

Project Name:

BarnBridge

Author Name:

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Optimism Native:

Yes

Number of OP tokens requested:

500,000 OP

Timeline for distribution:

6 - 12 months

L2 Recipient Address:

0xC60BeE6eACDB4dFA9a616AE7cb3872de2b02cb52

Grant Category:

DeFi

Relevant Usage Metrics: (TVL, transactions, volume, unique addresses, etc.)

- 10k BOND holders
- 1,000 DAO members
- \$15M in TVL across the BarnBridge protocol

Optimism alignment

(up to 200 word explanation):

- BarnBridge deployed its Smart Alpha product on Optimism in October 2021. Since then, Smart Alpha has had about \$30m in volume across all networks and Optimism was among the first L2 networks we launched on. In August 2022, the BarnBridge DAO voted to move governance to Optimism and will deploy Barnbridge v2 on Optimism. . We believe Optimism will drastically reduce friction associated with using Smart Yield v2 and enable a far wider range of our users to participate in governance (i.e., vote on proposals at far cheaper gas prices). Currently there is no place on Optimism where users can lock in a fixed interest rate on their deposited funds. We believe providing this to the Optimism ecosystem is important especially during a period when rates are fluctuating significantly due to the various rewards being emitted throughout the ecosystem. Additionally our DAO recently approved partnering with Velodrome to establish deep liquidity for the BOND token on Optimism. Finally, we have a close relationship with the Synthetix ecosystem and have had early discussions around closer collaboration and opportunities for integrations on Optimism.

Proposal for token distribution:

Distribute OP tokens to BarnBridge Council Multisig to help grow BarnBridge and Optimism.

Rationale:

BarnBridge v2 Incentives

BarnBridge was one of the first major fixed income providers in decentralized finance and grew to a protocol that at one time held over \$600m in TVL. In 2021 our DAO determined yields propped up by significant reward emissions was unsustainable so we ended our incentivized yield program which resulted in a significant reduction in TVL. We have spent the past year completely rebuilding our entire system in a way that prioritizes sustainability and is one of the first protocols to offer what is now coming to be called “real rates”.

Since our first proposal, we have shown our commitment to the ecosystem by moving our DAO to Optimism, launching BarnBridge v2 on Optimism, and integrating it with Aave v3, making our protocol the only place where users can lock in a fixed rate of return for sUSD (or any stablecoin) deposits.

Velodrome LP

As a part of our DAO’s final vote on Ethereum mainnet, we approved moving the large majority of our liquidity on Ethereum mainnet to Optimism. To accomplish this, we are working with Velodrome to incentivize a BOND/ETH liquidity pool which we

expect to be the highest APR available for BOND deposits anywhere.

Builder Rewards

BarnBridge has created a council that can allocate this 10% of incentives to compensate builders who help us build more integrations into protocols on Optimism.

BarnBridge V2 can sustainably turn ANY fixed rate into a variable rate so one of our biggest limitations is developer time.

We are already working on a Velodrome AMM integration for a fixed rate of return to pair with our AAVE offering. We want to invite other builders to help us build integrations into more Optimism protocols.

How will the OP tokens be distributed?

500,000 OP tokens:

80% to Barnbridge v2 (Fixed rates on Optimism)

10% to the Velodrome LP

10% to Builders Rewards

How will this distribution incentivize usage and liquidity on Optimism?

While Luna/Terra can be seen as a ponzi & disaster at this point, we should at least address that fixed income deposits were what drove many users to test the bridge, bridge funds, and deposit into the Terra/Luna ecosystem. We believe there is product market fit for fixed rates in DeFi and we spent the last year building a mechanism that provides sustainable yield. We released this in August and call it BarnBridge V2.

You can read more about BarnBridge V2 here: [Link](#).

Unlike other less sustainable mechanisms, BarnBridge V2 aims to offer users "real yield" as we are only pushing forward already earned yield from the DAO deposits. Speaking from a strictly financial perspective, it's virtually impossible for users to lose funds unless AAVE was to become insolvent or BarnBridge V2 were to be hacked.

We believe our system to generate fixed rate returns paired with OP incentives will be a strong motivation for users to bridge their funds to Optimism and start using BarnBridge and the protocols we integrate with resulting in increased activity and liquidity on Optimism.

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.

BB v2: These are very conservative as we build out our application and diminishing smart contract risk is slowly priced in (increasing deposits).

\$1M in deposits in 1 month

\$3M in deposits after 2 months

\$10M in deposits after 6 months

Builder

Build BB v2 to integrate with Velodrome and another integration partner on Optimism by end of 6 month period

Velodrome LP

BOND/WETH liquidity on Velodrome to be at approximately \$1m in 6 months

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

We don't plan to juice our rewards to the same degree that other protocols have - something we believe was unsustainable and detrimental to the health of the overall ecosystem... BarnBridge V2 creates market driven rates, so we really should shy away from incentivizing much above what is "market driven." Users being expected to settle on staying for sustainable market driven rates is a pretty existential question for the industry. If they won't accept market driven rates, they are either unsustainable in the long run and will cause a crash in TVL at a point in the future OR are a result of the user taking on additional risk they may or may not know about.

Further, another point of stickiness around BarnBridge V2 is that they are fixed term deposits. This makes our liquidity inherently less inclined to a short term exodus and we can review with the Optimism community in real time while we explore how we view this long term.

If this is successful and it's bringing A TON of users and liquidity to Optimism, we want to be careful that we don't turn on the gas for incentives. The closer we keep the rewards to being a deviation above "market driven rates" the more sticky those users will be; therefore, we will be structuring our usage of OP rewards to optimize for that...

Over what period of time will the tokens be distributed?

Optimism Grants: 6 to 12 months depending on OP price (at current prices, these rewards would last closer to 12 months).

How much will your project match in co-incentives?

BarnBridge DAO acts as the LP in BarnBridge V2. This ensures we don't go downstream for risk by requiring us to "underwrite" the system and provide our own protocol owned liquidity to the pools. We then "earn" yield over the duration and push that forward in a clearing house auction allowing users to lock in a fixed rate of return for a set duration. Additionally we will be using BOND to incentivize our liquidity on Velodrome.