Project name

: MUX Protocol

Author name and contact info

(please provide a reliable point of contact for the project):

Jean - Head of Marketing TG: @Jean_MUX

Discord: JeanM#3365 Jayden - Head of Communication TG: @mcb_jay

Discord: JClan#3025

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

: Yes

I understand that I will be expected to following the public grant reporting requirements outlined here

: Yes

L2 recipient address

: 0x7C8126ef43c09C22bf0CcdF7426180e6c48068A5

Which Voting Cycle are you applying for?

: Season 3, Cycle 10

Which sub-committee should review your proposal? (Builders Grants, Growth Experiment Grants)

: Growth Experiment Grants

Project description

(please explain how your project works): The MUX Protocol Suite is a complex of protocols with features that will offer optimized trading cost, deep liquidity, a wide range of leverage options and diverse market options for traders. MUX's goal is to become the all-in-one platform for on-chain leveraged trading

Key components in the MUX Protocol Suite:

MUX Leveraged Trading Protocol - A decentralized leveraged trading protocol that offers zero price impact trading, up to 100x leverage, no counterparty risks for traders and an optimized on-chain trading experience. Traders will trade against the MUX native pool (MUXLP pool) on the Leveraged Trading Protocol.

MUX Leveraged Trading Aggregator - A sub-protocol in the MUX protocol suite that automatically selects the most suitable liquidity route and minimizes the composite cost for traders while meeting the needs of opening positions. The aggregator can also supply additional margin for traders to raise the leverage up to 100x on aggregated underlying protocols and can optimize liquidation prices.

Website

: https://mux.network/

Twitter

: https://twitter.com/muxprotocol

Discord/Discourse/Community:

MUX Protocol

Other relevant links

(including any demos): Telegram: Contact @muxprotocol

Additional team member info

(please link): Head of marketing - Jean - https://twitter.com/0x_jeanm, Head of Product - Dumbird - https://twitter.com/realdumbird, Head of Communication - Jayden - https://twitter.com/jclan0x

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

: No applicable

Relevant usage metrics

(TVL, transactions, volume, unique addresses, etc. Optimism metrics preferred; please link to public sources such as Dune Analytics, etc.): Metrics as of Feb 1st, 2023

Total trading volume: $2,276,742,603

Total unique addresses: 5,823

Total protocol income: $2,330,926

Total transactions: ~ 200,000

TVL - MUXLP pool: $11,300,066

You can see an overview of MUX protocol metrics from the following public sources

MUX stats page - Metabase

Token Terminal - MUX (MCB) - Key metrics | Dashboard | Token Terminal

DefiLlama - MUX Protocol: TVL and Stats - DefiLlama

Competitors, peers, or similar projects

(please link): GMX

Gains Network

Mycelium

Cap Finance

Is/will this project be open sourced?:

Yes

Optimism native?

: No

Date of deployment/expected deployment on Optimism

: 2/15/2023

What is the problem statement this proposal hopes to solve for the Optimism ecosystem?:

In DeFi space, on-chain leverage trading has always been a popular track with tons of players, especially now. However, as the protocols proliferate at a rapid pace, obstacles start to appear along the way: 1. The liquidity is scattered on different protocols, leading to liquidity underutilization. 2. While the liquidity is fragmented on different chains, there isn't a native approach to utilize the cross-chain liquidity. 3. The differences between pricing mechanisms and margin parameters on each protocol are vast; traders can't easily access the optimal pricing and trading experiences. In the Optimistic ecosystem, there is a lack of seamless user experiences of leveraged trading and enough liquidity for leveraged traders.

How does your proposal offer a value proposition solving the above problem?

: MUX protocol has just launched the first ever leveraged trading aggregator, which acts as the all-in-one entrance for leveraged trading with best-in-class trading experiences. Currently, MUX has integrated with GMX and has a MUX native pool. Traders can save the hassle of figuring out which protocol to choose, which chains to move assets to by using MUX one stop access for leveraged trading. MUX aggregator provides the smart liquidity routes to the protocol with optimized trading cost. Besides, MUX also enables leverage booster with which, for example, traders can trade on GMX and other upcoming protocols with up to 100x leverage.

With all those features combined, we have gained sustainable growth since launch in the past two months.

Why will this solution be a source of growth for the Optimism ecosystem?

