

TL;dr: Spool Finance is looking for OP Incentives to bolster APY % of its Smart Vaults, currently aggregating stablecoin yield strategies into a risk-adjusted portfolio on Ethereum mainnet. Optimism users would gain the benefit of higher APY stablecoin farms, the ability to deploy their own Spool through Create A Spool in minutes and to benefit from having access to the Spool ecosystem. All tokens received will be returned to the Optimism community.

Project Name

: Spool Finance

Author Name

: Joshua Bate

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

Project links

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- Website: <https://app.spool.fi/>
- Twitter: <https://twitter.com/SpoolFi>

Grant category

: Phase 1

Number of OP tokens requested

: 200k - 400k

Relevant Usage Metrics (Ethereum Mainnet)

:

TVL - \$49.8M

Transactions - 10,500

Unique addresses - 533

Is/will this project be open sourced?

: Yes

Optimism native?

: No

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

: In Process

Optimism alignment (up to 200 word explanation)

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Optimism is “open source, secure, permissionless and decentralised”, focused on bringing easy and low cost access to DeFi for the largest number of people possible. Spool is likewise built to bring the benefits of permissionless DeFi to the billions around the world without. Spool’s entire design ethos is to simplify the process of gaining yield in DeFi, without sacrificing any of the permissionless, decentralised features that sets this space apart from CeFi lenders and traditional banking institutions. Security and risk adjusted exposure is the name of the game for Spool, and Optimism shares this desire to enable the next one billion people to discover decentralised yields in a secure manner.

Proposal for token distribution (under 1000 words)

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- How will the OP tokens be distributed?

100% of the OP tokens received will be distributed according to Spool DAO governance, as befits the governance structure of the Spool ecosystem. The distributions will be reallocated on a monthly basis.

All OP tokens will be used to strengthen Spool's presence and product on Optimism, with none of the received amount retained by the project or DAO members.

1. Primarily, the OP tokens will be used to add additional incentives to Spool Vaults deployed on Optimism. The base yield APY%, paid out in like for like (e.g. USDC), will be pushed higher with the addition of OP token incentives.

The OP incentives will be added according to DAO votes, where the key metric for this vote is expected revenue per Vault (based on APY x TVR). The higher revenue vaults are likely to receive more votes for distribution.

These OP incentives may also be further bolstered with SPOOL incentives, creating a three-fold APY on stablecoin yields (Base yield, OP and SPOOL)

OP token incentives will be claimable through the Spool interface, separately from the base yield APY.

1. Secondly, we will use a portion of OP incentives to bolster a SPOOL / OP liquidity pool on Optimism. This amount will also be decided by the DAO.
2. How will this distribution incentivize usage and liquidity on Optimism?

The additional OP incentives, structured in this way, are likely to attract DeFi power users, DeFi curious members that may not have made that bridge across to Optimism and more due to low-risk exposure to stablecoin yields, incentivised with high APYs from the tri-fold yield.

Spool's deployment also simplifies the process of gaining exposure to the best strategies currently deployed on Optimism; want to farm 5 different Velodrome strategies? Do so from one single deposit using a Spool dedicated Velodrome vault - aggregating strategies, auto compounding and auto diversifying. For those that may not know the depth of the Optimism DeFi landscape, they can gain quick and simple exposure through a Spool Vault to the majority of available strategies.

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

There is one initiative - to incentivise deposits into Spools to improve TVR and stickiness of the TVR.

As the incentives are distributed according to the following model: DAO governance, influenced by "expected revenue per Vault (based on APY x TVR)", KPIs are measured through the amount of TVR passing through multiplied by APY%, coupled with the participation rate in governance of Spool's Optimism vaults. This encourages sustainability as the highest revenue-generating vaults receive more OP incentives, further incentivising deposits which earn more revenue for the Spool DAO and SPOOL stakers.

Coupled with the governance weighting, which creates incentive boosts for projects or vaults that have greater support from the Spool community, the best and most loved vaults will receive the most incentives.

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

Ultimately, the OP incentives that Spool would receive are only the beginning of the story as Spool is directly benefiting from any incentives received by any of the strategies that are utilised in a Spool Vault. Spool allows users the best available exposure to diversified and risk-adjusted yield, whilst maintaining the higher base APY that may occur on any of these strategies.

The composability of Spool's vaults will allow users to create their own Smart Vault, their own personalised portfolio of stablecoin yields, that they can set performance fees and other features such as NFT gating for specific communities or a referral system to help boost deposits to their vault. As the incentive schedule wears down, more strategies are bound to have gone live on Optimism that Spool can continue to aggregate and give simple, diversified exposure to. Further, as Spool does not actually host the strategies itself, the other yield farms may receive their own incentives which further boost the base APY % that Spool will utilise.

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

The planned emissions schedule is over 26 weeks.

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

No, we have not yet received anything.

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

Our project will match \$1:\$0.5 OP:SPOOL incentives, with a monthly TWAP to determine token emissions.