

Project Name:

dHEDGE DAO

Author Name:

Jake Richards

Number of OP tokens requested:

500,000 OP over 6 months

L2 Recipient Address:

0x352Fb838A3ae9b0ef2f0EBF24191AcAf4aB9EcEc

Relevant Usage Metrics:

- Optimism TVL:

\$1.84m (All TVL: Mainnet, Polygon, Optimism: \$10.38m)

- Total transactions:

5,491 since November 29, 2021

- Total transactions (last 40 days):

3,255 (averaging almost 100 tx/day)

- Unique addresses:

609

Optimism alignment

dHEDGE was one of the early projects that worked with the Optimism team to improve the dev experience, prior to the Regensis.

Since launching on Optimism over 6 months ago, dHEDGE has been rapidly increasing integrations with other Optimism protocols Aave, 1inch, Kwenta and Uniswap, in addition to launching our own incubated protocol Toros Finance on Optimism in April.

Toros Finance runs automated strategies on Optimism including the [Synthetix Debt Hedging](#) service, which quickly accrued over \$1m in TVL weeks after launching.

Our protocol vision is to build a future where everyone has simple and reliable access to financial freedom so that society's quality of life is improved. This is tightly aligned with the Optimistic Vision of reliably providing for basic human needs at scale.

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](https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/e/e0e0f8f1400b0b0fde13a8545a41e7ca6af3925e.png)

Proposal for token distribution:

- How will the OP tokens be distributed?

The intention is for any granted OP to be distributed as additional staking rewards received by DHT Optimism stakers, increasing the attractiveness of the DHT staking program on Optimism.

The OP tokens will be distributed over a period of 6 months (along with DHT) via a new staking mechanism which rewards only value-generating TVL on both dHEDGE and other Optimism protocols which are integrated with dHEDGE (eg. Synthetix, Uniswap, Aave etc).

The new staking model is designed to increase protocol engagement via more tightly aligning DHT incentive emissions with real value created on the protocol. In the new model, users will be required to pair their staked DHT with staked dHEDGE Pool Tokens to receive incentives

dHEDGE governance has a proposal in-place which, if passed, will bring DHT Staking to Optimism for the first time.

### New Staking Mechanism summary

The proposed new staking mechanism requires users to stake \$DHT paired with an allocation of specific dHEDGE Pool tokens (DHPT). This is designed to ensure staking rewards are going to users who are involved in the value creation on the protocol, versus solely locking protocol token liquidity. Not all dHEDGE pools will be able to be staked initially, dHEDGE will operate a whitelisting process to ensure the stakeable pools are of sufficient performance and TVL.

dHEDGE has yet to confirm which DHT:DHPT pairs will be stakeable, but will include the Toros automated strategies e.g. Stablecoin Yield, and a new market neutral strategy launching the week of 25th July.

As an example, a user could stake 200 DHT with \$1000 of the Stablecoin Yield pool. As the time staked increases, combined with performance increases in Stablecoin Yield, the users potential staking rewards will increase. Variables influencing the total rewards eligible include i) time staked, ii) performance of staked pool token, and iii) the dollar ratio of staked \$DHT to \$DHPT. Please see the attached Proposal (below) for more detailed information.

Rewards are paid out at the time of unstaking, which is where dHEDGE intends to allocate an equivalent amount of OP to the \$DHT being emitted.

[dHEDGE DAO – 12 Jul 22](#)

### **DFP-33: New DHT Staking Model 2.0**

Header Content Author Mat Nelsen(@taminater) Created 2022-7-12 Status Draft Motivation See also: Initial forum post The Status Quo of Staking DHT The current dHEDGE staking system rewards DHT holders that choose to lock up their DHT in...

Reading time: 3 mins

Likes: 2 ♥

- How will this distribution incentivize usage and liquidity on Optimism?

Given the OP distribution is intended to increase DHT Staking incentives, this mechanism is primarily aimed at increasing value-generating TVL on dHEDGE and Optimism.

The entire design of the new staking mechanism is targeted to create closer alignment between protocol revenue and staking rewards, closely aligning the incentives of dHEDGE DAO and stakers. These incentives are also aligned with increased Optimism engagement.

Currently there's \$1m DHT staked on Mainnet, and the new staking proposal will sunset mainnet staking. Additional OP rewards would help encourage that \$1m in liquidity to migrate directly to Optimism.

The staking mechanism skews emissions towards pool performance, such that if there's no performance generated by the staked strategies, there's no associated OP or DHT emissions.

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

The incentivised users and liquidity will remain on protocol after the OP incentives have been exhausted due to the design of the new staking proposal.

Stakers earn incentive rewards when their underlying pool tokens perform well. This means that users that receive incentives also get real value from the protocol and are less reliant on additional incentives.

The staking system also increases rewards to stakers who max out their 'duration bonus' (a linearly increasing multiplier that maxes out after 6 months staked). The design of the mechanism is aimed at making the decision to remain staked more lucrative as time increases.

The additional OP will create the added benefit of increasing the attractiveness of our staking program, bringing more users and TVL to the protocol and contributing to their decision to remain staked for longer.

- Over what period of time will the tokens be distributed?

Given the duration bonus maxes out after 6 months, we'd look to make accrued OP rewards available to users over a distributed 6 month horizon.

Users receive their staking rewards at the point of unstaking, they do not accrue as per a typical staking emissions scheme. So stakers are offered a choice to unstake and receive rewards versus remaining staked and enjoying an increasing duration bonus.

- Has your project previously received an OP token grant? If yes, what's the status of these tokens?

dHEDGE has not received any grant funding from Optimism.

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

dHEDGE will match the granted OP 1:1 in dollar terms with DHT incentives to stakers.