

NOTE: We have withdrawn this proposal following notice of a Partnership Grant but left the thread open for feedback and archival purposes

Project Name:

Velodrome Finance

Authors Names:

Jack Anorak, Tao, Alex Cutler, Gabagool

Number of OP tokens requested:

3,000,000

L2 Recipient Address:

0xb074ec6c37659525EEf2Fb44478077901F878012

Relevant Usage Metrics:

[

Screen Shot 2022-07-01 at 17.24.09

584x612 71.1 KB

](https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/9/96136adaa73b8ecca0868e2ffe26fd954f8b736c.png)

As of July 1, 2022. For live metrics, please refer to our community dashboard at [Velodrome Finance](#).

Optimism alignment (up to 200 word explanation):

Velodrome's top priority is to provide a deep liquidity layer for low-slippage trades on Optimism. Based on a ve(3,3) design, Velodrome rewards behaviors correlated with the long-term success of the entire ecosystem:

- Liquidity providers (LPs) receive VELO emissions, following an emission schedule running in perpetuity
- VELO holders can vote-escrow their tokens in exchange for veVELO proportional to the tokens locked and time locked, up to 4 years
- veVELO holders control the flow of VELO emissions to liquidity pools through gauge voting
- In return, veVELO voters receive 100% of the trading fees and bribes captured by the token pairs they select, as well as an anti-dilutive veVELO rebase

This design offers a capital-efficient, sustainable mechanism for protocols on Optimism to attract and retain liquidity. Protocols holding veVELO can incentivize liquidity for their token pairs in perpetuity with minimal dilution while capturing trading fees, a significant upgrade to classic LP rewards. Success cases include MakerDAO, Synthetix, Liquity, Qi DAO, and Optimism itself; all of which retain significant liquidity for their tokens on Velodrome.

This design also simplifies the onramp for new projects joining Optimism and can therefore accelerate development on the ecosystem.

Proposal for token distribution (under 1000 words):

Since its June 1 launch, Velodrome has attracted \$15.5m+ TVL (>\$40m at peak) and positioned itself as a key protocol on the Optimism ecosystem.

Directing OP incentives to core protocol contributors such as active veVELO voters and strategic partners will add foundational strength to Velodrome's economy in these early days, giving us time to build out additional functionality critical to the protocol's success.

How will the OP tokens be distributed? How will this distribution incentivize usage and liquidity on Optimism?

Velodrome will allocate OP distribution to support a healthy economic equilibrium of protocol incentives and reward further development on top of its liquidity layer:

- 15% -

Long-Term Locking + Governance Incentive

- veVELO lockers are making a long-term bet on both Velodrome and the Optimism ecosystem during a moment of great uncertainty.
- Token locking supports the health of the ecosystem by a) reducing floating supply of VELO, thereby reducing volatility, and b) aligning incentives between the token holder base and the overall ecosystem, as veVELO holders have a shared interest in the long-term success of Velodrome and Optimism as a whole.
- Rewarding lockers with OP tokens could not only increase the health of the Velodrome economy but also give more governance power to the exact kind of deeply invested, long-term thinkers Optimism is looking to attract.
- Quantity:

450,000 OP

- Delivery:

Distributed to new veVELO lockers proportionally to locking balance

- KPI:

Exceeding and maintaining 65% VELO total supply locked

- Quantity:

450,000 OP

- Delivery:

Distributed to new veVELO lockers proportionally to locking balance

- KPI:

Exceeding and maintaining 65% VELO total supply locked

- veVELO lockers are making a long-term bet on both Velodrome and the Optimism ecosystem during a moment of great uncertainty.
- Token locking supports the health of the ecosystem by a) reducing floating supply of VELO, thereby reducing volatility, and b) aligning incentives between the token holder base and the overall ecosystem, as veVELO holders have a shared interest in the long-term success of Velodrome and Optimism as a whole.
- Rewarding lockers with OP tokens could not only increase the health of the Velodrome economy but also give more governance power to the exact kind of deeply invested, long-term thinkers Optimism is looking to attract.
- Quantity:

450,000 OP

- Delivery:

Distributed to new veVELO lockers proportionally to locking balance

- KPI:

Exceeding and maintaining 65% VELO total supply locked

- Quantity:

450,000 OP

- Delivery:

Distributed to new veVELO lockers proportionally to locking balance

- KPI:

Exceeding and maintaining 65% VELO total supply locked

- 45% - Flywheel incentives: liquidity, partner onboarding and OP trade routing
- In return for their active participation, veVELO voters receive the trading fees and bribes collected by the pairs they vote for. Bribes, therefore, are highly-capital efficient lever to attract liquidity to the pairs in the ecosystem that deserve it most, while effectively increasing the incentives for long-term participants (veVELO). Bribes act as a core balancing

mechanism and can serve as a liquidity catalyst for new players looking to enter the ecosystem. Experience in Velodrome and similar protocols, such as Curve-Convex-Votium, shows that bribes yield a 1.3-5x return in emission value per bribe. Maintaining a consistent bribe program for core ecosystem token pairs would allow Velodrome to attract and retain liquidity in a capital-efficient way.

