CIP-Number: title: Balancer x CoWSwap Strategic Alignment Tokenswap author: @Mike B, @Gosuto status: Draft created: 2025-01-27

Note: An equivalent proposal has been posted on the Balancer forums here (link)

Balancer x CoWSwap Strategic Alignment Tokenswap

Simple Summary

This CIP proposes that Balancer DAO and CoW DAO initiate a BAL/COW tokenswap of the amount 200k BAL and ~631k COW in order to further align incentives as we approach the next stage of CoWAMMs.

Motivation

Back in August 2024, through a collaborative effort, Balancer and CoWSwap debuted CoWAMM's– the first LVR reducing AMM on the market. This represents the latest iteration in the long line of BAL/COW partnerships, with the first instance going back to soon after CoWSwap's launch when Balancer integrated CoWSwap on the main swap UI. Balancer allocated $250k worth of BAL to be used as discretionary incentives in CoWAMM's. AMM's and intent networks go hand and hand and we expect there to be more collaborations in the future, particularly in regards to expanding on the mechanisms of CoWAMM's. Balancer CoWAMM's have reached over 25m TVL and 50m+ volume.

Rationale

In CIP-45 Balancer & Cow Protocol Strategic Partnership – Launching CoWAMM Pools and BIP-628 - Balancer & Cow Protocol Strategic Partnership – Launching CoWAMM Pools, a token swap was outlined but was never executed upon in order to not distract from the CoWAMM launch.

This proposal seeks to formalize and execute a tokenswap between the two DAOs in order to further align incentives as we begin the next stage of CoWAMM development

. This proposal not only further aligns both DAO's but gives CoW DAO the potential firepower to drive incentives to CoWAMM pools.

Specification

The details of the swap are as follows:

200k BAL for an equivalent amount of COW based on a 30d TWAP sourced from Coingecko

As of 01/15/2025, this comes out to

- 200k BAL @ 2.696104254 = $539,220.8508

- 631850.824075 COW @ 0.8533989832 = $539,220.8508

Data: Cow Bal twap - Google Sheets

These tokens are not to be sold for a minimum of 2 years, but are eligible to participate in any native governance/staking mechanisms created by the respective DAO's.

- CoW DAO may deposit their BAL into veBAL and use it for directing incentives to CoWAMM pools. However, CoW DAO must supply the 20% portion of ETH required to deposit into the 80/20 pool which is used to lock for veBAL.

- Balancer may use COW to participate in governance and to be used to post bond for a Balancer run solver on the CoWSwap network (although there are no immediate plans to do so).

The mechanism used for this swap will be identical to the Balancer x AAVE tokenswap from this proposal using an instance of the OtcEscrowApprovals contract (with addresses and amounts swapped out) located here.

The way this contract works is upon deployment, the two recipients and amounts are set. Each DAO then approves the exact amount to the contract and then someone calls the swap() function and the amounts will be transferred from each dao into the opposite dao's treasury. Either both swaps happen or nothing happens at all.

At the request of CoW DAO contributors, a change was made to the swap contract to allow the source of the COW tokens to be separate from the destination of the BAL tokens. The COW will be sent from 0xcA771eda0c70aA7d053aB1B25004559B918FE662

and the resulting BAL will end up in 0x3E2897E71E504B0510Bed7983579280b32ac1CA5

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Github PR

An updated contract with all the parameters is deployed here:OtcEscrowApprovals | Address 0xdBe554ee86FEb0b1c0ac4743503D46cbDF0e8B54 | Etherscan and its repository can be found here:GitHub - BalancerMaxis/bal-cow-token-swap

Transaction Data

In order to execute the tokenswap, both DAO's must approve the proper amounts of tokens to the tokenswap contract.

Balancer DAO mainnet multisig will call approve on the BAL token contract address at 0xba100000625a3754423978a60c9317c58a424e3D with the following params: Amount: 200000000000000000000000 Spender: 0xdBe554ee86FEb0b1c0ac4743503D46cbDF0e8B54

CoW DAO will call approve on the COW token at 0xDEf1CA1fb7FBcDC777520aa7f396b4E015F497aB from the multisig at 0xcA771eda0c70aA7d053aB1B25004559B918FE662 amount: 631850824075366674282674 Spender: 0xdBe554ee86FEb0b1c0ac4743503D46cbDF0e8B54

Once this is done, anyone can permissionlessly call swap() on the token swap contract to execute the treasury swap.

Transactions will be executed on CoW DAO's Safe using the oSnap plugin, contingent upon successful passing of this CIP. When voting on Snapshot, participants are encouraged to verify the content, cross-check Tenderly simulations, and confirm alignment with the CIP's intent.

Tenderly Simulation

tdly.co

Simulated Transaction | Tenderly

Simulated transaction overview for the 0x7313a5b942709c2e4430b7d3984126102c338b8fc91fdfa55bddd7bd4d9ead1d on Mainnet network. See full details on Tenderly Dashboard.

This simulation overrides state to give the make the above allowances from each respective multisig and call swap()

on the swap contract at 0xdBe554ee86FEb0b1c0ac4743503D46cbDF0e8B54

Conclusion

The Balancer x CoWSwap collaboration has been one of the longest running collaborations in Defi and both teams are excited to bring about the next iteration of CoWAMM's. This proposal helps further align both DAO's and gives CoW DAO the ability to drive incentives to the upcoming next generation of CoWAMM's.