

Project Name:

Sonne Finance

Author name and contact info:

Atakan (atakan-IntroToDefi#7962, @DefiIntro

)

I understand that I will be required to provide additional KYC information to the Optimism Foundation to receive this grant:

Yes

L2 recipient address:

0x784B82a27029C9E114b521abcC39D02B3D1DEAf2

*Which Voting Cycle are you applying for?

: Season 3, Cycle 10

Grant Category:

DeFi

Is this proposal applicable to a specific committee?

:

Growth Experiments

Project Description:

Sonne Finance is an EVM-compatible lending/borrowing protocol that launched on Optimism. Sonne Finance provides peer-to-peer lending solutions that are fully decentralized, transparent, and non-custodial.

Similar to (and based on) existing lending platforms, users can lend any supported assets on our platform and use their capital to borrow supported assets. Currently supported assets:

- DAI
- USDT
- USDC
- WETH
- OP
- sUSD
- WBTC
- SNX
- wstETH

Sonne aims to be the prime lending platform on Optimism by offering the highest competitive incentives for money markets, having the deepest liquidity, and being native to Optimism.

Sonne innovates on revenue sharing and tokenomics, where stakers of the protocol get 2 different types of revenues (VELO and SONNE or USDC), as well as being able to choose the reward asset between SONNE and USDC.

Project Links:

- Website

: <https://sonne.finance>

- Twitter

: <https://twitter.com/SonneFinance>

- Discord

: [Sonne Finance](#)

- Telegram

: [Telegram: Contact @SonneFin](#)

- Docs

: <https://docs.sonne.finance>

Core Team Members:

Our team is currently composed of 5+2 people:

Atakan-Intro to DeFi: Business Development, marketing, project architecture

Gathon: Lead Developer

Amaterasu: Developer

Oxokaro and Fluke: Community Managers

And 2 on-demand designers.

Previous Projects:

Sonne is not the only project our team has contributed to. Here are some of the projects that our team members have worked before or contributed to:

- LiquidDriver (Fantom / Liquidity as a Service protocol)
- SpiritSwap (Fantom / Decentralized Exchange)
- Buttonwood Finance (Ethereum / Risk Stratification for DeFi - Auctions - Markets)
- Wavelength Exchange (Velas / Decentralized Exchange similar to Balancer)
- Ola Finance (Fantom / Lending)
- RoboVault (Fantom / Asset Management)

Currently I (Atakan) am the only person in our team that is doxxed, but all the other team members are doxxed to me.

Ecosystem Value Proposition:

Relevant usage metrics

:

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Total Supply:

\$67M

Total Borrow:

\$53M

TVL:

\$14M

Total staked:

14M \$SONNE (70%) ([Sonne Finance *](#))

Total SONNE in Velodrome LP:

13%

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Competitors, peers, or similar projects:

- AAVE (<https://aave.com/>)
- Hundred Finance (<https://app.hundred.finance/>)
- Granary Finance (<https://granary.finance/>)
- dForce (<https://app.dforce.network/>)

Is this project open-sourced?

Yes

Optimism native?:

Yes

Date of deployment/expected deployment on Optimism

:

28 Sep 2022

Lending/borrowing protocols are the basis of DeFi, and currently, there is no native lending protocol besides Sonne Finance. Being native to Optimism gives us the power of using our tokens to incentivize the activity.

In the past, TVL migrations happened from chain to chain when there were single-sided good yields without impermanent loss.

We have already proved that good incentives can draw a great amount of TVL. We are planning to be the reason why people migrate and use Optimism, as once they try, they will stick to the fast and cheap transactions.

Some advantages of SONNE over competitors:

- Unique tokenomics and revenue distribution
- Simplicity, onboarding new users
- Potential collaboration with a social identity platform for personalized loans.
- Future NFT collateralization, mainly financial NFTs (such as veVELO).

Instead of exaggerated metrics brought on by mercenary capital, our constructive approach prioritizes user and liquidity retention.

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One of the main reasons why we can grow liquidity is our distribution mechanism. We distribute every revenue protocol generated with SONNE stakers, creating a demand for SONNE tokens while incentivizing lending and borrowing activity. To this day, we distribute 1.1M SONNE, 120k USDC, and 6M VELO with our stakers purely from protocol revenue.

The sole goal of Sonne Finance is to become the best liquidity market of Optimism. Being a native protocol is one of our

strong suits and we aim to protect and utilize that attribute. Therefore, we have no plans to go multichain.

The mission of Sonne Finance is to achieve organic liquidity growth by attracting capital from other chains and bringing new users to the ecosystem by providing a top-tier blockchain experience with the power of Optimism.

Has your project previously applied for an OP grant?

No.

Number of OP tokens requested:

250,000

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

No

How much will your project match in co-incentives?