- One of Velodrome's core objectives is to become the liquidity platform for new and existing projects looking to deploy on Optimism. A key aspect of Velodrome's initial distribution was the gifting of veNFTs to key "launch partners" both inside and outside the Optimism ecosystem. This resulted in the first ever L2 deployment for several protocols and tokens. The Velodrome Team retains control of additional veNFTs to be used as "grants" for future protocol partners looking to migrate to or build on OP. To continue incentivizing partners to join the Optimism ecosystem, Velodrome will offer bribing matching, veVELO voting boosts, and OP token pairing (providing liquidity)

for new partner tokens, using a portion of the OP grant, which would further strengthen OP's position as a central token for trade routing. As part of this program, Velodrome will seek to coordinate with other partners receiving OP grants to merge liquidity incentive efforts leveraging Velodrome's mechanics, increasing the sustainability of ecosystem incentives and reducing the potential price impact on OP

- Velodrome will also strategically pair OP with core tokens to establish OP as a central token for trade routing on the protocol, ensure deep permanent liquidity for OP
- Quantity:

1,950,000 OP

- Delivery:

Bribes strategically added to key pairs, OP paired with key partner tokens, offered as incentives to partner onboarding, match partner bribe incentives. Distributed at an average rate of 160,000 per month

- KPI:

High liquidity on targeted pairs (TVL), TVL / bribe value, Trading volume / bribe value, number of partners onboarded

- Quantity:

1,950,000 OP

- Delivery:

Bribes strategically added to key pairs, OP paired with key partner tokens, offered as incentives to partner onboarding, match partner bribe incentives. Distributed at an average rate of 160,000 per month

- KPI:

High liquidity on targeted pairs (TVL), TVL / bribe value, Trading volume / bribe value, number of partners onboarded

- In return for their active participation, veVELO voters receive the trading fees and bribes collected by the pairs they vote for. Bribes, therefore, are highly-capital efficient lever to attract liquidity to the pairs in the ecosystem that deserve it most, while effectively increasing the incentives for long-term participants (veVELO). Bribes act as a core balancing mechanism and can serve as a liquidity catalyst for new players looking to enter the ecosystem. Experience in Velodrome and similar protocols, such as Curve-Convex-Votium, shows that bribes yield a 1.3-5x return in emission value per bribe. Maintaining a consistent bribe program for core ecosystem token pairs would allow Velodrome to attract and retain liquidity in a capital-efficient way.
- One of Velodrome's core objectives is to become the liquidity platform for new and existing projects looking to deploy on Optimism. A key aspect of Velodrome's initial distribution was the gifting of veNFTs to key "launch partners" both inside and outside the Optimism ecosystem. This resulted in the first ever L2 deployment for several protocols and tokens. The Velodrome Team retains control of additional veNFTs to be used as "grants" for future protocol partners looking to migrate to or build on OP. To continue incentivizing partners to join the Optimism ecosystem, Velodrome will offer bribing matching, veVELO voting boosts, and OP token pairing (providing liquidity)

for new partner tokens, using a portion of the OP grant, which would further strengthen OP's position as a central token for trade routing. As part of this program, Velodrome will seek to coordinate with other partners receiving OP grants to merge liquidity incentive efforts leveraging Velodrome's mechanics, increasing the sustainability of ecosystem incentives and reducing the potential price impact on OP

- Velodrome will also strategically pair OP with core tokens to establish OP as a central token for trade routing on the protocol, ensure deep permanent liquidity for OP
- Quantity:

1,950,000 OP

- Delivery:

Bribes strategically added to key pairs, OP paired with key partner tokens, offered as incentives to partner onboarding, match partner bribe incentives. Distributed at an average rate of 160,000 per month

- KPI:

High liquidity on targeted pairs (TVL), TVL / bribe value, Trading volume / bribe value, number of partners onboarded

- Quantity:

1,950,000 OP

- Delivery:

Bribes strategically added to key pairs, OP paired with key partner tokens, offered as incentives to partner onboarding, match partner bribe incentives. Distributed at an average rate of 160,000 per month

- KPI:

High liquidity on targeted pairs (TVL), TVL / bribe value, Trading volume / bribe value, number of partners onboarded

- 20% - Builder Incentives
- Distributed to protocols that integrate Velodrome's liquidity layer into their dApps
- Quantity

: 600,000 OP

- Delivery:

Co-incentives positioned on partner protocols

- KPI:

TVL, transaction volume, transaction count attracted through partner dApps

- Quantity

: 600,000 OP

- Delivery:

Co-incentives positioned on partner protocols

- KPI:

TVL, transaction volume, transaction count attracted through partner dApps

- Distributed to protocols that integrate Velodrome's liquidity layer into their dApps
- Quantity

: 600,000 OP

- Delivery:

Co-incentives positioned on partner protocols

- KPI:

TVL, transaction volume, transaction count attracted through partner dApps

- Quantity

: 600,000 OP

- Delivery:

Co-incentives positioned on partner protocols

- KPI:

