

Title

Accelerating Arbitrum - leveraging Camelot as an ecosystem hub to support native builders

Non-Constitutional Proposal

Authors

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Abstract

This post proposes granting 1.5M ARB per month to Camelot DAO for the next 6 months to fund liquidity incentives for Arbitrum-focused projects on Camelot, including the onboarding of new and multi-chain protocols entering the ecosystem. Camelot strives to support the native ecosystem through collaborative relationships and has a proven track record of allocating incentives to enable sustainable growth and long-term liquidity for ecosystem protocols. This proposal will therefore support deeper spot liquidity for Arbitrum native builders, as well as supporting integration partners and the launch of new protocols, thereby enabling significant growth through an approach that prioritizes Arbitrum's core values. Most importantly, this will further the adoption of ARB as a base asset within liquidity pools and partner integrations.

Whilst this will initially be a standalone proposal, Camelot is committed to ensuring that its incentive grant can be aligned and integrated within future frameworks too, as well as supporting other individual team proposals as a governance delegate

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Motivation

Camelot is not just a DEX - it's the infrastructure that enables native protocols to build sustainable and efficient liquidity. As Arbitrum's first major native DEX, Camelot strives to support the ecosystem with a long-term and collaborative approach that moves beyond the traditional role of DEXs as simple 'yield farms'.

In just over 6 months of being live, Camelot has achieved over \$2,500,000,000 total volume traded, highs of \$100m TVL, and the successful onboarding of countless protocols to the Arbitrum ecosystem. The Round Table is the hub for Camelot's official long-term partners, and the initial members consisted of the core Arbitrum protocols such as Vela, Jones, Pendle, Plutus, GMX, Sperax, and more. On average, Round Table partners have over 90% of their total DEX liquidity and volume on Camelot.

Since then, the Round Table now consists of over 25 official partner protocols, and through its launchpad Camelot has supported over 9 protocols to raise funds in a community-focused and decentralized way. Most importantly, Camelot is home to numerous community builders that leverage the custom-built features to manage their liquidity, with a combined reach of over 40 native protocols present on Camelot and over 15 integrations being built on top of its infrastructure. Camelot is one of the most used dapps in the ecosystem, with over 300,000 unique users since launch. Camelot is not a fork, and is custom-built code that has been thoroughly tested and audited by Paladin. In addition, Camelot has no private investors and was launched in a truly community-focused and decentralized way. The ownership of Camelot has been spread through the key Arbitrum players, thereby making the protocol truly part of the ecosystem and community.

This grant would have a significant impact on the growth of the Arbitrum ecosystem in several ways:

- Deep spot liquidity is the foundation for DeFi protocols to thrive, enabling further innovation and use cases for Arbitrum native protocols. For example, deeper spot liquidity unlocks the potential for tokens to be used in lending markets, options and perps protocols, structured products, and much more. Whilst other DEXs also tackle this for blue chip tokens, Camelot is uniquely positioned to most effectively support the native ecosystem builders. This proposal will specifically focus on Arbitrum protocols throughout their lifecycle, whilst leveraging the network and community of Camelot to generate sustainable growth with real users. Deepening pools that already have significant liquidity is not our only focus, as Camelot is positioned to ensure the distribution of ARB tokens materializes into a stronger ecosystem. Most importantly, Camelot can work with partners to pair their tokens with ARB as a base asset. This will advance ARB as a foundational asset of the ecosystem, providing it with direct value and utility.
- Camelot has a proven track record of effectively allocating rewards in a sustainable and economical way. Therefore, not only will this grant proposal deepen liquidity, it will also ensure that the most active and aligned builders on Arbitrum directly benefit from it too. As an ecosystem hub for native builders, Camelot will leverage this grant to support and incentivise new protocols launching in the ecosystem, further cementing Arbitrum's position as the go-to layer 2 for innovation and DeFi. Through its launchpad and network of Round Table partners, Camelot additionally offers protocols marketing, BD, and general support.
- In addition to liquidity, Camelot is one of the largest Arbitrum governance delegates and has continued to foster collaboration in the ecosystem. Therefore, this proposal would also focus on integration partners that enable more efficient liquidity management and further use cases. These protocols also build on top of our partner liquidity pools, therefore multiplying the network effects of the allocated Arb incentives. Camelot currently has over 15 integration partners, ranging from advanced liquidity management apps, leveraged yield farming, derivatives, structured products, and more.

