Project name:

Metalswap

Author name and contact info:

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L2 recipient address:

Multisig Optimism Wallet 0xB0E9021096d7d6458D747CFe959E5E066Fc52dED

Which Voting Cycle are you applying for?:

Cycle 11

I confirm that I have read the landing pages for the Builders 8 and Growth Experiments 11 Sub-Committees and that I have determined my proposal is best suited to be reviewed by the Growth Experiments Sub-Committee:

Yes

I understand that Growth Experiments grants are subject to a "no sale rule," as explained in this post 5, and I have read the terms of the rule:

Yes

Project Details

Metalswap is a decentralized hedging swap protocol that provides a tool for protecting assets from market volatility. This unique financial primitive is built from scratch and is currently unique in the DeFi market. The hedging swap tool is commonly used in centralized commodity markets such as the London Metal Exchange. Metalswap's mission is to enable businesses to cover themselves from commodity price volatility using a DeFi approach. The tool is also useful for DeFi users who want to hedge against price volatility of crypto digital assets.

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What are you building?:

Our product has been live on the ETH mainnet since September 13th and currently supports three different digital assets on our DApp. Users can utilize the Hedging Swap Tool with ETH, WBTC, and WPAXG (a PAXG wrapped version), all of which are paired with Stablecoin.

Moving forward, our project is focused on three main areas:

1 - Find technical solutions to include RWAs (Real World Assets) in our dapp that are also useful for traditional businesses that need coverage on the volatility of commodity prices. Our tool is in fact widely used in this way by many companies in centralized markets

2 - Deploying our tool on a new blockchain to reduce transaction fees for our users and unlock novel use cases

3 - Creating a business funnel to address regulatory concerns of traditional businesses

Why do you believe what you are building is going to succeed?:

We believe that our tool has numerous use cases in DeFi as well as in the commodities business, making our project highly relevant to traditional businesses. We have created a sustainable protocol with a real yield business model, where the fees from Hedging Swaps are used to buy back our governance token and redistribute value to the protocol DAO. To add value

to our product, we want to deploy the smart contracts on a reliable chain with lower transaction fees compared to ETH, which will have a lesser impact on the total commission costs.

How many users does your project have currently?

- Distinct Addresses interacting with our Smart Contract Tool - 131 https://dune.com/queries/2131439

- Overall Hedging Swap opened - 426 https://dune.com/queries/2140151

- XMT Holder on ETH Chain - 1431 https://dune.com/dnosr/dollarXMT

How will receiving a grant enable you to further the mission of maximizing the number of users interacting with Optimism? Please include a step-by-step flow of how you imagine this grant can lead to a greater number of user interactions with Optimism:

1 - We Deploy our smart Contracts on Optimism and suddenly Our users will have a much less expensive tool due to a significant savings in terms of transaction fees.

2 - We will implement the system with three tokens that people can use to hedge against market volatility: OP, ETH, WBTC paired with USDC.

3 - We will activate the existing Usage Incentives in our system with our Governance token XMT

4 - We will use the OP Grants to distribute to those who use our product and provide liquidity as detailed later

5 - On the Optimism blockchain, there will be a unique financial primitive that is only present on Ethereum with much lower transaction costs. Users will be able to hedge against the volatility of their assets, including OP, and will also be incentivized to do so with the OP distribution program.

Tell us about the users you plan to target with this grant. Include any defining characteristics that will help you identify and target them.:

- Defi Users

: Any Defi user who wants to protect themselves from the volatility of digital assets, such as Lido Stakers, Univ3 or Velodrome Liquidity Providers, are some of the most interesting examples that we discuss and will discuss in our blog. All of these actors would have a clear advantage in using our product on the Optimism blockchain.

- Optimism Dao Members:

Any member of the Dao who wants to protect their value by hedging against the volatility of the Op price.

- Trader :

the Hedging Swap, like any other financial derivative, can be used as a trading operation. In this case, our product has the advantage of having a predetermined closure of the operation, which feeds interesting strategies.

How would these users interact with Optimism? For how long?:

Users of our product will interact with our tool's contracts using the Optimism blockchain, and they will do so continuously, given the usefulness of our product, the cheaper tx price and the possibility to Open new Hedging Swaps against OP and other Assets not present elsewhere.

Provide us with links to any of the following for the project:

- Demo: MetalSwap

- Website: https://metalswap.finance/

- Twitter: https://twitter.com/MetalSwapNet

- Discord/Discourse/Community: Discord

- Github: GitHub - DEFI-Foundation/swapsv2

- Technical/Economic Documentation: https://docs.metalswap.finance/

- Other: MetalSwap Bug Bounties | Immunefi

Do you have any metrics on the project currently?