TVL, transaction volume, transaction count attracted through partner dApps

- 20% - Building and Auditing Relay

- [Relay](#) is a proposed addition to Velodrome that will be a first-of-its kind vote delegation and autocompounding feature that is directly built into Velodrome
- i.e., not administered by a separate protocol with fee cuts, separate governance, and so on.
- Relay is a crucial part of the Velodrome ecosystem, one that on the one hand allows votelockers to enjoy passively optimized, compounded yield, and on the other hand provides the Optimism Collective more power to direct liquidity for the benefit of the greater community.
- How? By combining delegation to a strict profit-maximizing strategy, which would vote for pools offering the greatest potential for fee and bribe revenue, with pool incentivization from OP grants and bribes (e.g., the flywheel incentives

mentioned above), we can help direct delegated votes to the most socially beneficial pools, while offering the best yield available to veVELO lockers.

- While our work since our launch one month ago has for the most part been (and will continue to be) the continual improvement of our existing functionality as well as UI, QoL measures, and integrations, we see an urgent need to get Relay online; this offering would dramatically increase our value proposition to existing and new partner protocols. Unlike many of our peers on Optimism, we have never raised outside capital, instead bootstrapping ourselves off fees and grants after being invited by OP Labs to build on Optimism. This means we've been building on a shoestring.
- This grant would enable us to reach out to the community to attract more builder and auditing resources. We've already identified some people and orgs who can help - it's just a matter of making sure they can link up well with us. Because this is new, we want it done right and quickly.

- Quantity:

600,000 OP

- Delivery:

Relay spec'd, built, and deployed as broadly defined in the post linked above, or built to specs revealed to be better for proper ecosystem functioning

- KPI:

Relay successfully deployed and audited to the highest standard

- Quantity:

600,000 OP

- Delivery:

Relay spec'd, built, and deployed as broadly defined in the post linked above, or built to specs revealed to be better for proper ecosystem functioning

- KPI:

Relay successfully deployed and audited to the highest standard

- [Relay](#) is a proposed addition to Velodrome that will be a first-of-its kind vote delegation and autocompounding feature that is directly built into Velodrome
- i.e., not administered by a separate protocol with fee cuts, separate governance, and so on.
- Relay is a crucial part of the Velodrome ecosystem, one that on the one hand allows votelockers to enjoy passively optimized, compounded yield, and on the other hand provides the Optimism Collective more power to direct liquidity for the benefit of the greater community.
- How? By combining delegation to a strict profit-maximizing strategy, which would vote for pools offering the greatest potential for fee and bribe revenue, with pool incentivization from OP grants and bribes (e.g., the flywheel incentives

mentioned above), we can help direct delegated votes to the most socially beneficial pools, while offering the best yield available to veVELO lockers.

- While our work since our launch one month ago has for the most part been (and will continue to be) the continual improvement of our existing functionality as well as UI, QoL measures, and integrations, we see an urgent need to get Relay online; this offering would dramatically increase our value proposition to existing and new partner protocols. Unlike many of our peers on Optimism, we have never raised outside capital, instead bootstrapping ourselves off fees and grants after being invited by OP Labs to build on Optimism. This means we've been building on a shoestring.

- This grant would enable us to reach out to the community to attract more builder and auditing resources. We've already identified some people and orgs who can help - it's just a matter of making sure they can link up well with us. Because this is new, we want it done right and quickly.

- Quantity:

600,000 OP

- Delivery:

Relay spec'd, built, and deployed as broadly defined in the post linked above, or built to specs revealed to be better for proper ecosystem functioning

- KPI:

Relay successfully deployed and audited to the highest standard

- Quantity:

600,000 OP

- Delivery:

Relay spec'd, built, and deployed as broadly defined in the post linked above, or built to specs revealed to be better for proper ecosystem functioning

- KPI:

Relay successfully deployed and audited to the highest standard

Initiative

Allocation

Locking Incentives

450,000

Flywheel Incentives

1,350,000

Builder Incentives

600,000

Relay Building and Auditing

600,000

Total

3,000,000

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

Velodrome's LP emissions are designed to run in perpetuity, following a sustainable and predictable schedule (see our docs for details). As a result, liquidity incentives will always be a key protocol feature.

The incentive program outlined above will significantly boost the value of accumulating VELO and vote-locking into veVELO, supporting the health of the Velodrome economy while the natural tailwinds of Optimism's growth accelerate. Once OP incentives end, protocols and retail players alike will hold a long-term veVELO position that will allow them to further direct VELO liquidity incentives, while sharing the upside of Velodrome's and Optimism's success.

Over what period of time will the tokens be distributed?

12 months

How much will your project match in co-incentives?

The VelodromeFi incentive model is designed in such a way that each of these actions will be reinforced and complemented with additional VELO incentives. In the case of the locking incentives, veVELO holders will receive a higher rebase (veVELO balance growth) every epoch, proportional to the share of total VELO supply that is locked (veVELO.supply /

total.VELO.supply). Likewise, flywheel incentives such as bribes will attract an outsized share of VELO emissions to targeted pools, allowing liquidity providers to capture the increased emissions and creating a virtuous cycle of rewards for each \$OP committed as part of this strategy.