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Rationale

Camelot was conceived to help deliver Arbitrum's goal of scaling and revolutionizing the future of Ethereum. Through its commitment to supporting native builders, Camelot strives to build the foundation of sustainable liquidity and collaboration that will allow Arbitrum and its diverse ecosystem to thrive.

Since its inception in December 2022, Camelot has maintained a robust upward trajectory, steered by a long-term, sustainable incentives approach. We've avoided the common pitfalls of being a 'yield-farm for mercenary capital,' and our proven track record of allocating incentives effectively to yield maximum returns for our community, protocol, and ecosystem stands testament to our potential. We plan to harness the power of Arbitrum grant incentives to maintain this growth trajectory.

Though past performance doesn't necessarily predict future success, it does offer valuable insights into the potential of this proposal. Over the period from December 2022 to May 2023, Camelot experienced an impressive average monthly increase in volume and Total Value Locked (TVL) of 275% and 79% respectively. Even more noteworthy is that during this period, Camelot generated over \$10m in protocol fees, with a significant proportion of these channelled back to our token holders. This strongly suggests that, with the additional Arbitrum incentives, we can stimulate significant growth and capture substantial long-term value across a large number of native protocols. Moreover, we can achieve this while ensuring a decentralized and sustainable token ownership distribution. Camelot also received an airdrop of over 2,000,000 ARB, which has so far been fully dedicated to being an active governance participant.

To allocate the Arbitrum incentives even more effectively we will distribute it across 4 different categories: Ecosystem Builders, Integration Partners, Core Pairs, and Liquid Staking Derivatives.

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Ecosystem Builders

Camelot is home to many of Arbitrum's favourite protocols, and this category will distribute incentives to builders that are fully aligned with Camelot's approach to sustainable liquidity and long-term collaboration. As detailed in the 'Specifications' section below, Camelot is one of the most effective hubs to distribute incentives, due to the large and expansive network of long-term partners.

Integration Partners

By providing incentives to partners that are building on top of Camelot's infrastructure, we are diversifying the use of incentives to fuel even further innovation and growth that benefits all partners and the broader ecosystem, whilst also deepening the underlying liquidity at the same time. These partners would include concentrated liquidity managers, leveraged yield protocols, lending markets, liquidity management dapps and more.

Core pairs

Whilst Camelot's primary focus is on the native Arbitrum builders, ensuring Camelot can offer deep liquidity for the most actively traded tokens like ETH and USDC is also important as the native DEX. With the number of protocols actively building on Camelot, deep liquidity for core pairs will be an important piece to ensure we have a strong foundation that can expand to longer-tail tokens too.

Liquid staked derivatives

Liquid staked derivatives are seeing rapid growth as they unlock significant liquidity on Ethereum whilst securing the network at the same time. The majority of LSD liquidity is currently on Ethereum, and we think it's an important catalyst for the broader Arbitrum ecosystem to support LSD adoption natively too. Deeper LSD liquidity will allow Arbitrum native builders to tap into a highly productive asset to build on top of, leading to further growth, utility, and products for the ecosystem.

Velodrome on Optimism as Precedent

While Arbitrum is a unique ecosystem which is difficult to compare to other networks, the effect of Optimism's grant to Velodrome in July of 2022 supports that a similar grant to Camelot could have a positive effect on the Arbitrum ecosystem. Velodrome received a 3M OP grant from the Optimism Foundation in July of 2022 that was meant to last 4-5 months. As seen in the visual below, Velodrome had around \$14M in TVL, generated around \$3.3k in weekly fees, and had \$2M in daily volume before the grant. In the last 3 months, Camelot has averaged over \$80M in TVL, \$450,000 in weekly fees, and \$18M in daily volume. While TVL and volume numbers can be skewed by low fee-generating mercenary TVL, fees paid are less biased, and Camelot has been earning over 100x more fees than Velodrome before incentives.

