Project name

: Quadrat Protocol

Author name and contact info

:

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

: Yes

I understand that I will be expected to following the public grant reporting requirements outlined here

: Yes

L2 recipient address

:

0xA559f6d6B5A5661E46dEc454751683294BB26B9E

Which Voting Cycle are you applying for?

: Season 3 cycle 10

Which sub-committee should review your proposal? (Builders Grants, Growth Experiment Grants)

: Growth Experiment Grants

Project description

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Quadrat

is a non-custodial, permissionless active liquidity management protocol for Uniswap v3. It is designed to automatically rebalance assets in Uniswap v3 liquidity pools, enabling users to earn the highest annual percentage yield (APY) on every liquidity pool, and also help Uniswap v3 concentrate liquidity at trading price range more capital efficiently and attract more trading volume.

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The rebalancing feature allows rebalancing liquidity in Uniswap pools in one click. It helps liquidity providers to maximize their APY by constantly rebalancing their pools to reflect changes in market conditions. Anyone can create a strategy to manage their capital or a public strategy to manage public capital with a revenue share model.

For Liquidity Providers

- Provide liquidity in the Quadrat Strategies for any Uniswap v3 Pool with the highest APY and endless active rebalancing strategies.
- Monitor your positions, APY, IL, volume and rebalance assets between strategies
- Fully non-custodial and permissionless protocol, passively improving your APY from the liquidity provision
- Current 0xPlasma Strategies APY is in the range between 50 and 500% for basic assets: USDT, BTC, AAVE, ETH,

UNI, Matic, etc.

For asset (liquidity) managers

- create private strategies for personal funds or create public strategies, manage public capital and earn performance fee

- rebalance your Uniswap v3 positions in one transaction, saving gas fees with an advanced quantum rebalance and liquidity calculator

- integrate your strategies in gnosis safe or investment DAO to scale the investment tools

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For Token Projects:

- Create optimal strategies for your token liquidity pool on Uniswap v3 and let your community provide more liquidity in pools with a better return on capital

- Manage Protocol liquidity with the highest capital-efficient methods

- Create farming and staking campaigns on top of Quadrat Vaults to incentive liquidity providers, targeting the most optimal liquidity distribution and depth for traders, and the highest APY for Liquidity Providers.

Quadrat Protocol supports Ethereum, Polygon, Optimism, Arbitrum, BNB Chain.

By offering a non-custodial, permissionless active liquidity management protocol, Quadrat will encourage more efficient trading and attract greater liquidity to Uniswap v3 on Optimism.

WhitePaper

: https://quadrat.plasma.finance/

Website

: Quadrat Active Asset Management Protocol Uniswap v3

Quadrat Dashboard:

Plasma Finance – Multi-chain DeFi & NFT Metaverse. Powered by 0xPlasma

Twitter

: https://twitter.com/0xQuadrat

0xPlasma Twitter

: https://twitter.com/0xPlasma

Discord

: 0xPlasma Labs

Please link to any previous projects the team has meaningfully contributed to

: https://plasma.finance/

Relevant usage metrics

:

Quadrat TVL: $600,000 https://defillama.com/protocol/quadrat

Optimism Quadrat TVL: $25,000

Competitors, peers, or similar projects

(please link):

Arrakis Finance https://www.arrakis.finance/

Gamma https://www.gamma.xyz/

Charm Finance https://charm.fi/

DeFiEdge https://www.defiedge.io/

Is/will this project be open sourced?:

Yes

Optimism native?

: No

Date of deployment/expected deployment on Optimism

: Nov-01-2022 03:03:08 PM +UTC (TX:OP Mainnet Transaction Hash (Txhash) Details | Optimism)

What is the problem statement this proposal hopes to solve for the Optimism ecosystem?:

Uniswap v3 is a popular decentralized exchange among traders, with Mainnet serving as the hub for most trading activity. However, Optimism lags behind Arbitrum and Polygon in terms of TVL and volume on various Layer 2 networks. This deficiency of liquidity and volume can be a significant deterrent for projects considering launching on Optimism, as these factors hold much sway in their decision-making.

Enter Quadrat, a protocol that specializes in generating liquidity for tokens in a cost-effective manner. With the concentrated liquidity feature of Uniswap v3, Quadrat can create deep liquidity for traders with less capital, making it an excellent option for projects with limited resources.

Thanks to Quadrat Protocol, liquidity is no longer a barrier for projects considering launching on Optimism. More project launches on Optimism will lead to an increase in trading activity, resulting in an upswing in volume on Uniswap and OP. This will promote the growth of Optimism and solidify its position as a leading L2 network.

In summary, Quadrat Protocol offers a permissionless and non-custodial liquidity management service that can help projects overcome the liquidity barrier and increase trading activity, leading to enhanced volume and acceleration of Optimism's growth.

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How does your proposal offer a value proposition solving the above problem?

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Liquidity mining rewards can be an effective way to attract liquidity and increase trading volume and APY for liquidity providers. Our proposal is to create a farming campaign with Quadrat Strategies, an active liquidity management protocol, for the most important liquidity pairs and tokens, offering a competitive APY for liquidity providers. These strategies will include a range of price options, providing liquidity providers with different choices based on their risk tolerance.

We suggest distributing OP grant tokens among the major token pairs and launching a contest for new tokens on OP to secure a portion of liquidity for their liquidity farming pools. 0xPlasma Governance can organize this contest on behalf of OP governance and the grant program. Quadrat can also provide infrastructure for any token project on Optimism to launch their liquidity farming campaign on Uniswap v3.

