Executive Summary:

This proposal advocates for deploying Uniswap V3 on Conflux Network, a permissionless Layer 1 EVM-compatible blockchain that has been growing exponentially since early 2023. Deployment on Conflux will provide access to millions of potential new users, particularly in the Chinese and Asian markets, and tap into the rapidly expanding Conflux ecosystem. The Conflux Foundation is prepared to provide extensive support and incentives for this partnership.

Proposal:

This proposal would authorize the Conflux Foundation to deploy UniswapV3 on Conflux eSpace, a Layer-1 PoW, and PoS hybrid EVM-compatible blockchain, on behalf of the community.

The possible integration is due to recent events resulting in an influx of Web2 users. In January, Conflux announced the integration of Little Red Book, the Chinese Instagram, showcasing NFTs on Conflux. This integration onboards 200 million+ potential users to Web3.

In February, Conflux announced its partnership with China Telecom (390 million subscribers) to launch a Blockchain SIM card that can interact with Web3 assets securely from every smartphone. With the UniswapV3 deployment, we can onboard these users to DeFi.

Conflux Network Overview:

Conflux is a permissionless Layer 1 blockchain connecting decentralized economies across borders and protocols. In Q1 2022, Conflux migrated to a hybrid PoW/PoS consensus, providing a fast, secure, and scalable blockchain environment with zero congestion, low fees, and improved network security.

Conflux Network is EVM compatible layer 1 chain that uses a hybrid Proof of Work and Proof of Stake mechanism. It is one of the fastest EVM-compatible L1s on the market, boosting 3000 TPS (maximum capability of 6400 TPS) and 0.5 second block time. It has a concurrent block production as an underlying mechanism to reach consensus, and it handled 3000 TPS in its original Proof of Work mechanism. The PoS Finality layer works alongside the main PoW mechanism, where PoS validators can vote on confirmed pivot blocks. Once a pivot block is voted, all PoW nodes are forced to follow pivot blocks that are voted by the PoS mechanism, and the transaction is considered irreversible. The PoW chain will still maintain the record of all transactions realized on the blockchain.

The Finality layer will also significantly increase the Network's security and protect it against 51% attacks, which have been successfully carried out against other PoW networks.

Conflux provides a fast, secure, scalable blockchain environment with zero congestion, low fees, and improved network security.

Conflux Network is the only regulatory-compliant blockchain in China and started this year by integrating with two local Web2 giants. Conflux achieves regulatory compliance by separating two spaces on the same ledger, Core Space and eSpace. The Core Space is mainly used in China, where users can interact with dApps without directly interacting with tokens (ERC20 or mainnet token). On eSpace, users can interact with tokens (ERC20, ERC721, ERC1155, etc.) like on any other blockchain network, and it has an international focus. Both spaces are on the same ledger, and assets can be seamlessly transferred with an interspace contract.

Ecosystem and Partnerships:

Conflux partnered with Web2 giants in China, onboarding 590 million potential new users into Web3.

Little Red Book, the Chinese Instagram with 200 million MAU, is now using Conflux as the underlying Network for its NFT product suite, boosting Conflux's on-chain NFT ecosystem. Through a lending protocol collateralizing NFTs, this would be a possible liquidity source for the new userbase Uniswap could acquire. The strategy to onboard the new userbase to Web3 relies on 4 key pillars.

- Legalizing cryptocurrencies in Hong Kong allows Conflux to bridge the regulatory challenging mainland Chinese market to the international market. Here, Hong Kong will serve as the hub that bridges these two markets together and allows the flow of liquidity to the global Web3 market.
- Little Red Book and Conflux also onboard various blue-chip NFT projects to Little Red Book, increasing their presence to the non-Web3 native user base on Little Red Book. A successful example is Reddit's approach, which bridges Web2 and Web3 with the avatars on its platform. What differentiates the approach of Little Red Book from Instagram, an unsuccessful example, is rolling out the NFT suit to all their users. We believe Meta's approach of small-scale testing was counterproductive since users could not try the features when the hype was high. An example of such a campaign can be found here, on our official Twitter channel.
- Conflux also developed AnyWeb, a Chinese-compliant blockchain asset wallet for mainland China, allowing users to interact with Web3 using local fiat. While this might seem counterproductive initially, this will ensure regulatory compliance in China. Hong Kong will serve as the hub where this fiat meets crypto and potentially provide revenue to the protocols deciding to build on top of Conflux.

