

Note: This proposal is a result of discussions between BalancerDAO, CowDAO and karpatkey, initially posted on the [Balancer](#) and [Cow](#) forums. Given the suggested modifications, this updated version summarizes the technical content and consolidates all changes for clarity and organization. For further information and context, please refer to the original proposals posted on each forum.

## Executive Summary

We propose a strategic partnership between BalancerDAO and CowDAO to develop CoWAMM pools on Balancer. The CoW Protocol settlement contract will gain privileged access to certain Balancer pools, and these pools will be treated as CoWAMMs, earning surplus in CoW Protocol's solver competition, ensuring they always trade at the correct price and eliminating LVR.

## Motivation

Balancer and Cow Protocol share the vision of making DeFi accessible and safe. Balancer is a leading AMM provider, while Cow Protocol is a leading intent-based trade aggregator. The collaboration aims to establish CoWAMM as the dominant LVR-resistant AMM design, increasing liquidity provider returns and overall liquidity.

## The Collaboration

Creating a Balancer/CoWAMM pool involves granting the CoW Protocol settlement contract (and its solvers) exclusive or privileged access to specific Balancer pools. Beyond this, Balancer/CoWAMM pools will function like other Balancer pools, utilizing the same UI (with co-branding elements) and infrastructure. Liquidity deposited in these pools will receive the same veBAL incentives as other Balancer pools, along with additional incentives detailed below.

## Incentive Alignments: Token Swap and Additional BAL Rewards

To align incentives, a milestone-contingent token swap is proposed:

1. At launch, both DAOs will swap an equivalent of USD 500k worth of their native tokens and commit to holding them for at least two years from the date of this agreement passing a vote on Snapshot. Tokens can be used for strategic objectives but both DAOs will refrain from selling them during the aforementioned term.
2. When TVL of CoWAMM/Balancer pools reaches USD 50M, each DAO will swap USD 1M worth of tokens, with the same two-year restriction.
3. When TVL reaches USD 100M, another USD 1M token swap will occur, also locked for two years.

Additional incentives include:

1. Revenues from Balancer/CoWAMM pools will be equally shared between CowDAO and BalancerDAO.
2. BalancerDAO will allocate USD 250k worth of discretionary BAL incentives to strategic CoW AMM pools to incentivize liquidity provision.

## Initial Liquidity Seeding for Strategic CoWAMM Pools

There is significant value in launching CowAMM pools from the beginning. Testing this technology in a live environment signals the serious commitment of both DAOs to this partnership. The following strategic pools and seeding structures are proposed:

1. USDC/WETH Pool:

Initial liquidity of USD 1M. GnosisDAO will provide USD 500k, while Balancer and CoW DAOs will each contribute USD 250k. Given that CoW DAO already manages a USDC/WETH CoW AMM (the SAFE contract-based pilot) with higher liquidity than requested, CoW DAO commits to migrating the existing pool to a CoWAMM Balancer pool upon launch. Following a successful migration, GnosisDAO and BalancerDAO will add their committed liquidity to it.

1. Native Token Pools:

Two pools pairing the native token with WETH, with at least USD 500k liquidity each.

- a. BAL/WETH Pool:

Seeded entirely by BalancerDAO.

b. COW/WETH Pool:

CoW DAO will migrate its existing COW/WETH CoW AMM pool with an approximate TVL of USD 1M to a CoWAMM Balancer pool upon launch.

Further stages of liquidity seeding will be evaluated as needed. All parties involved (BalancerDAO, CoW DAO, and GnosisDAO) commit to abstaining from farming incentives derived from the initial liquidity seeded into these pools.

## Implementation Details

CoW DAO and BalancerDAO agree on the following implementation details:

1. The amount of tokens contributed to the strategic pools will be calculated using Chainlink prices at the time of pool creation. Pools will be created or migrated as soon as technically feasible.
2. The TVL of all CoWAMM/Balancer pools must continuously exceed a certain threshold for at least a week to be considered reached.
3. For the second and third steps of the token swap, the average price during the week before the TVL reaches the threshold will be used.

This partnership aims to create powerful synergy, enhancing both protocols and advancing their shared vision for DeFi. karpatkey is excited to contribute to this promising endeavor.