(TVL, transactions, volume, unique addresses, etc. Optimism metrics preferred; please link to public sources such as Dune Analytics, etc.):

Hedging Swap Stats

https://dune.com/matteov

- Distinct Addresses interacting with our Tool Smart Contract

- 131

- Overall Hedging Swap opened

- 426

- Total ETH target Size

- 100,07 ETH

- Total WBTC target Size

- 2,43 WBTC

- Total USDT target Size

- 128023,00 USDT

- Total WPAXG target Size

- 4,83 WPAXG

TVL Stats

https://defillama.com/protocol/metalswap

- Ethereum

- 841 k USD (Hedging Swap Liquidity included)

- Bnb Chain

- 302k USD

- Polygon

- 36k USD

Our Governance Token XMT is present on all three of the mentioned chains, while our Hedging Swap tool is currently only available on the Ethereum chain.

Who are your competitors, and are they on Optimism?:

Metalswap Hedging Swap is a unique financial primitive in Defi. It is widely used in the commodity sector of centralized markets and has many use cases when used in Defi with tokens such as ETH, WBTC, and OP. One of its advantages is that it can be used with any ERC-20-like token present on this chain. Metalswap can become the first protocol where OP Dao members can hedge against price volatility.

Please link to code audits (if any):

https://www.certik.com/projects/metalswap

Team

- Marco Braglia - CTO

- Lorenzo Niccolai - Marketing Manager

- Mirko Semprebon - Content Manager

Who are your founders?:

- Tiziano Tridico - Leading Italian Crypto KOL

- Paolo Luini - Digital Entrepreneur and Investment Expert

- Umberto Prestini - Entrepreneur with experience in the specific field of metals

What makes your team well-suited to carry out the project described in this proposal?

The team has already demonstrated its ability to achieve set goals. The Whitepaper promised the development of an innovative tool built from scratch with a high level of security, and the team has successfully delivered on this promise. Our current objective is to showcase the usefulness of our product through the creation of high-quality content that highlights the numerous use cases for both Defi users and traditional businesses.

Is this your first Web3 project?:

Yes

Grant Request

What is the size of the grant request?

(250k OP max): 30k OP

How do you justify the size of the grant?:

With the help of this grant we have the opportunity to bring our userbase to Optimism and to make our tool known to all those who already use Optimism

There will be two ways to incentivize the use of our tool on Optimism:

1 - Liquidity Pool NFT Rewards

- Each liquidity position represented by an NFT that guarantees Hedging Swaps will receive a daily reward in both XMT and OP tokens based on the time they lock their assets. It will be possible to deposit ETH, WBTC, USDC, and OP as Hedging Swap Liquidity.

2 - Hedging Swap Rewards

- Each operation will receive a reward in XMT and OP tokens based on the target size and duration of the operation.

Roadmap and Distribution Plan

Describe in discrete steps how you will successfully implement your grant plan:

1 - Create a Testnet to test our product on Optimism

2 - After testing, deploy our smart contracts on the chain adapted to the XMT and OP distribution system

3 - Provide initial liquidity to ensure operations can be guaranteed

4 - Create an editorial calendar to allow the Optimism community to understand how to use our product with use cases and the benefits of using our Product on Optimism Chain.

How will the OP tokens be distributed? (please include % allocated to different initiatives such as user rewards/marketing/liquidity mining. Please also include a justification as to why each of these initiatives align with the problem statement this proposal is solving. Distribution should not include the sale of any tokens by the grantee or the use of tokens for compensation, protocol expenses, etc. See the no sale rule here 5):

1 - Liquidity Pool NFT Rewards

- 10K OP - 30% - Approximately 55 OP will be distributed daily to Liquidity Providers in proportion to their share of liquidity relative to the total. This amount was determined to reach a liquidity target that allows the ecosystem to generate good trading volumes and allow Liquidity Providers to have an interesting profit while locking their ETH, WBTC, USDC and OP in our protocol. Our initial liquidity target is 500k USD in value divided among ETH, WBTC, USDC, and OP considering the current prices. In fact, this mechanism will establish an elastic incentive effect to provide liquidity. When the liquidity is lower than the target, there will be attractive APYs due to the fixed daily incentive. When the liquidity on Optimism is close to the target, depositing these digital assets on our dapp will have an APY in the range of 7-9% in counter value. In case the liquidity is above the target, there will be lower APYs.

2 - Hedging Swap Rewards

- 20k OP - 70% - Users who use our tool will receive both XMT and OP as rewards. This will increase the volume and number of our transactions. Users will receive a number of XMT and OP based on the target size of the coverage and the duration of the position. Our target for the number of Hedging Swap positions opened is 3000 within the 6 months of distribution. Since our users will not pay Ethereum tx fees, they will be incentivized to open more positions that last longer and with higher target sizes.

