

Problem

Uniswap's Treasury Grant program [and the majority of protocols] are currently at a major crossroads, struggling with how to deploy larger tranches of capital with effective oversight.

Smaller grant programs have been successful at distributing funds broadly, and remain nimble with a small committee, but are designed to develop pilots or support localized offerings [See [Uniswap Grant Program v1](#)], while larger requests often become mired in controversy related to how the grant will be distributed or applied [See [Harvard Law / Political Defense Grant Proposal](#)].

With a significant treasury, it is in the DAO's best interest to define and deliver on a model that activates more substantial grants appropriately while maintaining decentralized protocol management.

Products like [Failsafe](#) and the use of Multisig wallets are important to help manage funds, retain oversight and mitigate risk; For Uniswap to continue to develop major grant initiatives, it's critical to begin designing a structure that enables the program to focus on ROI vs. how the funds will be managed.

Solution: No Negative Net UNI / Yield Fuels Program

Recipients of grant requests exceeding \$20M should be required to maintain a minimum percentage of granted UNI within the protocol - and to utilize Uniswap's own value creation mechanisms to generate yield to support their initiative.

In a perfect scenario, grants should enable programs with a clear plan to maintain the initial net capital - or ensure no Negative Net UNI.

To enable this to be effective, Grant recipients would define a program that deploys Uniswap grants within the Uniswap ecosystem, with defined outcomes for producing yield, monitoring solutions and a governance process.

Proposal: Flipside Community-Enabled Analytics

Flipside requests a \$25M Grant to produce [Community-Enabled Analytics](#) [CEA] for Uniswap.

The \$25M wouldn't be spent.

Rather, we propose using Uniswap's own profit-creation mechanisms to take UNI out of the hands of those selling it, and put it directly into the hands of those building and using the protocol. This not only leads to timely, perpetual analytics and tools, but directly rewards analysts and users who spend their time understanding and working on Uniswap.

[

flipside_CEA_July2021

2734x1552 473 KB

](<https://global.discourse-cdn.com/business6/uploads/uniswap1/original/2X/a/aa17258efd8c64445ea6a1ee85c6b9781f3b5fb9.jpeg>)

Currently, crypto analyst time is spread too thin across too many protocols - and the incentive to produce their best outcomes is not oriented toward pro-bono efforts for a DAO or protocol. CEA bounties solve this, attracting best-in-class analysts to deliver DAO and community-sourced analytics, on-time and on-demand.

As an example, In April 2021, Flipside was provided a Uniswap Pilot Program grant of \$25k, which produced the [Uniswap V3 Calculator](#) - driving user growth and activity for Uniswap - among [other analytics](#). [in 3 weeks there have been 1100 clicks to Uniswap, 8.9k unique users, 13.8k sessions]

Flipside offers CEA for Ethereum projects such as Alchemix, Compound and AAVE, and additional chains such as Terra and Thorchain. Flipside began as a fund in early 2017 and thus has sophisticated treasury management and yield systems already defined.

The yield from \$25M would generate a target of \$300K in bounties per month to community members. Directed effectively, bounties will drive perpetual production of innovative solutions to support the Uniswap ecosystem (including analytics to support continued treasury management). The remaining 50% yield serves as flipside's fee, covering data management, analytics sourcing, bounty aggregation, evaluation, delivery, program measurement and all other mechanics. Note that there will be a tax implication for this grant, which will be the responsibility of the grantee.

Finally, the bounties continue to fuel overall ecosystem growth through measurable returns. Program historicals include 50%+ of bounty payments remaining in the native protocol token (HODL; Stake) — and acquisition of new ecosystem participants averaging 22%. See [Native Token Recycling](#) for more on how this works.

Here is a proposed strategy that uses only Uniswap-V3 liquidity as the means of yield generation:

- 100% of the grant will be deposited into the WETH-UNI .3% pool, which will be actively managed to an 80%-20%

UNI:ETH ratio.

- In simulations, if an 80:20 ratio is maintained each time we rebalance our position, the impact to UNI would be net 0 within 1 year. These simulations conservatively estimate a yield of 30% from this position.
- Yield management and bounty distributions will be reported via a regularly updating dashboard - and Flipside will disclose to the wallet address used to manage the liquidity for WETH-UNI.
- A Foundation will be established for effective oversight of the funds, which will be granted indefinitely. The Foundation will evaluate the best use of the funds for the ecosystem; in the event this program isn't deemed effective, the Foundation may decide to apply the grant to other projects.

Note that many other possible strategies exist, but this is a straightforward one that uses V3's unique properties to generate capital, while mitigating, and eventually eliminating the position's negative impact to UNI. Much debate can and should be had over the specifics of this strategy, and additional considerations include using a Maker vault or Compound position to borrow against the grant to avoid selling any UNI, for instance. It is of course impossible to predict price, but especially because we are actively managing the position, and converting all rewards into UNI, this strategy should generate more buy than sell pressure over time.

More details on asset management, yield strategy, tax efficiency and CEA delivery to be provided as the proposal process continues.

Should this be enticing to the community, we will bring forward a snap poll related to the ask for the \$25M grant, within 5 days.