

SECTION 1: APPLICANT INFORMATION

Provide personal or organisational details, including the applicant's name, contact information, and the name of any associated organisation. This information ensures proper identification and communication throughout the grant process.

Applicant Name or Alias:

Luca

Project Name:

D2.Finance (formerly known as Dsquared.Finance)

Project Description:

D2.Finance captures the sophistication of a top-tier hedge fund through innovative vault architectures. Our project features a bespoke non-custodial smart contract vault, enabling user capital deposits during specifically timed funding epochs. These epochs are tactically aligned with the current opportunity landscape, setting us apart from the typical offerings in the DeFi vault sector that often rely on static strategies. This dynamic approach positions us to stay ahead, effectively navigating the markets where static strategies (what other DeFi vault protocols are currently offering) may become less effective over time.

This capital is then actively managed and traded by our adept D2 quant trading team, which boasts extensive experience in multiple top-tier hedge funds, including pag.com. Following each trading epoch, users can withdraw their USDC deposits along with the corresponding profit or loss.

Each of our options-based vaults employs a distinctive trading strategy, meticulously designed to take advantage of diverse market inefficiencies. This approach allows for exposure to varying levels of risk. Additionally, we're poised to offer customized solutions, such as a-la-carte beta (ETH exposure), coupled with absolute return strategies. This flexibility will be contingent on the prevailing opportunity set, ensuring adaptability and responsiveness to market conditions.

Our approach to quantitative signal generation leverages in-house machine learning and modeling expertise. These signals are then qualitatively refined by human traders, extracting optionality and exposure at a discount by capitalizing on the inelastic behaviors of options end-users (e.g., convenience yield, barriers to entry). This results in a hybrid model that amalgamates quantitative and qualitative inputs, providing a true Quant Hedge Fund experience on-chain.

Team Members and Qualifications:

D2.finance has no employees; it relies on stewardship of BWS Labs until relaunching as a DAO under MIDAO Dual Structure Governance when protocol will be valuable enough not to be easily attacked by "Risk-Free Value Raiders". BWS Labs may hire and/or engage key contributors according to their areas of expertise.

BWS Labs Team/ Contractors:

- Head of Trading- Luca (portfolio manager in volatility strategy for multiple Billions Dollar AUM Hedge Funds. Generated about 21M for investors during 5 years in solely managed strategies in TradFi)
- Growth - Frank (also Rodeo)
- Communications/Community - Vate (also Mithical)
- Solidity Contractors → BowTiedPickle / BowTiedOriole
- Security Contractor → BowTiedIguana (also Jpeg69) / Renzor
- Design Contractor → Edis (also Umami)
- FE Contractor → Greypixel (also Umami) / FarmerCarlton (also Rodeo)
- Socials → Pauline
- Graphics / Meme- > Simone

Project Links:

- Official landing page: <https://d2.finance/>
- Docs: [D2.Finance Overview - D2.Finance](#)
- Medium articles: [D2 – Medium](#)
- D-Squared Twitter: <https://twitter.com/Dsquaredfinance>

Contact Information:

TG

: @lucaBWS

([Telegram: Contact @lucaBWS](#)) and/or @HWxFrank

[Telegram: Contact @HWxFrank](#)

Twitter

: <https://twitter.com/Dsquaredfinance>

Email

: growth@d2.finance

SECTION 2: GRANT INFORMATION

Detail the requested grant size, provide an overview of the budget breakdown, specify the funding and contract addresses, and describe any matching funds if relevant.

Requested Grant Size:

100,000ARB

Grant Matching:

We will add the same amount on esDSQ in GMX/DSQ nitro pool (which allows 2 tokens as rewards)

Grant Breakdown:

D2 will utilize the grant incentives to attract liquidity into our managed vaults. The D2.finance vaults utilize these AUM for trading across Arbitrum protocols (with a large focus on GMX), which has a direct correlation between AUM and fees generated for integrated protocols. The primary benefit for GMX, beyond additional fees through notional trading volume, is that D2 implements trading strategies which take advantage of funding rate mismatches which has the effect of balance the funding rates.

Given that we particularly value our official partnerships with both GMX, we are looking to deploy the grant funds in a way that benefits them either directly into a GMX/DSQ pool or indirectly through trading of our Vaults.