- Conflux partnered with China Telecom to introduce Web3 to their 390 million subscribers. Together we developed the first blockchain sim card BSIM that can be used to store and transfer digital assets. It is currently in a test phase, already connected to Conflux mainnet, and will be launched later this year. This will be a huge boost, not just for Conflux but for the whole Web3 ecosystem. Wallets have long been a barrier to entry for many potential Web3 users. This new development lowers this barrier by providing a cheap hardware wallet compatible with all smartphone types. Since this BSIM provides a TEE, we expect a large influx of new users for a fraction of the price of hardware wallet alternatives.

We identified two personas as the end-users of the BSIM. Crypto-savvy users will enjoy a hardware wallet solution that balances security and convenience. By accessing Web3 and their assets through the BSIM, they can make swaps on demand and forget the hurdles of hardware wallets without risking their money using software wallets.

For non-savvy users, we are developing a mobile app that will enable them to use the BSIM card without the necessary crypto knowledge. This move will onboard users intimidated by the current complexities of Web3 but interested in the technology. There is a general consensus within the industry that a simpler way of user interaction is necessary if Web3 wants to grow and become mainstream. Conflux shares the sentiment and will roll out its approach, the BSIM card first in China.

Within Web3, a large number of projects have integrated or partnered with Conflux so far this year: within web3 a total of 20+ projects have been integrated or partnered with Conflux in the first quarter of the year. Including AlchemyPay, TokenPocket, Dmail, ThirdWeb…etc.

CFX has a strong presence in CeFi, listed as futures, perpetual, and margin trading options in multiple CEXs, and is ready to move from CeFi to DeFi.

Conflux received an investment of $10 million from DWF Labs, which will be used for further ecosystem expansions.

Witnet's grant program was also extended to Conflux Network, providing another funding source for ecosystem projects.

With these developments, more than 130 projects are building on Conflux.

Why now?

Conflux is the only regulatory-compliant blockchain to capture the Chinese market. Currently, 84% of worldwide blockchain applications are submitted in China. Compared to the UK and the US, 11% and 14% more enterprise-level decision-makers are likely to invest in blockchain tech in 2023. This shows that China is one of the most mature markets in Web3, and exposure is important for all projects.

Hong Kong is drafting regulations to legalize crypto trading for large-cap tokens. Large-cap tokens are defined as tokens that are "included in at least two 'acceptable indices' issued by at least two independent index providers." Considering the negative legislative environment in the US and EU, it is obvious that the Chinese market will be important for the future of Web3 projects. Web2 giants are quick to integrate with Web3 projects and their choice of blockchain is Conflux Network.

CNHC was launched on Conflux and is the first offshore CNY stablecoin in the DeFi space. KuCoin and Circle Ventures invested $10 million into the stablecoin issuer. It is already listed on Coinmarketcap and will open up the market to new opportunities, be that trading, on-chain forex, or trade settlement option for international trade. The Uniswap community can access new arbitrage trading opportunities with USD- and CNHC-based pairs. The current regulatory pushback against USD-based stables also shows that Web3 will benefit from other options based on other currencies. Asian projects will also prefer a chance to use the CNH for settlements since they will not have to plan for currency fluctuation.

