

Project name:

Zealous Zombie Finance

Author:

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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:

0x93b98D979888151fE90b176E5E53b61144473C1b

Which Voting Cycle are you applying for?:

Governance Fund Phase 1, Cycle 7

Grant category:

DeFi

Is this proposal applicable to a specific committee?:

DeFi Committee

Is/will this project be open sourced?

Yes

Optimism native?:

Yes

Expected deployment on Optimism:

20 October 2022

Relevant usage metrics:

NA

Project links:

Website: <https://zz.finance/> (Testnet)

[Telegram: Contact @ZZFGroup](#)

Twitter: <https://twitter.com/ZZFinance/>

Discord: [Discord](#)

Gitbook: <https://docs.zz.finance/>

Project description:

ZZ Finance aims to build the most complete and synergistic ecosphere on Optimism. The three core pieces of our ecosystem that we will be launching shortly are the ZZ Exchange, Genesis Zed NFT and ZZ Optimizer.

ZZ Exchange

focuses on providing a deep liquidity layer while maximizing capital efficiency to enable route-optimized and low-slippage trades for traders. ZZ Finance aims to be a platform of passive revenue, where farmers can safely deposit their assets to generate high yet sustainable idle income on Optimism.

ZZ Optimizer

aims to secure the deep liquidity layer we attained by incentivizing investors to further lock up their assets in ZZ Finance to

achieve our long-term vision as a community.

ZZ Finance will also be launching our own Genesis Zed NFT

with real utilities as part of our effort to promote common identity and positive consensus within the community.

Ecosystem Value Proposition:

Project owners often find themselves in a dilemma between offering high returns to attract investors and generating sustainable yield to curb inflation of their native token. Many DeFi projects that offered passive income have failed, others succumbed to 'mercenary farming'. These 'mercenary farmers' were at one point like you and I, humble farmers that invested and genuinely believed in certain projects but instead got burned badly. Some hate 'mercenary farmers', but we understand what individuals must do to be responsible for their own assets.

The major problems

when a protocol offers their native token as reward to back up the high yield are:

1. These tokens often have no intrinsic value and are not backed by the protocol's revenue.
2. Investors had no incentives to reinvest, ultimately resulting in a farm and dump cycle.
3. The lack of demand for these high-yield reward tokens quickly led to sell off, price depreciation and uncontrolled token inflation.

Breaking the loop of farm and dump

- ZZ Finance aims to solve the issue of real sustainable yield & liquidity, thereby giving our investors reasons to reinvest and stay long-term:
- Liquidity providers (LP) will share our trading revenue (0.17%), distributed proportionately based on their share in our pool.
- Liquidity providers (LP) will receive ZZF reward emission, following a deflationary emission schedule.
- ZZ Optimizer's vest & forfeit mechanism which incentivize lock up and reinvestment.
- veZZF holders hold the governance right to adjust ZZF reward distribution to the liquidity pools through voting.
- veZZF holders enjoy an increase up to 100% of trading revenue (0.25%), trading rebates, protocol fees, and increased farming boosts based on the amount locked.
- In preparation to form strategic partnership with other projects to further boost ZZF utility and adoption of ZZ Finance.

Our design offers a capital-efficient and sustainable model of operation for our protocol and investors, to attract and retain liquidity. In our vision, we seek to achieve strong consensus within our community, built around a circular economy model that seeks to maximize value and promote sustainability.

Number of OP tokens requested:

300,000

Proposal for token distribution:

1. Gas & Trade Rebates (30%)

30% (90,000) of our OP allocation will be distributed as gas fee & trade rebates to traders on ZZ Finance. This initiative serves to incentivise traders and encourage trades by partially returning their transactions. The size of the rebate will scale with the amount of veZZF token held by the users. The rebate distributed will be a percentage of the traded amount, and will be fractionalized into OP and our native token ZZF in a predetermined ratio based on trade size. Since the rebate will be a percentage of the traded amount, spamming numerous small transactions will not grant you free tokens.

1. Liquidity & Governance Incentives (30%)

30% (90,000) of our OP allocation will be used to incentivize liquidity & governance participation for long-term holders. Soft-locking assets and rewards in our vault and locking ZZF in exchange for veZZF supports the health of our protocol by reducing circulating supply, increasing demand and achieving a closed-loop circular economy within the ecosphere. This will thereby result in a reduction in volatility and a positive scaling of ZZF price that benefits the entire ecosphere. In short, these OP tokens will be distributed as boosted rewards for long-term investors that participate in our visionized close-loop circular economy model.

1. Referral Program (10%)

10% (30,000) of our OP allocation will be distributed as rewards to users that contribute to the growth of ZZ Finance and Optimism via our referral program. When a user successfully invites other users into Optimism and our platform, both users will enjoy a boosted farming reward of up to 2.5% in the form of OP and ZZF coming from our treasury.

1. Marketing (10%)

10% (30,000) of our OP allocation will be used for marketing campaigns targeted to boost user volume on Optimism, and on ZZ Finance. These include task reward, content creation, marketing programs and promotion by key opinion leaders.

1. Security & Maintenance (20%)

20% (60,000) of our OP allocation will be used for security services, in terms of audits for our smart contracts and maintenance of protocol security. 20% (60,000 OP) would roughly be converted into 50,000-60,000 USDC, which will be used for future audits and on-chain monitoring services of our protocol. From the quotations we've gotten thus far, that would last us for about 3-4 audits/services.

We notice there has been confusion about our Development & Maintenance

allocation, it seems that it is often assumed as team allocation. To clear doubts, when we said development, we are referring to the audit and security services for our future smart contract and protocol that we will be deploying (We view audits & security services as part of the development process). We have amended this section to Security & Maintenance

and added more details to prevent future confusion.

Thanks to [theenlightened](#) & [jackanorak](#) for pointing this out.

Over what period of time will the tokens be distributed?

6 months, subjected to the operation of the protocol. If we experience high adoption and demand of our protocol (e.g. high trade volume), the distribution period will be greatly reduced. After we have exhausted the OP incentives, a portion of our treasury will be allocated to take over the incentive program.

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

Our community will be incentivized by our continuous ZZF Reward (80% of total supply), of which it will be partially supported by our treasury when OP incentives become exhausted. ZZ Finance is also in preparation to develop & collaborate with other projects to bring in more revenue for our community.

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

Auto-compounding Vault (ZZ Optimizer) will be launched shortly after the ZZ Exchange comes online. Emission in our farm will be largely redirected to ZZ Optimizer, whereby a vest and forfeit mechanism will be introduced. Users can choose to soft-lock their assets in our Vault, for up to 2 years to earn a scaling APR (ZZF + OP) much higher than our Farms. Unlike other protocols whereby their assets become completely inaccessible when locked, ZZ Finance offers flexibility to withdraw their soft-locked assets anytime. When a user decides to withdraw his/her asset prematurely, 70% of the forfeited rewards will be redistributed to the remaining stakers of that pool (DAO 30%). The percentage reward forfeited will scale inversely with the time of maturity (Earlier withdrawal = More reward forfeited).

ZZF reward emissions are programmed to run in a deflationary and sustainable manner, meaning its supply growth will be reduced overtime. Our veZZF coming up thereafter, outlined above will lock up even more ZZF, boosting the value of ZZF and the health of our protocol.