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Camelot has surpassed Velodrome by nearly every metric by using novel, long-term emission incentives. Thus, we're asking for 1.5M ARB per month vs Velodrome's 3M OP over 4-5 months. Because Camelot is currently in a much better position than pre-grant Velodrome, we expect that the ARB grant will increase liquidity depth on Camelot and the general ecosystem expansion even more, supercharging the network to a new level.

To provide additional perspective, the Arbitrum DAO treasury currently holds 3,527,046,084 ARB tokens. Assuming a hypothetical 10-year runway of treasury spending, this would be equivalent to 352m ARB tokens a year. Camelot's grant proposal for a total of 9m ARB tokens would therefore represent 2.56% of the annual budget, with the expectation of significant ecosystem growth and expansion.

Camelot TVL, Volume and Fees before ARB Grant

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Specifications

Camelot will distribute 1,500,000 ARB tokens per month as incentives across a broad range of Arbitrum liquidity pools and integrations. The distribution of these incentives will adhere to the Proposal Objectives, the proposal parameters, and the Transparency Report.

The transparency report will ensure that Camelot has clearly documented where every \$ARB token has been allocated, the relevant growth metrics achieved, and most importantly the progress for its broader Arbitrum objectives. You can see the objectives and parameters below and a template of the transparency report attached. This report will be provided at the latest 72 hrs before the following month's incentives are to be distributed.

Proposal Objectives

(As measured and tracked within the transparency report, attached below)

- To grow the liquidity of Arbitrum builders, bringing new users into the ecosystem and directly supporting the growth of ecosystem protocols
- To use the incentives to bring new protocols into the Arbitrum ecosystem
- To support the launch of native builders and their liquidity requirements
- To advance the adoption of ARB as a base asset in liquidity pools
- To advance the adoption of ARB within integration partner strategies
- To provide marketing and community support to the ecosystem builders included in the incentive programme

Proposal Parameters

(As measured and tracked within the transparency report, attached below)

- Incentives will be distributed to a minimum of 30 partner pools, as documented in the transparency report. Any new pool or integration needs to be clearly documented beforehand in the transparency report.
- No single pool or partner (excluding core \$ARB pools) can receive more than 5% of the total incentives (as measured over a 30-day period)
- No single pool or integration partner can receive more than 5% of its TVL in monthly incentives (as measured over a 30-day period)
- A pool must maintain a minimum trading volume of \$1,000,000 annualized to be valid to receive rewards (as measured over a 30-day period).
- A minimum of 33% of the total incentives will be used on liquidity pools with \$ARB as the base asset. On top of this

minimum, Camelot will provide bonus incentives to teams that actively transition their liquidity to ARB as a base asset too. This will be included and measured within the aforementioned transparency report.

- The partner integration section has now been merged into the “Ecosystem Builders” section, with the relevant parameters above being applicable.
- If at any point the Arbitrum community or DAO is not satisfied with the performance or delivery, they can move forward with a governance vote to end the grant early.

Camelot will distribute the incentives across the following categories and pools detailed below. The distribution across these various pools will adhere to the Proposal Objectives and parameters, please reference the transparency report for a more in-depth breakdown:

[TRANSPARENCY REPORT](#)

