

Project name:

Yearn

Author name and contact info (please provide a reliable point of contact for the project):

[@omgcorn](#) on telegram or twitter, corn@yearn.finance

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

Yes

L2 recipient address:

0xF5d9D6133b698cE29567a90Ab35CfB874204B3A7

Which Voting Cycle are you applying for?:

Voting Cycle 7

Grant category:

DeFi

Is this proposal applicable to a specific committee?

DeFi Committee

Project description (please explain how your project works):

Yearn Finance is a suite of products in Decentralized Finance (DeFi) that provides yield generation, lending aggregation, and more on the blockchain. The protocol is maintained by various independent developers and is governed by YFI holders.

Project links:

- Website: yearn.finance
- Twitter: [twitter.com/learnfinance](#)
- Discord/Discourse/Community: discord.yearn.finance
- Please include all other relevant links below: docs.yearn.finance

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

- TVL: \$555.36m
- 32 partners/projects using yVaults in their products
- All-time Strategies created: 327
- All-time Vaults created: 154
- Chains: 3
- Ethereum \$532.08m
- Fantom \$23.11m
- Arbitrum \$173.01k
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Is/will this project be open sourced?

Yes

Optimism native?:

No

Date of deployment/expected deployment on Optimism:

Already deployed and we've already done 2 harvests behind the scenes testing. We'll have Optimism available on yearn.finance soon. Once we add that users will have access to these vaults day 1:

- DAI
- WBTC
- WETH
- USDC
- sUSD

Ecosystem Value Proposition:

- What is the problem statement this proposal hopes to solve for the Optimism ecosystem?
- There are 30 existing Yearn partners who are not on Optimism yet, but have yVaults built into or accessible through their products. Existing Yearn partners who are not on Optimism are more likely to make the move when they know the yVaults they trust are already built and available.
- Yearn strategies have become a seal of approval when it comes to protocol safety and usage.
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- Yearn strategies have become a seal of approval when it comes to protocol safety and usage.
- How does your proposal offer a value proposition solving the above problem?
- More than 80% of deposits into yVaults come through partner integrations. There are 32 projects offering their users access to yVaults today and only 2 (QiDao and Beethoven) of them are on Optimism. We see an opportunity for many of the ones we already work with to move to Optimism and build on top of new yVaults.
- Yearn has an [8-metric risk framework](#) that we use to evaluate every potential strategy. We evaluate 3rd party audits, TVL impact, complexity, longevity, protocol safety, team knowledge, our own internal code review, and perform extensive testing.
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- Why will this solution be a source of growth for the Optimism ecosystem?
- yVaults are viable only when there are high quality opportunities to farm. The following are viable farming opportunities already on Optimism that we already use on other chains. We'll have strategies for these immediately:
- Aave
- Velo
- Uniswap
- Curve
- Stargate
- Ironbank
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- Velo
- Uniswap

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Has your project previously applied for an OP grant? If successful, please link to your previous grant proposal and provide a brief update on milestones achieved with the grant. If unsuccessful, and this is a resubmission, please specify how you have incorporated significant changes in accordance with feedback.

No

Number of OP tokens requested:

1,000,000

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

No

How much will your project match in co-incentives? (not required but recommended, when applicable):

Our project does not have token emissions so we are not able to do this today. However, with the introduction of veYFI there may be an opportunity to provide additional incentives in the future. We're leaving the door open for this one.

Proposal for token distribution:

- How will the OP tokens be distributed? (please include % allocated to different initiatives such as user rewards/marketing/liquidity mining. Please also include a justification as to why each of these initiatives align with the problem statement this proposal is solving.)
- Yearn will distribute 100% of grant \$OP tokens to yVault depositors to incentivize the move to Optimism.
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- Over what period of time will the tokens be distributed for each initiative? Shorter timelines are preferable to longer timelines. Shorter timelines (on the order of weeks) allow teams to quickly demonstrate achievement of milestones, better facilitating additional grants via subsequent proposals.
- 25,000 tokens per week for 40 weeks
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- Please list the milestones/KPIs you expect to achieve for each initiative, considering how each relates to incentivizing sustainable usage and liquidity on Optimism. Please keep in mind that progress towards these milestones/KPIs should be trackable.

