

Project Name:

Vesta Finance (<https://vestafinance.xyz>)

Author Name:

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Number of OP tokens requested:

1,000,000

L2 Recipient Address:

Multi-Sig TBD

DefiLlama TVL:

\$13.74m on Arbitrum

VST Minted:

\$3.554m on Arbitrum

Optimism alignment (up to 200 word explanation):

Vesta has described itself from day one as a L2-First stablecoin protocol. While we are currently only live on Arbitrum, we are developing infrastructure to deploy on Optimism, coinciding on our xChain proposal as well as version 2 of our protocol. The advantages of deploying on L2s such as Optimism include scalability and low fees, which is especially important as a more community focused product. We serve long-tail assets and plan to continually onboard new markets including the Optimism (OP) token itself. Vesta aims to be the first protocol to allow lending and borrowing of Optimism through an immediate collateral market launch to borrow VST.

To bootstrap usership and advantageous liquidity, Vesta plans to provide incentives through our native governance token, VSTA, as well as with other tokens such as the ones granted by Optimism. As we come closer to launching our own staking module on VSTA, we expect that these incentives will only become more attractive with utility enabled.

On that note, Vesta is also open to providing Optimism specific boosts on both governance power on this chain and in the staking module. Doing so would encourage migration and provide opportunities for further capital capture both on Vesta and on other infrastructural units. We see Vesta's future role on Optimism as an attractive migration target and capture opportunity.

Proposal for token distribution (under 1000 words):

Taking inspiration from successful launches of lending markets on two emerging EVM chains—Near and Klaytn—which have all quickly seen TVLs far past \$100M, Vesta plans to use a lockdrop reward system for bootstrapping initial liquidity in its markets. We will distribute OP tokens in this manner, rewarding those who commit to locking their tokens as collateral with these tokens. Consideration for the lockdrop will be prioritized for existing ETH and WBTC markets, but rewarding OP tokens for locking OP tokens may be a semi-recursive strategy that would be attractive to the ecosystem. Beyond that, we are also open to providing lockdrop rewards in other forms, such as our native governance token, VSTA.

We will also be using the granted OP tokens as rewards for staked users in our stability and liquidity pools. We recognize that doing so does entail a possible problem of mercenary capital, but we believe that the failsafe measures introduced in the sections below can mitigate this problem. We believe that these rewards will be important for encouraging adoption first and foremost.

How will the OP tokens be distributed?

Distribution of OP will be done through a Vesta governance proposal with an initial distribution proposal from our team:

- 50% for users who use Vesta on Optimism through liquidity mining
- 25% for developers who build on or with Vesta
- 15% for marketing campaigns (Optimism focused events)
- 10% for xMint participants on Optimism

How will this distribution incentivize usage and liquidity on Optimism?

With this distribution, liquidity providers will be directly rewarded for their crucial services to the protocol and Optimism as a whole. Vesta is confident that these can also be distributed in a way that prevents immediate market-dumping through features such as vesting, providing further attractive opportunities for idle \$OP, or utility on the protocol with \$OP.

Vesta is also dedicated to integrating seamlessly with a broader Optimism ecosystem. To that end, we're providing a large amount of \$OP to developers who work with our protocol in meaningful and lasting ways. We're willing to contribute this amount to their hard-work, which we expect to create innovative use-cases for our protocol on Optimism as well as new opportunities for synergy with all parties involved.

We're also reserving a smaller amount of tokens for our marketing campaigns to be used as incentives for participation in certain activities and migrations beneficial to the protocol and Optimism.

Finally, we're reserving another small share of the pie for users who specifically use our new xMint product, expected to launch in the next few weeks. We'd like for Optimism to be the pilot chain for our cross-minting, allowing them to gain exposure on Optimism, without even bridging their assets. XMint will also help to keep users on Optimism, preventing users from bridging out to utilize their assets on other chains.

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

Vesta provides a seamless lending experience on many decentralized assets on Arbitrum: even after six months, large amounts of liquidity for these tokens continue to cycle through our vaults. New collateral types opened up by us are usually quickly utilized by idle capital.

Vesta is committed to providing close maintenance and continued support for both new and old collateral types. Keeping up with the continued evolution of the Optimism ecosystem is a priority for us, so we believe that even without monetary incentives, new users can continue to be onboarded. As new collateral types are added, the ecosystem should feel the positive impacts by the utility that Vesta enables.

Over what period of time will the tokens be distributed?

Our team expects to distribute these incentives over a 9-15 month period, with input from Vesta's governance and the Optimism community.

How much will your project match in co-incentives?

We expect to receive the \$OP incentives, if approved, at around the same time as our Optimism launch. As such, the team will push heavily on our governance forum 1:1 incentive matching to bootstrap our launch on Optimism.

We will ask the governance forum of Vesta for a proposal on the Optimism-Vesta token incentives within 3 days of approval. We will finalize this plan with community input within 2 weeks.