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- Ecosystem Builders 75%
- Liquidity incentives for partner pools such as Vela, Pendle, Plutus, Jones and a diverse range of Arbitrum protocols. This will include integration partners that build on top of Camelot liquidity pools, such as Gamma and DeFi Edge, following the same parameters and guidelines shared above.
- The transparency report contains a broader breakdown of the ecosystem pools that this will be focused on. In addition, these incentives will be used to encourage the adoption of ARB as a base asset for ecosystem protocol liquidity pools.
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- The transparency report contains a broader breakdown of the ecosystem pools that this will be focused on. In addition, these incentives will be used to encourage the adoption of ARB as a base asset for ecosystem protocol liquidity pools.
- Core Pairs 15%
- These represent the core liquidity pools such as ARB/ETH, ETH/USDC, and USDC/USDC. Further examples are included in the transparency report.
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- Liquid Staking Derivatives 10%
- Focusing on a diverse range of LSDs, most of which have little liquidity on Arbitrum. This will therefore target protocols such as unshETH, Lido, Rocket Pool, Swell, Stafi and more.
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Camelot will utilize its Nitro Pools technology to release the granted ARB in combination with \$GRAIL and \$xGRAIL emissions to liquidity providers. Nitro Pools are custom-built permissionless solutions to distribute incentives to any liquidity pool, with the ability to add custom requirements also. Along with the rest of the protocol, Nitro Pools have been audited by Paladin, and used by Camelot and numerous partners over the previous 8 months.

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Steps to Implement

Camelot will receive 1,5000,000 monthly over a period of 6 months, for a total of 9m ARB. In order to most transparently receive the tokens requested, Camelot will use a new multisig that will have several ecosystem players from other Arbitrum protocols. The makeup of this multisig, including the protocol affiliation(s) of each signer will be made public upon the creation of the multisig (before the proposal is moved to snapshot), and all changes to the makeup of the multisig will be announced in advance. This multisig will be governed by a multisig participation agreement wherein each signer will agree to use their signing authority only to further the interest of the wallet itself, using the ARB tokens to incentivise liquidity in approved nitro pools. By structuring the multi-sig with signers representative of the broader Arbitrum ecosystem, Camelot will ensure that the ARB tokens granted by the Arbitrum DAO will be leveraged to support new protocols, DAOs, and projects that are broadly value additive for Arbitrum.

Camelot currently has [2,189,094 ARB tokens](#) in its treasury, which it has used entirely for governance purposes. As an additional safeguard and sign of assurance, Camelot commits to placing its own ARB into the grant multisig for the duration of the 6 month proposal, therefore at any given time, Camelot will have “guaranteed” more ARB than it would receive from the Arbitrum DAO. Once the grant is over, Camelot will receive its own 2,189,094 ARB tokens back.

Once the ARB tokens have been distributed to the intended multisig wallet, Camelot will bear the full responsibility and workload to ensure the effective allocation of these tokens. Camelot will actively manage and continuously analyze the effectiveness of the incentives being used, following the aforementioned proposal objectives and parameters, and clearly documenting any changes or adjustments in the transparency report.

More information on the mechanics of Camelot's nitro pools is available [here](#). Once the ARB tokens have been distributed to the grant multisig, Camelot will then further distribute them to internal wallets where the tokens will be used as incentives for the pools and partner integrations mentioned above under 'Specifications'.

- Camelot will receive 1,500,000 ARB tokens per month for 6 months, which it will distribute in accordance to the proposal objectives and parameters.
- Camelot will detail how every ARB token is allocated and the progress towards the proposal objectives within the [transparency report](#).
- The transparency report will be shared no later than 72 hours before the next month's incentives are distributed.
- Camelot will hold a bi-weekly public community call to discuss the performance and progress of the grant and the transparency report in further detail.

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Timeline

Camelot will begin the grant distribution from the date this proposal is passed and the ARB is delivered until 6 months after. The 1.5M ARB will be distributed monthly to the relevant ecosystem multisig mentioned above, for a total of 6 months.

Once the grant is active, Camelot will provide the subsequent transparency reports no later than 72 hours before the next month's incentives are to be distributed. The transparency report will follow the template that is attached and will include all relevant information. Following the conclusion of the grant, Camelot will provide a comprehensive analysis of the performance of the grant and its impact.

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Overall Cost

1,500,000 ARB distributed monthly over 6 months, for a total of 9M ARB tokens.

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Proposal updated 7th July, [Proposal: Accelerating Arbitrum - leveraging Camelot as an ecosystem hub to support native builders - #163 by Camelot](#)