

Basic Summary

The following is a proposal to invest \$1M-\$5M into the [Bankless BED Index](#) in an effort to diversify the Uniswap DAO's treasury. The long-term goal of diversification is to provide financial balance to the organization's balance sheets, enabling more security and potentially less volatility for the DAO's overall financial well-being.

The BED is an index, created by Bankless and Index Coop, that represents crypto's most investable assets, 33.3% BTC, 33.3% ETH, and 33.3% DeFi Pulse Index (DPI).

Motivation

The main purpose for purchasing BED is to help diversify Uniswap's treasury, which is almost entirely held in UNI, while also helping drive Uniswap's adoption through the marketing campaign highlighted below.

Buying the BED index can strengthen the partnership between Uniswap, Index Coop, and Bankless DAO. In return Bankless DAO, recognized for their educational content and their cultural influence over the industry, will manage a marketing campaign with Uniswap to help the community understand the insides and out of the Uniswap Protocol.

The partnership with Bankless could increase Uniswap awareness and adoption in the DeFi ecosystem. Bankless DAO is an inventive and leading edge DAO, mixing on-chain and off-chain initiatives.

By holding BED Token, Uniswap's treasury can have diversified exposure to DeFi (DPI), the lowest risk crypto asset (BTC), and the upside in the broader Ethereum ecosystem (ETH). BED is a vehicle that captures equal-weighted upside from the most promising use cases and themes in crypto: store of value, programmable money, and decentralized finance. It also automatically rebalances to keep an even exposure ratio over the long term.

Bankless DAO is proposing a small initial amount (\$1-5M) that could be increased in the future as the community becomes more comfortable with holding this asset.

How it works

The BED index is rebalanced on the first Friday of each calendar month, using the most liquid trading pairs. To date, this has been primarily through Uniswap V3. The fund is rebalanced in accordance with its underlying index.

The BED Index is maintained monthly in two phases:

- **Determination Phase:** Takes place during the fourth week of the month. It is the phase when the changes needed for the next reconstitution are determined.
- **Reconstitution Phase:** Following publication of the determination phase outcome, the index composition will change to the new weights on the first Friday of the following month. I.e components will be added or removed.

Risk Analysis

Smart Contract Risk:

BED uses Set Protocol smart contracts that were audited by OpenZeppelin [in September, 2020](#).

Despite its recent launch on 07/21/2021, BED has fewer smart contract risks because it uses the contracts from Set Protocol.

Counterparty Risk:

BED holders have no governance influence on Index Coop or the protocol within the index. The BED Index utilizes the TokenSets V2 smart contract that has privileged roles in many of the contracts.

There is a multisig responsible for initiating rebalances, performing meta-governance, and adding or removing new protocol functionality. The index does not have the ability to arbitrarily move underlying assets, mint tokens, etc. The signers are currently members of the Set team with the intention to add Index Coop community signers over time. While the multisig can't arbitrarily move assets, it theoretically could rebalance assets into a fake token. The mitigating factors for these risks are the Set Labs, Bankless and individuals personal reputation.

Liquidity Risk:

Minting and redeeming BED represent the primary market of the indices (ie BTC, ETH, and DPI), but many users can buy and sell indices on the secondary markets. The price on the secondary markets are kept at Net Asset Value (the market

value of all the underlying components) through a network of market makers that redeem the tokens when price is below NAV and vice versa.

However, as BED holders have the option to mint/redeem the underlying tokens within BED, it draws on the liquidity of the underlying assets and also allows for any deviation from NAV to be arbitrated away by traders. So liquidity goes beyond the secondary market for BED.

Market Risk:

As BED is a basket of tokens, it is likely to have less volatility than the component assets by themselves. We recommend reducing exposure to market risk by investing a small amount of 1 million USD to 5 million USD to begin.

Specification

BED can be purchased via [Set Protocol](#).

There is the potential for a joint Bankless, Index Coop and Uniswap deployment on Uniswap rewards and potentially other opportunities. More on this as information comes to hand.

Additionally, Bankless DAO can execute on a marketing campaign on Twitter and other means not limited to a potential giveaway such as the [gleam campaign](#), CTAs in the [Bankless DAO newsletter](#) dedicated to the approval of the BED Index and a podcast episode on Crypto Sapiens dedicated to Uniswap.

Seeking Feedback

We would like to gather feedback from the community about this post and invite the community to discuss how BED purchase could benefit Uniswap.

We firmly believe that treasury diversification is becoming increasingly important for DAOs, Uniswap being one of them. By purchasing BED for the Uniswap treasury, the DAO gets broader exposure to growth in the crypto ecosystem and minimizes their downside risk of the UNI token.

Disclaimer: The content reflected in the above text does not amount to any financial advice for commercial or non-commercial purposes. Bankless DAO is not a registered investment, legal or tax advisor or broker/dealer in any jurisdiction. All Investment financial topics and the information therein are personal opinions. The above mentioned content is only meant as educational material for general awareness. Bankless DAO is not liable for any loss or damage caused by actions taken by the reader/user based on the above mentioned content/information.

- Yes
- No

0

voters