

Hey everyone,

Summary

This proposal, submitted jointly by the Switchero Labs team, seeks to allocate \$75k of SCRT as Protocol Owned Liquidity (POL) from the Community Pool to bootstrap liquidity for the SCRT lending pool on Demex's in-app money market, Nitron.

This is a signaling proposal to gauge the community's interest before we can proceed with an on-chain proposal and transfer the approved POL funds to a multi-signature wallet.

Goal

This proposal aims to strengthen Demex and Secret Network's existing alliance. By working together, we can achieve cross-pollination and mutual growth within the broader Cosmos ecosystem.

To list SCRT and stkSCRT tokens on Nitron and seed it with protocol owned liquidity from Secret Network to unlock a wider range of DeFi opportunities for the Secret Network community. This enhanced utility benefits both tokens. Users who lend and collateralize their holdings can leverage their portfolio to borrow other assets and pursue various DeFi strategies to maximize their returns.

About Demex

Demex (Decentralized Mercantile Exchange) is a cross-chain derivatives DEX designed to support any type of financial asset imaginable. Demex aims to make finance accessible and trust-optional while providing an intuitive and familiar user experience.

Nitron is the name of Demex's lending and borrowing money market. It works similarly to AAVE and supports a wide range of networks and assets. It also has a public liquidation platform, which allows anyone to perform permissionless liquidations on undercollateralized loans via the UI.

Demex exists on Carbon Network, a DeFi-focused L1 Cosmos Network built with Cosmos SDK and is IBC-enabled. The team behind Carbon Network is called Switchero Labs, a doxxed Singapore Web3 development studio founded in 2018.

The Proposal

This proposal seeks to allocate Protocol Owned Liquidity (POL) from Secret Network's community pool to seed the SCRT lending pool. We propose allocating \$75,000 worth of SCRT tokens

for this collaboration, with an initial term of 6 months. The community will then have the opportunity to extend or terminate this collaboration.

The primary objective of these POL funds is to bootstrap the SCRT lending pool. This ensures sufficient liquidity of SCRT tokens, allowing users to borrow SCRT for staking into stkSCRT tokens and establishing leveraged long positions. Consequently, this initiative will positively impact the Total Value Locked (TVL) of Secret Network.

Beyond leveraging for stkSCRT, users can also participate in the lending pool by contributing their own SCRT tokens. This allows them to borrow other assets, and stablecoins, or even mint the Carbon Stablecoin to amplify their portfolio exposure. Additionally, users can borrow USDⓈ

and utilize it as margin to go long on the SCRT-PERP market, maximizing potential upside.

Benefits

Secret Network has experienced steady growth in its Total Value Locked (TVL), a positive momentum that's crucial to maintain. This can be achieved by fostering an ecosystem rich in DeFi opportunities and collaborations. Expanding the utility of the SCRT token is central to this strategy.

Our innovative collaborative initiative tackles this head-on. Instead of selling their SCRT and stkSCRT tokens, users can now lend them on Nitron. This directly benefits Secret's market cap stability by reducing selling pressure. Furthermore, depositing SCRT and stkSCRT on Nitron unlocks borrowing power. This empowers users to leverage their holdings for various DeFi activities, potentially amplifying their yield and token holdings. Ultimately, this fosters a virtuous cycle, contributing to the continued growth of Secret Network's TVL and staking rewards.

Furthermore, the community on Demex is extremely familiar with and supportive of Secret Network, as the Secret Trading League was hosted on Demex and was proven to be a great success with high trading volume and a large number of traders. A similar response and successful outcome are expected for this partnership regarding the scope of Nitron.

Additional details:

As both chains are IBC-enabled, SCRT and stkSCRT deposits to Nitron will be done via Demex's deposit UI which uses IBC transfers which are a lot more secure.

Drawbacks

1. Non-native: The liquidity would be deployed outside of the Secret Network. There is a smart contract and chain risk involved with this liquidity provision.
2. Decentralization: With DaoDao not yet live the funds would be managed by a multi-sig, this puts the secret network community at risk of malicious behavior by those trusted parties.
3. Risk of total Loss: Due to the exposure the community pool would gain to the SCRT assets and the associated smart contract risk it could lose all the deployed funds.

Distribution

- This proposal, if well received by the community, will proceed to an on-chain governance proposal. This will be initiated as a community spend proposal. If it passes, it will distribute the authorized amount of tokens to a multi-sig wallet at with signatories from the Switchero Labs and Secret Network Team.
- The Switchero Labs Team will work alongside the larger Secret community to ensure that the POL funds are used efficiently and to maximize the reach and awareness around this launch. After the initial term has ended, the POL funds will be sent back to the community pool address upon request.

Feedback

If the community has any feedback regarding this proposal or any concerns, we are more than happy to address them or make changes together in favor of the community. Feel free to leave comments below on this post, or we can engage in a lively discussion on the Secret Network Telegram channel.

Consolidated reference links:

[docs.google.com](https://docs.google.com/document/d/1St77B6gykRFiuxOfAKouhvZyOfd10LyjZmi0CnJIFNA/edit?usp=sharing)

[

](<https://docs.google.com/document/d/1St77B6gykRFiuxOfAKouhvZyOfd10LyjZmi0CnJIFNA/edit?usp=sharing>)

[Switchero Labs Proposal Reference Links](#)

This Doc is private

Curious to hear all your thoughts!

Best,

CJ

Switchero Labs