

Project Name:

[Interest Protocol](#)

Author Name and Contact:

GFX Labs; governance@gfxlabs.io

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

: Yes

Number of OP tokens requested:

31,764 OP

L2 Recipient Address:

0xa6e8772af29b29B9202a073f8E36f447689BEef6

Grant Category:

DeFi

Is this proposal applicable to a specific committee?

Yes. One of the DeFi Committees.

Project Description:

Interest Protocol is a fractional reserve, overcollateralized borrowing protocol. IP software allows users to permissionlessly generate USDi stablecoins against their collateral assets. Users may also swap USDC for USDi (and vice versa) at a 1:1 exchange rate through the protocol. All USDi utilize rebasing to report accrued fees. USDi accrues through fees paid by borrowers.

Project Links:

[Website](#)

[Twitter](#)

[Discord](#)

Please link to any previous projects the team has meaningfully contributed to:

To avoid forum clutter, this can be disclosed privately upon request.

Relevant Usage Metrics:

On Ethereum, [Interest Protocol ranks 118th in TVL](#) after less than 1 month, and \$3.9m in overcollateralized loans (both at time of writing).

Competitors, peers, and similar projects:

Compound and Aave are both competitors. Similar projects (overcollateralized while also fractionally reserved) are difficult to locate.

Is/will this project be open sourced?

Yes.

Optimism native?

No.

Date of deployment/expected deployment on Optimism:

Ultimately up to IP governance, but this grant would likely prioritize that deployment to the immediate future.

Ecosystem Value Proposition:

Interest Protocol plans to support the OP token as collateral on Optimism. Interest Protocol is designed to allow tokens held as collateral to still be able to participate in governance via delegation controlled by the user.

This means token holders – in particular small holders whose governance voice is not particularly loud – avoid choosing between using their OP to finance on- or off-chain priorities, or participating in Optimism governance.

Has your project previously applied for an OP grant?

No. But there is a separate grant request for this project for an incentives subsidy.

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

No.

Proposal for token distribution (under 1000 words):

How will the OP tokens be distributed?

The tokens will be used to partially fund deployment and development costs for an Optimism instance of Interest Protocol.

How will this distribution incentivize usage and liquidity on Optimism?

Interest Protocol would accept OP as a collateral at deployment, and preserve the ability of OP holders to delegate their voting rights

. This serves the dual purpose of providing a demand sink for OP that would otherwise be sold, and allow OP holders a venue where they can avoid choosing between liquidity and governance participation. Normally there is an implicit “tax” to pay by retaining governance tokens for voting or delegation, since the opportunity to use it as collateral must be given up. Interest Protocol is designed to avoid this choice. On its Ethereum deployment, for instance, UNI tokens used as collateral can still delegate voting power to be used in Uniswap’s governance.

[

Screen Shot 2022-07-12 at 12.23.35 PM

1094×1048 70.1 KB

](<https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/9/96959709eb37a720469426c5c9131506036c6a53.jpeg>)

Screenshot from Ethereum Interest Protocol highlighting delegation of collateral.

We believe this results in a healthier governance ecosystem where small holders in particular continue to participate, since they do not have to choose between financial and governance utility of their tokens.

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

This request is to fund deployment and development of a protocol that will provide utility to OP holders and the Optimism ecosystem.

Over what period of time will the tokens be distributed?

The tokens for would be sold as expenses accrue, since the grant is to fund development and deployment.

How much will your project match in co-incentives?

GFX Labs and/or Interest Protocol governance will cover the remainder of expenses related to Optimism deployment and all ongoing maintenance.

Budget Estimate

- Protocol testing prior to production deployment: 56 developer hours
- Front end multichain support: 10 developer hours
- Analytics back end support: 10 developer hours
- Governance bridge contract development & deployment: 38 developer hours
- Protocol integrations with other ecosystem apps: 48 developer hours

Estimated total: 162 developer hours

This request is for an Optimism grant to cover 50% of estimated costs.

\$OP price of \$0.51 (at time of writing) * 81 hours * \$200/hour = 31,764 OP

