

Project Name:

Isomorph Loans <https://isomorph.loans>

Author Name:

Kree (On discord as kree#6291)

Number of OP tokens requested:

110k OP

Which Voting Cycle are you applying for?

: Voting Cycle 10, Season 3

Grant category:

Growth Experiment Sub-Committee

I

s this proposal applicable to a specific committee?

Growth Experiment Sub-Committee

L2 recipient address:

0xb1FcA41C466309eCea88eC0Bd4A56F879B816281 (Isomorph multi-sig)

Relevant Usage Metrics:

:

(TVL, transactions, volume, unique addresses, etc.) N/A new project

Project Description:

Isomorph is an Optimism-native lending protocol. Loans mint a new stablecoin called isoUSD. We target collaterals which generate interest in order to make the demand for the loans self sustaining. Currently we support Lyra Liquidity Pool tokens, Velodrome pool tokens and Synthetix synths with plans to expand to other Optimism based projects.

IsoUSD will be exchangeable for USDC on Velodrome, making use of their bribes & voting system to allow us to incentivize liquidity in this pool at a sustainable rate.

Is/Will this project be open source?

Yes the repo is already public and licensed under MIT at [our Isomorph github repo.](#)

Optimism native?

Yes.

Date of deployment/expected deployment on Optimism:

The code is ready to launch and we are just awaiting funds necessary (i.e. this grant) to ensure that our isoUSD pool has enough liquidity to service users of our protocol.

Ecosystem Value Proposition:

Projects launching on Optimism must compete with Ethereum mainnet and other chains when it comes to the return they make users. If they cannot match or exceed the returns earned on other chains then users will not supply capital. This has the knock on effect of then making the projects less competitive or viable for their role (i.e. with less options liquidity Lyra could not provide the depth they desire or trades on Velodrome would incur more slippage).

By providing loans against income generating protocol assets Isomorph increases the capital efficiency of supported projects, enabling them to multiply the usable capital on their platforms. It also provides users with more options as they are not restricted to one protocol allowing them to reduce risk of total wipe out from smart contract bugs and reduce volatility in their returns.

In doing so Optimism's ecosystem will become more competitive on multiple different fronts, options, swaps and liquidity providing.

Isomorph could also join the OP Quest program to further incentivize protocol engagement, with our integration with other projects we could then have goals which included interacting with 2 or 3 leading Optimism projects. EDIT: I believe the quest program has ended since this was written, we would be open to similar projects should they exist in the future.

Has your project previously applied for an OP grant?

No.

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

No.

Optimism alignment

Proposal for token distribution

veVELO/Bribes of \$200,000, this sum would enable us to attract enough capital in a Velodrome pool that loan users can buy or sell isoUSD as they need. \$200,000 would buy us roughly 6mill VELO which if locked could generate ~178,000 weekly VELO emissions which should allow us to generate a 10% return on a pool with total liquidity of \$2.63million. If preferred we can instead use this amount to bribe existing VELO voters to vote for us, meaning we would not need to sell the OP tokens relating to this. We would prefer to lock veVELO as this is currently far more capital efficient and would allow us to be eligible for extra ecosystem funds from Velodrome allowing us achieve more.

Marketing/Design \$15,000 Currently Isomorph has only been spreading by word of mouth, with this sum we can purchase spots on podcasts or sponsor Crypto youtubers to give their users a tutorial of Isomorph to improve outreach. These adverts would enable us to educate users about the possibilities available on Isomorph and how to transfer funds to Optimism. We have consistently seen in DeFi that sticky capital follows the best returns, Isomorph is designed to work without needing native LP mining so that any captured users remain longer. Some of these funds would be used improve the design of the website by hiring a UX/UI specialist to make the site more streamlined and user friendly, reducing the barriers to entry ensure our advertising push will be more effective.

Please note due to recent volatility of the OP token we cannot accurately ask for this dollar amount, we would be open to returning any excess OP tokens over this value once the grant is received.

How will this distribution incentivize usage and liquidity on Optimism?

The distribution will increase the capital efficiency of other protocols, improving competition with other chain ecosystems. By providing competitive yields to Isomorph users we will be able to tempt new users to migrate to Optimism, making them more likely to check out other protocols available on Optimism.

In addition it will allow users to access income streams while deferring tax payments, again helping improve competition of supported projects on Optimism.

As a knock on by participating in the Velodrome bribing system via veVELO/Bribes we are demonstrating the friendliness of launching on Optimism for new projects and the community first design of protocols based on here.

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

Once loans are opened the system will be generating income, this income can be used to bribe the isoUSD Velodrome pool instead of OP tokens. Or veVELO accrued during incentives round stays there after incentives end. Loan collaterals are interest generating and so have an incentive to borrow against their value to increase their return on capital.

Over what period of time will the tokens be distributed?

1 year

What milestones will the project track?

Impact of Velodrome voting can be directly tracked to see the impact it has on liquidity, this can then be compared to the trading volume of the pool to find out the optimum level that balances user demand with the funds allocated.

The marketing drive can be tracked by recording which sites direct traffic to our website <https://isomorph.loans>, we can then compare the uptick in traffic to the number of new users using Isomorph and the amount of new loans opened.

How much will your project match in co-incentives?

As a new project Isomorph has no capital to match incentives yet. However as the income from the project grows we should be able to shift the dynamic towards fees generated by Isomorph and in the future we may issue a token that could also be used to this effect.

Resources:

Our code is public at [GitHub - kree-dotcom/isomorph: Isomorph: a layer 2 defi lending protocol](https://github.com/kree-dotcom/isomorph)

We have a website at <https://isomorph.loans> where we currently have the project live on the Optimism Goerli testnet for users to try out.

Discord [Isomorph](#)

Audit from [Sherlock](#)

Additional team member info:

OxMerlin: front-end developer [AsparAugustus \(Merlin\) · GitHub](#)

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

Kree is also smart contract auditor, company details can be provided in private to Optimism. Also Kree has been involved with the Curve and Synthetix DAOs before having proposed the sLINK/LINK curve pool as well as writing and proposing [SIP-107](#) .