vault to stake and share generated yields. Idle \$APE is used to stake into the native Horizen Labs contract and is compounded bi-weekly.

Pair Staking: A user seeking to access \$APE from the Cyan ApeCoin Vault can do so by creating a Cyan Wallet, selecting the NFT they wish to stake using accessed \$APE, and starting staking. There is no debt, interest, or market risk associated with this. Paired Staking is free, outside of gas costs, for any BAYC/MAYC to engage with.

PLATFORMS & TECHNOLOGIES:

Cyan has been building the Cyan protocol for the past two years. Leveraging protocol v2 components, NFTs on loans can be escrowed within the Cyan Wallet. This feature unlocks the ability to stake BAYC/MAYC/BAKC for \$APE into the Horizen Labs contracts while being financed for purchase or on an NFT-backed loan for liquidity. The user retains the utility of the NFT during staking, BNPL, or loan periods.

Outside of the Cyan protocol, no other notable technologies are required for this proposal.

STEPS TO IMPLEMENT & TIMELINE:

1. The APE Foundation will stake 2.5 million \$APE into the Cyan ApeCoin Vault:
<https://dapp.usecyan.com/#/vault/mainnet/0x40138d542f23503429ea7ab9630545d628912446>
2. The vault has an estimated 30% annual yield, so this would be an estimated 750,000 \$APE in accrued interest for one year. Thus far the vault has returned 7.65% in the past three months, which is in line with the estimated yield.
3. Through compounding the staking done through the vault, Cyan collects 5% of the yield as a platform fee from the paired \$APE. This is separate from the 30% annual yield above. Currently, the utilization of the vault is ~80%, so 5% * 80% would be a 4% revenue fee collected. We will split this revenue 50/50, so 2% will go to the DAO. This is an estimated 50k \$APE in revenue to the DAO annually.
4. Users do not receive the revenue split. Users can stake into the Cyan ApeCoin Vault to receive the estimated 30% annual yield. Or, they may enjoy the utility of the vault by accessing \$APE from the vault to stake with their BAYC/MAYC/BAKC for yields from this page: <https://dapp.usecyan.com/#/ape-coin>

OVERALL COST:

Amount requested from the ApeCoin Ecosystem Fund = 2,500,000 ApeCoin + \$13,504

The cost comes from a 0.30% deposit fee, which is universal across all Cyan vaults. At current APEUSD prices of \$1.80, this would be approximately \$13,500. An estimated \$4 gas fee is added.

Moreover, an investment of 2.5 million \$APE (valued at USD 4.5 million as of March 19, 2024) into the Cyan ApeCoin Vault is necessary, though not an expense. The DAO would maintain control of these funds. Any increase in value and interest earned throughout the investment period would be kept by the DAO.

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