Assuming an average target size of $1000 and an average position duration of 7 days, the user will receive approximately

50 XMT and 6 OP if the coverage remains open until the expiry date. Otherwise, they will receive a portion of the incentive based on the time the coverage was open.In this way, the incentive will be distributed over the 6 months if the number of operations and the average target size is as projected. The duration of the OP distribution may vary based on these parameters.

The increase in the number of operations and the average target size of operations are based on three positive effects that will increase transactions: a drastic decrease in tx fees, international visibility of the OP grant, and OP distribution.

The number of OP distributed per operation, like XMT distribution, depends on the operation fees that are linked to the target size and time. We have decided on a number of OP to ensure there is no excessive degen operational activity, which can increase user retention even after the incentive period.

In our plan, we expect that at the end of the OP incentive, the XMT reward will be more attractive and create a smoother transition from the period when OP+XMT are distributed to when only XMT will be distributed.Indeed, 80% of the fees collected by our protocol are used to do a buyback on our Governance token XMT.

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

The Liquidity Pool Rewards will be distributed over 6 months with a certain number of OP tokens distributed every day. The Hedging Swap Rewards will be distributed based on the volume of operations created, and according to our target volume, these rewards will also be distributed over a period of 6 months. However, the distribution of Hedging Swap Rewards may end a little before or after the 6-month period, depending on various factors.

Please provide benchmark milestones for this project. These milestones should guide the Optimism community on the progress of your project throughout your work on the project. Do not use distribution of the grant itself as a milestone:

1 - We're thrilled to announce the successful deployment of an initial version of MetalSwap's tool on the OPTIMISM Goerli testnet. We invite you to explore and play with it at the following temporary address:

hhhhhhhhh.dv3ypqgsfgu3j.amplifyapp.com

MetalSwap Webapp

Official MetalSwap web app

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image

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Our next goal is to optimize the testnet product and deploy the double rewards mechanism.

Deadline: 10th May

2 - We plan to bridge our governance token, XMT, onto the Optimism network. It's important to note that the OP token will be distributed alongside XMT as rewards, and users will be able to use it for Liquidity Providing, enabling others to Open new Swaps and receive rewards. Deadline: 30th May

3 - We'll create a comprehensive Docusaurus guide on using the Hedging Swap tool on Optimism's network. Deadline: 10th May

4 - To keep our users informed and engaged, we'll be publishing a monthly "Optimism Grant Report" on MetalSwap's Official Blog. This report will include two new use cases and our progress updates.

Having such a unique tool compared to the competitors, we need to explain in the best possible way how it works, especially since Hedging Swap is a relatively new concept in the DeFi environment. We're excited to show more Use Cases and help users to learn about this unique financial product and bring innovative hedging strategies to the DeFi space. Deadline: every month starting with the plan

5 - In our first three months on ETH Mainnet, we had approximately 110 swaps per month. Taking into account the net reduction in transaction fees, international visibility, and OP distribution, we aim to have 1000 positions opened in the first 3 months. Deadline:15th July

6 - After reaching 1000 swaps in the first three months, we're setting a goal of 2000 swaps for the remainder of our plan, supported by our progress updates discussed in point 4. Deadline: 15th October

Please define critical milestones for this project. Critical milestones are meant to show good-faith efforts to accomplish the project. Non-completion of these milestones could lead to revocation of remaining grant rewards. Do not use distribution of

the grant itself as a milestone:

1 - We'll deploy Hedging Swap and Liquidity Pool smart contracts on the Optimism network. Deadline: 30th May

2 - We'll provide initial liquidity for three token pairs: ETH/USDC, WBTC/USDC, and OP/USDC, within one month of distribution. Deadline: 30th May

3 - We'll develop comprehensive documentation and publish six articles (use case examples and grant reporting) in two months on our blog and docs. Deadline: 15th June

If the OP tokens are for direct distribution to users, why will incentivized users and liquidity on Optimism remain after incentives dry up?:

As mentioned before, Metalswap is built to have XMT incentives. So, after OP incentives dry up, our governance token incentives will remain.

Please provide any additional information that will facilitate accountability (smart contracts addresses relevant to the proposal, relevant organizational wallet addresses, etc.):

- Tool Contracts : https://docs.metalswap.finance/swap-addresses

- Token Addreses : Token Addresses | MetalSwap Docs

- Docs : https://docs.metalswap.finance/

Optimism Relationship

Does your project solve a problem for the Optimism ecosystem? If so how?:

Yes, Creating a OP Hedging Swap will be the first "forward financial derivative contract" built with OP token and Optimism holder can cover themself from price volatility with a Expire date contract. Will also bring in Optimism Chain a unique Feature.

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

This proposal would not only incentivize the use of the Optimism chain but also allow OP holders to hedge against price volatility, encouraging their participation in the ecosystem's DAO

Is your project Optimism Native?:

No, as mentioned before we deployed in Ethereum Mainnet as first and unique step

Confirmations

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