- Project Name:

Liquity

- Author Name:

[TokenBrice](), Liquity Strategist

- Number of OP tokens requested: 500 000 OP

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

Yes.

- L2 Recipient Address:

0x2f593f151aF4bb9A71bcA6cAce1d3c56C2844117

- Voting Cycle

: Cycle 8

- Grant Category

: DeFi

- Additional team member info

[Liquity Team Info]()

- Previous/relevant projects

: Liquity, Chicken Bonds

- Competitor/Peers

: None. There are functionally similar protocols involving much trust or permission, like Maker, Spell/MIM or QiDAO.

- Optimism Native

: No.

- Is this project open-sourced

: [Yes]()

Relevant Usage Metrics

- Number of LUSD on Optimism: 4 M, with 90,758 transfers and 811 holders.

- On mainnet, Liquity has a 179.7M supply, with 276,810 transfers and 5509 holders.

Ecosystem Value Proposition

LUSD has been one of the first stablecoins to come to Optimism, thanks to Synthetix, which used a [LUSD wrapper]() to stabilize sUSD on Optimism that absorbed close to 45M of LUSD on Optimism at some point.

Thanks to the launch of Velodrome and the veVELO NFT airdrop Liquity received, several LUSD-related pools have grown to sizeable TVL. Finally, the recently added support for LUSD in Stargate facilitates the fast withdrawal from Optimism to mainnet.

While the Liquity protocol is not deployed on Optimism (mainnet only - any rollup deployment would require a full protocol re-deployment & migration), LUSD, the stablecoin outputted by the protocol, has a solid and growing presence on the network. Along with sUSD, LUSD is one of the few stablecoins that is not centralized nor collateralized by centralized and censurable stablecoins.

Outside of the mainnet

where the Liquity protocol operates, Optimism is currently the only network where LUSD is officially supported

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Proposal for token distribution

How will the OP tokens be distributed?

The OP tokens will be used to grow and sustain LUSD's foothold on Optimism. They will help to attract attention and assets to new integrations and support their growth until a critical mass is reached:

1. Liquidity bribes [70%]

on Velodrome to grow LUSD-related pools, focusing on the unstoppable LUSD/ETH (350k OP/year).

1. Borrow incentives [20%]

(Once live) potentially – borrower incentives for LUSD on Aave/Optimism (100k OP/year)

1. Community/Ecosystem Grants [10%]

: OP tokens will be distributed as grants to users and developers, building tools and partnerships to help the protocol grow its presence on Optimism. The grants will be paid out directly in OP

. (50k OP)

How will this distribution incentivize usage and liquidity on Optimism?

Optimism direly needs credible stablecoins that are not subject to censorship. Indeed, Liquity is a top-tier Ethereum protocol and still the only protocol offering a stablecoin 100% powered by immutable smart contracts.

We believe that growing LUSD liquidity on the network is a net positive by itself, not only for Liquity but also for Optimism, as it diversifies the stablecoin offering and offers a credible hedge if regulation-related issues were to arise on a major centralized stablecoin.

[

image

1809×678 113 KB

](https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/8/8e7447495a69b7e056071db38a47fc19dd27a25d.png)

LUSD is already available in diverse pairing against other main stablecoins. >$5M of LUSD liquidity has been grown and maintained over the last six months without any grants. If obtained, the OP grants will help tremendously to keep growing LUSD's presence on the network, especially the LUSD/ETH pool.

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

The low transaction fees on Optimism attract users who are concerned about the resilience of their stablecoin but not able to afford mainnet fees on L1 — LUSD on Optimism presents a credible offering to such profiles, currently filled by no other stablecoins.

Before the incentives (currently), Liquity is already maintaining ~5M of LUSD-related liquidity on Optimism. We're confident a year-long incentivization on a reasonable budget, as suggested, will push this baseline further.

Over what period will the tokens be distributed?

The current proposed budget is tailored for yearly usage.

Has your project previously received an OP token grant? If yes, what's the status of these tokens?

Despite being the top stablecoin on Optimism supply-wise at the OP launch (~50M LUSD on Optimism then), Liquity has not received any OP grants. Moreover, LUSD was decisive in helping sUSD maintain its peg and reach the massive adoption it's currently seeing on Optimism: Liquity

Optimism.

How much will your project match in co-incentives?

Liquity has been a supportive actor of the Optimism ecosystem since the Velodrome launch. However, the team usage of incentives is minimal: even on mainnet. Instead, we'd rather support the ecosystem through other means, like our active role in documenting Liquity's successful usage of Velodrome.

To facilitate the tracking and reporting on the 500K OP requested, a separate and dedicated Safe has been deployed: 0x2f593f151aF4bb9A71bcA6cAce1d3c56C2844117

Proposal Last updated Dec 07 - updated notes