We believe that the right combination of OP rewards and liquidity concentration can bring the best possible APY for liquidity providers and attract substantial liquidity from the mainnet. Additionally, we would like to highlight that the Quadrat Farming Booster model rewards users with pool LPs token (token+OP), which can increase the final APY of liquidity farming by 2x.

The Quadrat Farming Booster

is a powerful product for any token project seeking to bootstrap its liquidity and increase APY for token holders. It provides a model of liquidity lockup with various reward-boosting tiers.

Why will this solution be a source of growth for the Optimism ecosystem?

:

Here are our main theses:

1. When liquidity providers actively engage with Quadrat to provide liquidity on Uniswap v3 pools, they can efficiently maximize their returns and ensure trading on the OP is optimal.

2. Quadrat Liquidity Booster offers users the opportunity to earn rewards through liquidity farming on Uniswap v3, incentivizing them to provide and lock more liquidity on Optimism, resulting in a well-distributed and ample liquidity pool to support diverse trading activities.

3. The virtuous cycle created by the combination of active liquidity management and liquidity farming draws in more liquidity providers, leading to a more robust and efficient trading environment on Optimism.

4. As Uniswap v3 and Quadrat continue to expand their reach and attract more liquidity providers, trading activity on the platform is likely to increase, which may drive broader adoption of the Optimism layer 2 solution.

5. Ultimately, the fusion of active liquidity management through Quadrat and liquidity farming on Uniswap v3 has the potential to be a significant catalyst for growth in the Optimism ecosystem, enabling DeFi to be more accessible, efficient, and cost-effective for users worldwide.

6. When Quadrat and Farming tools are made available for any protocol and token on Optimism, they hold the potential to attract a large influx of liquidity and trading activities to the platform. The greater the adoption of these tools, the more liquidity and trading volume can be expected to flow into Optimism.

Has your project previously applied for an OP grant?

: No

Number of OP tokens requested

: 360,000

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

: No

If OP tokens were requested from the Foundation Partner Fund, what was the amount?

: N/A

How much will your project match in co-incentives?

:

We are still in the process of bridging our governance $PPAY token from the mainnet to Optimism. When we do launch the token, we will initiate liquidity mining rewards to support liquidity and grow the OP ecosystem.

How will the OP tokens be distributed?

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Our team has devised distribution guidelines for our pools liquidity farming campaign, which we would like to share.

Firstly, we have decided to allocate 70% of OP tokens for a 12 OP/blue-chip pool campaign, with a liquidity lockup period of 3 months. These pools will serve as the mainstay of the liquidity farming campaign.

Secondly, we have dedicated 30% of OP tokens for a liquidity contest open to other protocols on OP. The campaign will run for 3-6 months and feature a liquidity lockup period. New OP protocols and tokens may apply for the contest, and the winners will receive an additional liquidity incentive for their pools on Uniswap v3. The 0xPlasma Governance will select the winners through Snapshot voting on the candidates on behalf of OP Governance.

Over what period of time will the tokens be distributed for each initiative?

We propose a shorter timeline campaign to attract liquidity faster and lock it within Uniswap v3 pools for a long time after the farming campaign is finished.

For example 3 months for major pools and 6 months for token pools with min 3, 6, and 12 months of liquidity lockup tiers.

Please clearly define the milestones you expect to achieve in order to receive milestone-based installments. Please consider how each milestone relates to incentivizing sustainable usage and liquidity on Optimism. Progress towards each milestone must be trackable:

We have constructed our forecast and assumptions model based on the current Uniswap v3 liquidity / APY and the requested tokens from the grant program (360,000 OP).

The current Uniswap v3 TVL/APY on OP for blue-chip tokens looks promising. The average pool APY for blue-chip tokens such as ETH, USDC, wBTC with a narrow range (+/-10% price) is 233%, and for a wide range (+/-50% price), it is 43%.

However, most of the OP pools with the same blue-chip tokens exhibit no TVL or Volume. To remedy this, we propose to allocate 260,000 OP (70% of the total OP grant) to new pools of token/OP with a fee tier of 0.05% to attract liquidity to these pools and increase arbitrage volume for all OP pools.

Our target median of Pool APY for Strategies with narrow ranges is 300%, comprising 150% basic and 150% of APY from the OP token rewards. Based on our high-level estimation, we expect an additional $6M TVL (minimum) / $12M TVL (maximum) and $116M of weekly volume.

For the remaining 30% of the grant, we propose distributing it between 5-10 pools of tokens, selected by 0xPlasma Governance based on the quality of projects and their community activities. The OP tokens will be distributed linearly for 3 and 6 months, depending on the pool and farming campaign.

Detailed analytics for the pools and assumptions for the upcoming liquidity farming campaign can be found in our public Google Sheets: Quadrat OP Farming Campaign Forecast - Google Sheets

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

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Liquidity farming is a great way to start bootstrapping liquidity, trading volume, and increasing APY on Optimism. Once we see liquidity migration and highly competitive and stable APY for liquidity providers, they will be less likely to leave the pools after the campaign is completed.

Furthermore, it is crucial to showcase the Quadrat liquidity boost use case to protocols and tokens on Optimism. It will have a more significant and long-term impact on the OP ecosystem's development than even a liquidity mining campaign itself. Any project will be able to establish its liquidity farming campaign to attract liquidity and improve distribution for traders on Uniswap v3.

Please provide any additional information that will facilitate accountability

(smart contracts addresses relevant to the proposal, relevant organizational wallet addresses, etc.):

Quadrat Factory Contract: EIP173Proxy | Address 0x3ae3b506a39ffc1aa3964f6dc888891ea10671ed | OP Mainnet

Confirm you have read and agree to the Eligibility Restrictions

(here): I have read the Eligibility Restrictions and agree to abide by their conditions

Looking forward,

ILIA | CEO @ 0xPlasma