We are very grateful to GMX for which we completed a token swap on December 10, 2022.

[\[Arbitrum Transaction Hash \(Txhash\) Details | Arbiscan\]](#)

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And where GMX team has been invested in our pre-seed rounds, and they are the top shareholder of the protocol (after recent reorganization)

*[Arbitrum Transaction Hash \(Txhash\) Details | Arbiscan](#)

Funding Address:

0xe7eb925300075E49fc5CAaD5d408A50Dd22f92D6

Funding Address Characteristics:

This is a multisig address requiring 3/5 signatures. The signing wallets are hardware-protected and controlled by BWS team and trusted members of Arbitrum ecosystem bluechip protocols. You can see the esGMX allocation from our token swap in the safe

Distribution Contract Address:

0x3d04FBeA4E8315846Dd8a65bdb2E477A357a81d7

Incentivised Contract Addresses:

ARB++ Vault

- [\[ARB++ \(ARB++\) Token Tracker | Arbiscan\]](#)

0xC5BAffD6D9B3755ea680E6c630c44A120154DC58)

ETH++ Vault

0xf04aecaacc79ef8fe27216a988398ac1ed87a864

0xf04aecaacc79ef8fe27216a988398ac1ed87a864)

GLP++

0xbE68C8b9FcE054FedcF605b5c0F2c373505F407A

0xbE68C8b9FcE054FedcF605b5c0F2c373505F407A)

USDC++ Vault

0x4d823951a8B3a614667e9cabf6948d7D0e73911D | Arbiscan]

GM vault (formerly known as G-apex)

0x1f1fC659E69318a5F3AAB5D69AaAd9C9A6245C9a)

Vault addresses may change upon redeployment

SECTION 3: GRANT OBJECTIVES AND EXECUTION

Clearly outline the primary objectives of the project and the Key Performance Indicators (KPIs) used to measure success. This helps reviewers understand what the project aims to achieve and how progress will be assessed.

Objectives:

The primary goals of the grant would be focused on development integration and incentivizing users to utilize our protocol.

Development: A portion of the grant will be utilized to implement GMX V2 features for limit orders, swaps, leverage positions and GM pool liquidity supply. This is the core integration required to give our traders access to utilize our AUM for trading with GMX V2

Incentivization: Coupled with the integration, the major portion of the grant will be utilized to incentive users to deposit liquidity. By incentivizing liquidity in the vaults, we can drive more trading volume and, in turn, will increase the fees generated by our vaults, which will help us sustain our operations and continue to innovate.

Key Performance Indicators (KPIs):

We will measure the success of this grant using the following KPIs:

- Total value locked (TVL) in our vaults growing steadily toward the 10M scalability goal
- Number of users of our vaults with more than 10k USDC allocations
- Fees generated by our vaults in relation to TVL and performance
- Fees and Volumes generated for GMX

We expect significant growth in all these metrics due to this grant.

Tracking TVL growth is crucial, as it directly correlates with the protocol's success. Higher TVL translates into increased fees and reflects growing user trust and confidence in our protocol. This will be beneficial not only for our protocol but also for GMX, as it will drive higher liquidity and trading volume for them.

How will receiving a grant enable you to foster growth or innovation within the GMX ecosystem?

:

Receiving this grant will enable us to foster growth within the GMX ecosystem in 2 key areas:

1. Attracting liquidity into the actively managed trading vaults
2. greater volume in the trading vaults equates to more active trading volume/fees across the underlying protocols
3. By showing growth and proof of concept, ART, our sister protocol tailored at institutions, will have measurable back data to help onboard significant institutional funds for trading within the GMX ecosystem via the D2 quant trading vaults.

Justification for the size of the grant

: [Enter explanation]:

A 4% boost ($\frac{4}{5}$ of the grant) to create a performance floor can go a long way, especially under these market conditions to attract users.

D2.finance / BWS Lab's hybrid model leverages the specialist skills of a world-class team with a provable P&L from years of profitable trading in TradFi. Head of Trading, Luca, brings his unique investment philosophy, process, and approach to risk-managed volatility trading. Each vault at D2.finance combines tailored quantitative signals with the expertise of direct, real-time human judgment, all while leveraging the operational infrastructure and technical integrations made possible by DeFi protocols on Arbitrum.