- This program will be successful when we:
- Enable 10 new partners on Optimism
- Grow Optimism to our second highest TVL by chain
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- Why will incentivized users and liquidity on Optimism remain after incentives dry up?
- 40 weeks of incentives ensures a long enough window to measure success and to continue building more strategies and vaults in the ecosystem. Yearn on Ethereum is quite sticky and that's because of the partners who have built on top of Yearn vaults. We'll make sure all current Yearn partners are aware of this program and all vaults available on Optimism today so they can get to work building on Optimism too.
- Even after \$OP token incentives are gone, there will be lending markets, swap fees, bridges, etc as high quality sources of yield.
- As long as farming opportunities remain active, so will the use of yVaults. We have been using strategies with projects mentioned above in the alignment section on mainnet for a long time, some since 2020.
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Adding some of my responses from the threads below:

Hey Salome nice to meet you and thank you for this thorough comment. I hope you don't mind I omitted the competitor section. You're right we do fit the Yield Aggregator category however we have a big shift in value for only offering risk-adjusted returns. For instance, in our single asset vaults on Optimism all are liquid, none of the strategies will give users exposure to IL, long locks, and all will pass our risk management framework.

Good questions on incentives. When we added Fantom and Arbitrum over half of those deposits were from net-new users. I think we're going to see more net-new Yearn and Optimism deposits. These are going to be channeled through our partners building on top of the 5 super high quality vaults we have going live. Those 5 single-asset deposit vaults are in high demand and have over \$175 million in deposits on mainnet vaults. These are a really solid foundation to build on. If we have \$30 million in DAI deposits at 3% we're looking at ~\$17,300 per week. If that vault has 25% the deposits and we give it 25% the 25,000 per week \$OP reward I think that's sufficient. I hope we have the problem of dwindling rewards because of high TVL and we can always discuss a subsequent proposal when the time comes. I think this is a great place to start.

Thanks for putting in the time to look at this one Salome

All 5 vaults have already been pushed to production. Check out yearn.watch and select Optimism and you'll see all the current v0.4.4 vaults have been deployed. All that needs to be done is add them to our native UI. We wanted to do a soft launch with a couple harvests and we've done that. A few more harvests and we'll add it.

For token distribution, we're going to set a weekly % distribution for each vault. Week 1 we could start with 20% across each.

I think we'll see partners across all categories we've seen on mainnet today: CDP, leveraged yields, wallets, CEX earn sections, web3 banking products, fixed rate products, and anyone else you can imagine is looking for Yield as a Service. There's no shortage of people building in DeFi today and I can confidently say this number is achievable.

Yes we've looked for a viable \$OP strategy, but haven't found one yet. We're always looking for new strategies and vaults to add, so if anyone sees something with some promise please reach out!

Hey Marc – Thank you for the comment. At one point we had over \$1 billion in Fantom. The biggest factor in that was great yield opportunities. Today Arbitrum has mostly options plays that are outside the risk profile we use for making strategies. Here on Optimism, there were opportunities for the 5 vaults I mentioned in the proposal that are key building blocks partners.

Those 5 vaults are really the secret sauce to bringing others to Optimism and getting that network effect you're referring to. The specific strategies we're running are using: Aave, Velo, Uniswap, Curve, Stargate, and Ironbank. We're always looking for new strategies and if there are any others on Optimism who would like to have us take a look and see if there's something viable we can do together please reach out to me.

To show Optimism continued support, we're testing Vaults V3 on Optimism first, even before mainnet. This is still months from launching and will bring a new style of composable vaults for the first time. You can read more about Vaults V3 here: [YearnV3: Motivation and design. After the brief overview of the next... | by jmonteer | Yearn | Medium](#)

Hey OPUser thank you for the comment. I don't think 20 weeks is enough time to see this through. What I think you'll get with 20 weeks is a lot of depositors into Yearn Vaults directly who will be mercenary.

With 40 weeks you'll get these partners who I already have commitment from to build on Yearn Vaults on Optimism: Alchemix, QiDao, Swype, Rhino, Omni, Spool, Revest, Abra, DeFi Saver, Tapioca, and more coming. Partner integrations leads to usefulness and stickiness.

Our Arbitrum deployment was Curve 2Pool, Curve Tricrypto, and Curve MIM 3Pool in the 8 or so months we've been there. There were no opportunities for single deposit vaults that make up the foundation of building on Yearn.

We have many other partners I did not name above who are a little further down the road in terms of building on Optimism. I'll keep them up to date on how things are going with the hope to accelerate their path.

I will be on the lookout for more partners to integrate with including native Optimism projects who apply on your forum here. I think that could be a good list of leads who may need sources of yield.

Thank you again for taking the time to think about this. I know there's a lot of info here. Please feel free to dm me to chat more if you have questions too of course.