

Project Name:

Synapse Protocol

Author Name:

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Defilama TVL (at snapshot):

\$38.9M

Transactions/day (at snapshot)

23

Tier:

2

Optimism Native:

No

Revisions to metrics used:

N/A

Number of OP tokens to claim:

1,000,000

L2 Recipient Address:

0x2e07DA88586C442aDE6A442106A04eDc7378265d

Proposal for token distribution:

Background

Synapse Protocol is a cross-chain communications network used to seamlessly interconnect all blockchains. The Synapse Protocol is comprised of a messaging framework and an economically secure method to reach consensus on the validity of cross-chain transactions which developers can leverage to build truly native cross-chain applications.

The Synapse Bridge is the first user-facing product built on top of the protocol. Our bridge allows users to easily send a variety of assets across 16 EVM and non-EVM blockchains. In a short span of time, our bridge has become one of the most widely used and trusted bridges, processed over \$10 billion in total volume, servicing hundreds of thousands of users as well as mass scale dapps like DeFi Kingdoms.

Synapse launched support for bridging into and out of Optimism 6 months ago and we're thrilled about the opportunity to continue supporting the ecosystem in its new phase.

How will tokens be distributed?

The Synapse Ecosystem has a few core constituents:

- Developers
- Liquidity Providers
- Users
- Token Holders

Synapse's proposed \$OP distribution will benefit all of them.

Developers

Amount:

150,000 \$OP

As an extensible cross-chain communications network, fostering an ecosystem of developers who create cross-chain enabled applications is our top priority. Since Synapse connects Optimism with 15 different unique blockchain ecosystems, more applications/projects built on top of Synapse translates into more potential user pathways into Optimism.

While we continue to build new open source developer tooling and release new documentation, we will also be launching a Grants program to encourage more community members to help build and grow the Synapse Protocol. As part of this grants program, we would use a portion of our \$OP to fund any community tools or applications that help users on other chains connect with Optimism and more generally help existing Optimism projects better tap into cross-chain liquidity.

Liquidity Providers & Users

Amount:

450,000 \$OP

We currently support two stableswap pools for bridging into and out of Optimism:

- Stablecoins
- ETH

Collectively, both pools have facilitated nearly \$120 million in volume.

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](<https://global.discourse-cdn.com/business7/uploads/bc41dd/original/1X/8c1650b9b2542b11bc502208612b97599e09d7c0.png>)

We currently incentivize each pool with close to 12k SYN (around \$36k) per week, or roughly 624,000 SYN (around \$2m) per year and have close to \$30m of TVL across both pools. Given our stablecoin pool was launched more recently, it only represents 20% of our Optimism TVL.

We plan to use a portion of the \$OP to incentivize our existing stablecoin pool on Optimism to create a much deeper pool for users to trade / bridge into. Along with the new OP incentives, we will add USDT and DAI to the pool which currently supports USDC and nUSD liquidity. Combined with the SYN emissions we are already contributing, we believe this will be one of the more attractive stablecoin pools in the market and will bring many more users into the Optimism ecosystem. Similarly, since the Optimism ecosystem is still nascent, we think this will become the deepest stableswap pool on Optimism, allowing users to seamlessly move in and out of different stablecoins.

The more liquidity supplied in each pool, the cheaper it becomes for users to bridge between chains due to a reduction in slippage. This is important as we have noticed from experience on other chains that quite a lot of users have a preference to use stablecoins as a medium for bridging, rather than ETH. As the Optimism ecosystem grows, users will need a seamless solution to enter it, and we intend to Synapse to be that tool.

Token Holders

Amount:

400,000 \$OP

Historically, most SYN liquidity has lived on a number of Ethereum based pools, namely SYN/ETH, SYN/FRAX, and SYN/FEI. This has priced out a lot of prospective holders given the gas fees. In an effort to make it more affordable for users to acquire and trade SYN, we propose creating a new SYN/Stablecoin pool on Curve's Optimism instance. As the Synapse network continues to decentralize, it will be imperative for there to be affordable venues to acquire SYN and participate in the cross-chain message validation process.

We would direct a portion of the \$OP towards incentivizing this pool to ensure proper liquidity. As soon as liquidity is sufficient, we expect a strong influx of users onto Optimism. SYN tokens are currently being emitted on over 10 chains and lots of liquidity providers, especially small to medium sized ones, do not necessarily want to pay ETH gas fees to trade their rewards. Bridging SYN to Optimism to trade it will become natural for those liquidity providers, therefore leading to a large influx of new wallets on Optimism. Additionally, that pool will constantly be arbed vs. other SYN pools (including SYN/ETH where the price depends of ETH) leading to an additional pick-up in activity.

How will the distribution incentivize usage and liquidity on Optimism?

More Builders

- More tools and applications built leveraging Synapse means more avenues for users to enter the Optimism ecosystem.

Stablecoin Liquidity

- Additional liquidity incentives for our Optimism stableswap pool will increase Optimism TVL, in turn making Optimism one of the most efficient venues to trade stablecoins through. The more TVL that enters the ecosystem, the better it is for users, and the more potential users that Optimism can lock into their ecosystem.

More Optimism Users

- With the SYN/Stablecoin Curve pool on Optimism, we expect more users will enter the ecosystem in order to 1) more affordably trade SYN and 2) bridge their SYN and stablecoins into optimism. Both equate to more Optimism users and TVL.

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

- All of the projects that are funded by our grants program will persist long after the \$OP has been used. Many of the developers that are onboarded through the grants program will be exposed to building on Optimism, and may end up dedicating more time to building future projects in the ecosystem
- Our TVL has been much stickier relative to other networks. We expect liquidity providers, users, and traders of our Optimism pools to be quite sticky.
- The SYN/Stablecoin pool we're proposing will very likely be the most affordable avenue for users to trade SYN far after the incentives are done as all of the main liquidity sources still lives on Ethereum. For reference, there was a SYN/AVAX pool created last year on Trader Joe. While this pool is no longer incentivized, it still has around \$500k of TVL and a daily turnover which is sometimes higher than its own liquidity.

Over what period of time will the tokens be distributed

- We expect for these incentives to be distributed over the course of the next 6 months

How much will your project match in co-incentives

- Synapse is planning on emitting at least 312,000 SYN tokens (around \$1m) to liquidity providers on Optimism in the next 6 months