By deploying on Conflux, Uniswap is going to one of the most trending blockchain networks of 2023. Conflux's metrics experienced a giant surge in Q1 2023:

- Market capitalization went from $50 million to a peak of $1.21 billion. Currently, it is ~$1B.
- On-chain TVL went from $5 million to $52 million peak. Currently, it is ~$45m.
- The 24-hour trading volume of CFX exceeded $1B on several occasions.

This rapid development will not stop; Uniswap can now tap into it, increase liquidity volume and offer new trading opportunities to its users. More than 80 crypto companies are planning to establish an office in Hong Kong, and it will serve as a crypto hub and a bridge to mainland China. Other chains cannot capitalize on this since they would have to develop the capabilities to offer mainland Chinese users a tokenless experience. Major chains are unlikely to put in the effort or have the local know-how since they can opt to co-exist and bridge with Conflux.

Timeline

After the on-chain vote, the Conflux Foundation can deploy UniswapV3 on Conflux eSpace. The estimated timeline for deployment is five weeks.

Security & Bridges:

Following the approval of the deployment proposal, a separate snapshot vote will be held to finalize the bridging solution. The Multichain bridge is proposed as a possible solution, pending community feedback and security assessment results.

Multichain Overview:

Multichain is the most-used cross-chain bridge in Web3. It is an infrastructure developed for arbitrary cross-chain interactions. The Multichain Network comprises what is called MPC nodes. They exist separately from any blockchain and collectively sign transactions, but a group of them must do so together, and they each only ever know part of the key to make this happen. The MPC nodes are run by different organizations, institutions, and individuals, and they are incentivized to perform their functions properly.

Multichain enables cross-chain messages and contract calling through the permissionless AnyCall protocol. AnyCall is secured by the Multichain MPC network.

The MPC Network of Multichain

The threshold-distributed signature algorithm is implemented in the code. This core algorithm needs to be executed by a distributed system, Multichain's MPC Network. It is composed of several independently operated and maintained nodes, and these nodes execute threshold-distributed signature algorithms when they need to initialize to generate public keys or perform signatures.

To realize the cross-chain interaction of digital assets, MPC Network must be a distributed network that processes cross-chain requests in real time between chains. This is reflected in a trigger mechanism where the status on the original chain is detected in real-time and then translated into the behavior on the target chain. The current MPC Network is a distributed system. Each node will independently verify the status of the original chain and use a threshold-distributed signature algorithm between all nodes to reach a consensus on the verification results.

Based on a cryptographic algorithm, this method leads to a strong consensus. It either produces consistent & correct results or no results. This ensures that Multichain's MPC Network can accurately process real-time cross-chain requests.

Industry-leading audit firms have audited Multichain. You can check these audits in the Github repo. Besides that, there is also a substantial bug bounty program.

Incentives

The Conflux Foundation offers an extensive grant program and additional incentives for projects building on top of Uniswap V3 on the Conflux Network.

Furthermore, Conflux Foundation wants to provide the following two additional incentives for the community and projects building on top of UniswapV3 on the conflux chain:

Conflux Foundation will set up liquidity pools for a total of $2 million for the pairs: CFX-USDT, CFX-BTC, and CFX-ETH. The pool would be locked for two years, but Conflux Foundation can extend this length if the ecosystem requires it. Additionally, Conflux will provide $1 million of liquidity incentives to bootstrap early liquidity on the Network.

Conflux suggests also allocating a $1 million fund over two years, distributed quarterly for protocols building on top of UniswapV3 and deployed on Conflux. The distribution will be based on the TVL ratios among the Top 50 protocols. The minimum TVL to be considered for this incentive is $20k, and DefiLlama snapshots will be used to decide on the distribution. The first awards will be allocated three months after launch.

License Exemption

We request an exemption via an Additional Use Grant (license change enacted via the ENS domain uniswap.eth) that would allow Conflux Foundation to use the Licensed Work to deploy it on Conflux eSpace provided that the deployment is subject to Ethereum layer 1 Uniswap Protocol governance and control.