V0 Notional performance:

With TVL driven by internal funds (v0 vaults ranged from 2000 to 20000 USDC) D2 vaults have been able to create already over 1 Million USD+ in notional volumes across the Arbitrum ecosystem (see EOA wallets above)

Example:

- The first epoch of the ETH++ Vault generated 300k of volumes in GMX alone:

[<https://dune.com/queries/1924216/3173218>

](<https://dune.com/queries/1924216/3173218>)

- ETH++ Vault generated $\approx 3.6\%$ fees of AUM in GMX in 1-2 months epoch, $\approx 20\%$ if annualized.

If you extrapolate these figures based on TVL growth, the impact to GMX becomes impactful.

****Execution Strategy:**

Vault Incentives (3/5 of grant) will be distributed gradually based on the performance of the quant trading vaults, and distribution will be ramped up based on successful KPIs

DSQ/GMX V2 Liquidity Pair (1/5 of grant) will be distributed proportionally over a 3 month period to the Vault Incentives in order to accommodate the expected need for DSQ liquidity

Integration (1/5 of grant) will be utilized to fund a developer to create the GMX V2 smart contract integrations

A conservative estimate is that if our Vaults achieve 10M TVL / AUM we will generate north of 1M dollars of fees in the ecosystem annually.

Grant Timeline:

Initial grant deposit upon approval (1/5)

The remaining funds to be distributed as incentives will be streamed linearly over the 3-month grant program duration.

This funding structure ensures that resources are allocated efficiently and in line with the protocol's performance. It also incentivizes us to achieve sustained growth and success by linking the release of funds to specific, quantifiable milestones.

Fund Streaming:

Yes

SECTION 4: PROTOCOL DETAILS

Provide details about the protocol requirements relevant to the grant. This information ensures that the applicant is aligned with the technical specifications and commitments of the grant.

What date did you build on GMX?

:

Nov 21, 2022 (GMX V1)

- [Arbitrum Transaction Hash (Txhash)
0xc0bd66cbb12013d274cc514eb125dbb02770f896a7110f63a5d10d0139e23b3a)

Protocol Performance:

BWS Labs provided performance updates regarding the vault initially hosted on the legacy protocol of dsquared.finance.

Please note that past performance is not indicative of future results.

GLP++ 86% APR (5 epochs) <https://twitter.com/BondiWealthSec/status/1645687589637328896?s=20>

ARB++ 33% APR (1 epoch) <https://twitter.com/BondiWealthSec/status/1663034922611937281?s=20>

ETH++ 31% APR (1 epoch) <https://twitter.com/BondiWealthSec/status/1630469337453821952?s=20>

Protocol Roadmap:

- Currently Private Fund ETH++ Vault trading
- Dec 2023 - Open ETH++ Vaults for public deposit
- V3 vault cross chain deposit and additional partner integrations to facilitate seamless liquidity from other chains and additional tools for trading and leveraging GMX.

In the spirit of stress-testing our security, we will invite hackers to attempt to breach our system, and if successful, they will be rewarded with 100% of the hack, similar to the approach taken by Yearn Finance in the past.

With a successful phased rollout of the vaults (on-going), we will accept funds into the vaults for active quant trading.

Audit History (if any):

Paladin Sec Audit: [D2 Audit - Paladin](#)

SECTION 5: Data and Reporting

Provide details on how your team is equipped to provide data and reporting on the grant distribution.

Is your team prepared to create Dune Spells and/or Dashboards for your incentive program?:

Yes, our team will create a Dune dashboard to report incentive program data and key KPI indicators. We have created a Dune dashboard to report the DSQ token sale details and will implement it similarly.

Does your team agree to provide bi-weekly program updates on the GMX Forum thread?:

We agree to provide bi-weekly updates on the GMX Forum thread, including the use of the Dune dashboard as a key reporting metric. We are committed to transparent communication of the KPI status and progress of grant incentives. We have committed to weekly updates on our discord to maintain transparency and accountability to our community.

Does your team acknowledge that failure to comply with any of the above requests can result in the halting of the program's funding stream?: YES