In the first 3 months, Sonne Finance incentivized the activity with 14M \$SONNE, which is more than the OP amount we are asking at current prices. If we consider the average price of SONNE tokens at the time of incentivization, we already incentivized more than 2x the amount requested.

46M SONNE is yet to be distributed as incentives in 2.5 years, which equals 300% of the asked amount based on current prices.

17.5M SONNE is yet to be distributed in 6 months, which is more than the asked OP amount based on current prices.

Proposal for token distribution:

How will the OP tokens be distributed?

- 100% will be allocated to lending/borrowing and staking rewards to boost activity.
- 40% for lending activities
- To boost available liquidity, which means better rates and better liquidity for borrowers.
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- 10% to SONNE/USDC pool on Velodrome Finance as a bribe
- To boost the liquidity of SONNE token. Velodrome is the prime liquidity hub on Optimism which Sonne Finance leverages since its launch. Bribing has a better Incentivization/Liquidity rate than simply rewarding LPs.
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- 10% to sSONNE and uSONNE stakers to boost staking activity. (pro-rata)
- Tokenomics of Sonne Finance is designed around distributing revenue to stakers and incentivizing lending/borrowing activity with SONNE token. If the demand for staking grows, SONNE co-incentivization will grow.
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Over what period of time will the tokens be distributed for each initiative?

It will be distributed linearly for 6 months. If that becomes a success, we'll apply for another 250k OP after 6 months.

Please list the milestones/KPIs you expect to achieve for each initiative, considering how each relates to incentivizing sustainable usage and liquidity on Optimism

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Milestone Assessment

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- Growing TVL, and increase liquidity of assets that are highly utilized on Optimism.
- Targeting \$40M TVL in the first month of integration (Currently \$14M)
- \$70M TVL in 3 months
- \$100M TVL in 6 months
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- \$100M TVL in 6 months
- Increase the number of people using Optimism
- Targeting 2000 wallets staking SONNE in 1 month. (Currently at 822)
- 4000 wallets in 3 months
- 8000 wallets in 6 months
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- 4000 wallets in 3 months
- 8000 wallets in 6 months
- Staying as no.1 protocol for Total Borrowing Activity (Currently \$50M)
- Targeting \$100M total borrows in 1 month
- \$130M in 3 months
- \$160M in 6 months
- Targeting \$100M total borrows in 1 month

- \$130M in 3 months
- \$160M in 6 months
- Growing liquidity of SONNE on Velodrome for less slippage (Currently at \$800k)
- Targeting \$1.2M in 1 month
- 1.5M in 3 months
- 1.8M in 6 months
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- 1.5M in 3 months
- 1.8M in 6 months

One of the main reasons for this proposal is to assure users that Sonne's goal is to outlast and outperform its competitors by maximizing the liquidity and activity on the chain. Gaining the trust and approval of Optimism Governance will have a significant impact on achieving this goal.

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

Sonne is looking to incentivize the activity for at least 3 years (even after the OP incentives end). Liquidity markets are great for single-sided yields without impermanent loss and enable other protocols to boost their activities (such as auto-compounders, or DeFi vaults). We believe that Optimism Mainnet will continue to be the top Layer-2 scaling solution and more opportunities will be created on Optimism in the future.

The staking activity of SONNE shows that the demand for the token continues to grow. Also, having the option to get revenue as USDC instead of volatile tokens seems to attract a great amount of TVL as well. The staking ratio of SONNE has never dropped below 50% and is generally stable at around 65%.

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We are not just working on-chain, but also trying to be as fast and helpful as possible in our community channels to acquire that love and trust, both for the good sake of Sonne and Optimism.

Last but not least, liquidity markets are one of the only protocols providing real yields for suppliers. We can see that AAVE and Compound on Ethereum are very low on incentives, but they have more than \$9B TVL combined on Ethereum Mainnet. We believe that ETH L2 will attract liquidity and activity more and more with time, and believe Optimism is the best choice among L2s (especially with the Bedrock update). As the first and only native liquidity market on Optimism, with potential real-world asset utilization, partnering up with the best protocols on Optimism and prioritizing only Optimism, we aim to be the prime liquidity market on Optimism in a year, and one of the most successful liquidity market on whole DeFi.

Please provide any additional information that will facilitate accountability:

(smart contracts addresses relevant to the proposal, relevant organizational wallet addresses, etc.)

The metrics can vary, as they change over time.

All of the contract addresses and multisig wallet can be found here:

docs.sonne.finance

Contract Addresses

Staking data for Sonne Finance:

dune.com

Sonne Finance ✨

Blockchain ecosystem analytics by and for the community. Explore and share data from Ethereum, Bitcoin, Polygon, BNB Chain, Solana, Arbitrum, Avalanche, Optimism, Fantom and Gnosis Chain for free.