

Project name:

MUX Protocol

Author name and contact info:

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

Yes

L2 recipient address:

0x7C8126ef43c09C22bf0CcdF7426180e6c48068A5

Which Voting Cycle are you applying for?:

Season 3, Cycle 10

Grant category:

DeFi

Is this proposal applicable to a specific committee?:

DeFi Committee

Project description:

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.

Project links:

- Website: <https://mux.network/>
- Twitter: [@muxprotocol](https://twitter.com/muxprotocol)

- Discord/Discourse/Community: [MUX Discord](#) [MUX Telegarm](#)
- Please include all other relevant links below: [Newsletter](#)

Additional team member info:

- [Head of marketing - Jean](#)
- [Head of Product - Dumbird](#)
- [Head of Communications - Jayden](#)

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

Not 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](#)
- [Token Terminal](#)
- [DefiLlama](#)

Competitors, peers, or similar projects:

- [GMX](#)
- [Gains Network](#)
- [Mycelium](#)
- [Cap Finance](#)

Is/will this project be open sourced?

Yes

Optimism native?:

No

Expected deployment on Optimism:

Feb 2023

Ecosystem Value Proposition

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.

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 of 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:

250,000

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

No

How much will your project match in co-incentives?:

Not applicable.

Proposal for token distribution:

How will the OP tokens be distributed?

We propose that the distribution of OP token is for trading incentive.

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 daily trading fee in total will be \$12,000, then the first month consumption of OP will be 24,000 (assuming the price of OP is at \$2.0).

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

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

2 - 3 month: \$10M / day

4-9 month: \$20M / day

The incentive will last till all of token is consumed based on the rules.

Please list the milestones/KPIs you expect to achieve for each initiative, considering how each relates to incentivizing sustainable usage and liquidity on Optimism. Please keep in mind that progress towards these milestones/KPIs should be trackable.

Combined the two distribution plan, the launch of MUX protocol on Optimism will form the model below:

[

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](<https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/6/6893039e48473b23747887cc751ae1395f6995a7.jpeg>)

Trading volume:

1st month: \$5M / day

2 - 3 month: \$10M / day

4 - 9month: \$20M / day

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

The incentive program is designed in a sustainable way.

The trading incentive is to motivate traders to move to the OP ecosystem. As long as traders get used to the MUX smooth UX, low fee and unified liquidity, they will tend to stay. And without the incentive, MUX protocol still provides competitive trading fees. The overall user experiences will keep the retention rate.

Please provide any additional information that will facilitate accountability

(smart contracts addresses relevant to the proposal, relevant organizational wallet addresses, etc.): Not applicable.

Confirm you have read and agree to the Eligibility Restrictions

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