Support

izumi Finance as the official Uniswap V3 Liquidity Mining Platform

TL;DR

1. izumi Finance offered “Programmable Liquidity as a Service” on Uniswap V3, which has much higher capital efficiency than the traditional Liquidity Mining program.

2. Uniswap Labs could partner with izumi Finance to cost-free provide Liquidity Mining program supports for any trading pair on Uniswap V3.

About izumi Finance

izumi Finance is the first protocol to support Uniswap V3 “non-homogeneous” liquidity mining and extend concentrated liquidity service for multi-chains. izumi provides “Programable Liquidity as a Service” (PLaaS) based on Uniswap V3, with innovatively designed liquidity mining modules of “Concentrated liquidity mining” model for stable assets with a fixed price and “One-sided non-impermanent loss Mining” model for non-stable tokens. These structured models would support any blockchain project to better implement liquidity incentives with much higher capital efficiency and enable liquidity providers to earn extra rewards.

Note：izumi will Launch the LiquidBox on December 21st, so this is only a Temperature Check proposal and is subject to change after izumi’s product launch.

About izumi Finance’s LiquidBox: UniswapV3 NFT Farming Platform

Project teams and community DAO can set up pairs and liquidity pools based on Uniswap V3 to attract liquidity more efficiently by offering rewards in a limited range and different rewards in different price ranges. izumi Finance provides a wide range of liquidity options to meet the needs of project teams and communities.

Option 1: “Concentrated liquidity mining” model for stablecoin with fixed price

Each block in the (0.95p,1.05p) price range earns 10 tokens from the stablecoin and pegged-asset issuer. Izumi evaluates the total effective liquidity in the (0.95p,1.05p) price range and assigns it linearly according to the proportion held by each LP, thus attracting liquidity to this range to achieve minimum slippage.

Note: If the LP provides liquidity in a price range that is over-covering (0.95p,1.05p), only the liquidity within (0.95p,1.05p) is calculated as the weight of the incentive allocation; if the NFT price range offered by the LP is inside (0.95p,1.05p), such as (0.98p,1.02p), no incentive is given or a weight penalty factor is applied.

Analysis: When compared to the xy=k model, the 0.95–1.05 interval is over 50 times more capital efficient, requiring only one-fifth of the TVL and incentives for the same slippage.

Option 2: “One-sided non-impermanent loss mining model” for emerging-asset to make liquidity mining more attractive when price continues going up

izumi LiquidBox allows liquidity mining incentive tokens in the current price range to compensate for the impermanent loss caused by price change within a corresponding time interval.

Similar to the traditional xy=k model, the LP also puts half value of the USDC and half value of the project tokens into the izumi LiquidBox to start liquidity mining with one click.

However, in order to avoid the “Pool 2 dilemma” caused by the traditional xy=k model (i.e. LP puts all USDCs as potential buy orders and project tokens as potential sell orders into the liquidity pool of the trading pair, causing LPs to passively sell their project tokens and suffer from impermanent losses when the price goes up. It also increases passive selling pressure on the project side, preventing price increase and creating a “lose-lose” situation.

izumi LiquidBox innovated the “one-sided non-impermanent loss” model based on Uniswap V3, which puts the LP’s USDC into the (Pa,Pc), just below the current price Pc, and puts the LP’s project tokens into the staking mining instead of into the trading pool (i.e. above Pc as potential sellers), thus creating a model of “stronger buying than selling”, which is more conducive to a price increase.

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For example, if the current price of XYZ token is 3 USDC, LP will deposit 1k XYZ and 3k USDC into the izumi platform in one click to mine and receive a 90% APR on the total principal (similar to the Sushiswap xy=k model). izumi manages this by placing 3000 USDC in the Uniswap V3 (0,3) price range to provide potential buying orders when the price declines. The 1k XYZ is placed in the staking module to lock in liquidity, but not in Uniswap V3, so it won't be sold passively when the price rises, resulting in no impermanent loss or passive selling pressure on the project side.

Analysis: When the price goes up, there is no impermanent loss, and when the price goes down, the percentage of impermanent loss for LP (Pa=0) is the same as xy=k. The overall distributed incentives for the project are the same as in the xy=k model. In the up cycle, passive sell liquidity is low, whereas in the down cycle, buying support is consistent (if Pa is greater than 0 then the buying power is also enhanced).

Proposal：

1. Authorize Uniswap Labs on behalf of the community to partner with izumi Finance and integrate izumi's LiquidBox as the Uniswap V3 official partner liquidity mining platform.
2. Raise more awareness in the Uniswap community and let Uniswap V3 Liquidity Providers be aware of this opportunity to earn additional rewards.

Link to snapshot: (include link)

Link to any additional reading:

1. Izumi's website: izumi.finance
2. Izumi's Doc: https://docs.izumi.finance
3. izumi's LiquidBox–UniswapV3 NFT Farming Platform: izumi's LiquidBox: UniswapV3 NFT Farming Platform | by Izumi Finance | Nov, 2021 | Medium
4. Uniswap V3 User Revenue Analysis and How to Improve It with LP NFT Mining: Uniswap V3 User Revenue Analysis and How to Improve It with LP NFT Mining | by Izumi Finance | Nov, 2021 | Medium