: With these solutions of on-chain leveraged trading, MUX will attract a constant flow of traders towards Optimism. Leveraged trading can generate huge trading volume as well as users adoption since it's one of the most widely adopted ways of trading. With both of the smooth trading experiences and the unified liquidity, MUX protocol will be able to grow to be one the key players in the DeFi leveraged trading space.

Moving forward, we are integrating with more protocols to diversify markets and liquidity sources. So traders can stay in the Optimism ecosystem to enjoy liquidity and markets among all chains MUX integrated.

Has your project previously applied for an OP grant?

: No

Number of OP tokens requested

: 500,000

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

: No

If OP tokens were requested from the Foundation Partner Fund, what was the amount?

: Not applicable

How much will your project match in co-incentives?

(not required but recommended, when applicable): Not applicable

How will the OP tokens be distributed?

(please include % allocated to different initiatives such as user rewards/marketing/liquidity mining. Please also include a justification as to why each of these initiatives align with the problem statement this proposal is solving.): We propose that the distribution of OP token is divided into two segments: 1) as liquidity funds, 2) as a trading incentive.

Liquidity Funds

We propose that 30 (150k OP tokens) will be added in the MUX Pool as Protocol Owned Liquidity (POL). Instead of using funds as traditional liquidity incentive, we will directly put these OP token into our MUXLP pool on Optimism, which brings several positive effects:

These OP funds will significantly improve the initial liquidity of MUXLP pool, which further improves the trading experiences on Optimism.With our universal liquidity and MUX aggregator, traders will enjoy deep liquidity and smooth trading experiences. The volume generated by users will further improve the MUXLP revenue, raise LP APY and attract more users to provide liquidity on MUX LP pool.This positive loop is more sustainable than purely liquidity mining incentive.

The OP token will not be paper handed, which decrease the inflation pressure of OP.

1. Trading Incentive

The other 70% (350k OP tokens) will be used as trading incentives. Currently, the trading fee on MUX protocol is 0.08% and no leverage booster fee is charged. The fee model is very competitive in the DEFI space.

The OP will be used as trading incentives and the mechanism in which we will distribute the rewards can be found below:

Traders will receive 20% of their trading fee as rebate. The rebate will be calculated based on the trading fee that users paid. The distribution time will depend on the trading volume as well as price of OP. But we are targeting around 6 months.

For example,

If the average daily trading volume of the first month is $15M, the trading fee in total will be $8000, then the first month consumption of OP will be 36,000 (assuming the price of OP is at $2.0).

The trading incentive will be a strong factor to maximize traders on Optimism since MUX protocol on Optimism will be the cheapest among all chains and traders are cost sensitive.

Over what period of time will the tokens be distributed for each initiative?

Shorter timelines are preferable to longer timelines. Shorter timelines (on the order of weeks) allow teams to quickly demonstrate achievement of milestones, better facilitating additional grants via subsequent proposals: For the liquidity Funds initiative, it will stay in the protocol owned liquidity permanently, except that the governance makes decisions to change it.

MUX aggregator has only been live for no more than two months and has achieved $10M of daily trading volume. On optimism network, we are setting these targets which we believe are very achievable with our current traction:

1st month: $5M / day

2nd month: $10M / day

3-6 month: $20M / day

Please clearly define the milestones you expect to achieve in order to receive milestone based installments. Please consider how each milestone relates to incentivizing sustainable usage and liquidity on Optimism. Progress towards each milestone must be trackable:

Combined the two distribution plan, the launch of MUX protocol on Optimism will form the model of a sustainable positive loop - increase of trading volume and liquidity organically in the long term.

TVL is targeted at $10M

Trading volume:

1st month: $5M / day

2nd month: $10M / day

3-6 month: $20M / day

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

: Both of the initiatives are designed in a way of sustainable growth.

The liquidity funds will stay in the MUXLP Pool for a long term to provide necessary liquidity.

The trading incentive is to motivate traders to move to the OP ecosystem. As long as traders get used to the MUX User experiences / UI, they will tend to stay. In the longer term, The fee model, with the UX and low slippage, MUX is one of the best choices of leveraged trading in the DeFi space.

Please provide any additional information that will facilitate accountability

(smart contracts addresses relevant to the proposal, relevant organizational wallet addresses, etc.): Aggregator contracts: https://docs.mux.network/protocol/contracts/contracts-aggregator, MUX trading protocol contracts: MUX Leveraged Trading Protocol Contracts - MUX

Confirm you have read and agree to the Eligibility Restrictions

(here): I have read the Eligibility Restrictions and agree to abide by their conditions