

Project name:

dHEDGE DAO

Author name and contact info:

Jake Richards (<https://twitter.com/jakerichards>)

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

Yes

L2 recipient address:

0x352Fb838A3ae9b0ef2f0EBF24191AcAf4aB9EcEc

Grant category:

Governance Fund Phase 1

Is this proposal applicable to a specific committee?:

This proposal falls within DeFi committees.

Project description:

dHEDGE was one of the early projects that worked with the Optimism team to improve the dev experience, prior to the Regensis.

Since launching on Optimism over 6 months ago, dHEDGE has been rapidly increasing integrations with other Optimism protocols Aave, 1inch, Kwenta and Uniswap, in addition to launching our own incubated protocol Toros Finance on Optimism in April. We've also passed governance proposals for new integrations with Beethoven X, Velodrome and Lyra.

Our protocol vision is to build a future where everyone has simple and reliable access to financial freedom so that society's quality of life is improved. This is tightly aligned with the Optimistic Vision of reliably providing for basic human needs at scale.

Project links:

- Website:

www.dHEDGE.org

- Website:

<https://toros.finance>

- Twitter:

<https://twitter.com/dHEDGEorg>

- Discord:

[Discord](#)

Relevant usage metrics

[

Screen Shot 2022-08-18 at 9.38.00 am

1180×574 70.8 KB

](<https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/b/b6b532e0ff29e9367f7bd90fbc6a0e29e3f74426.png>)

Dune analytics: [Link

](https://dune.com/optimismmpbc/Optimism-Project-Deep-Dive?1+Project+Name_t0ca5e=dhedge&2+Trailing+Num_naaae4=240)TVL: \$4.3m

Volume:

16,048 Transactions

Unique Addresses:

3,956 Addresses

[

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1200×538 54.7 KB

](https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/0/0dede461fe9192f12a127e3aa04a1b19b5f8c094.png)

Competitors, peers, or similar projects:

dHEDGE is the only decentralised asset management platform currently on Optimism.

A similar project on other chains in Enzyme Finance - this also enables non custodial asset management but has a focus on indices. Enzyme is on mainnet and Polygon.

Is/will this project be open sourced?

: The smart contracts and automation infrastructure are fully open sourced [dHEDGE DAO · GitHub](#).

Optimism native?:

No

Date of deployment on Optimism:

November 29, 2021

Ecosystem Value Proposition:

dHEDGE brings decentralised asset management to Optimism, and is integrated with many current OP projects e.g. Aave, 1inch, Synthetix/Kwenta, Uniswap and soon Lyra, Beethoven and Velodrome.

Using these integrations, dHEDGE has incubated a new protocol Toros Finance, which runs automated strategies on Optimism including the [Synthetix Debt Hedging](#) service, which has quickly accrued over \$3.5m in TVL weeks after launching.

It's a valuable service seeing rapid adoption from the SNX staking community.

A decentralised asset management platform, combined with our native SDK, is a valuable asset for the Optimism ecosystem as it enables asset managers access to easy automation potential combined with a safe non-custodial management solution. This value can be demonstrated by the \$4.3m TVL already locked in the protocol.

Additionally, \$OP incentives will help migrate more funds across from dHEDGE on mainnet as we migrate governance from mainnet to L2.

Has your project previously applied for an OP grant?

dHEDGE previously applied for a grant in Phase 1, Cycle 4 and was asked to resubmit with an altered \$OP distribution model. Specifically, the previous submission involved a distribution model targeted towards holders of DHT, the dHEDGE governance token.

1. We've modified the \$OP distribution such that users don't need to stake DHT to be eligible,
2. We've revised the \$OP ask down from 500,000 to 350,000, and
3. Split the distribution between pool incentives (70%) and liquidity mining (30%)

These revisions bring our proposal into line with the feedback we received on previous submission.

[\[READY\]](#) [\[GF: Phase 1 Proposal\]](#) [dHEDGE](#) [Governance Fund: Phase 1

](/c/proposals/governance-fund-phase-1-proposals/40)

[Snapshot vote](#) - not-passed

Number of OP tokens requested:

350,000 OP

How much will your project match in co-incentives?

We're proposing to split the distribution of granted \$OP across DHPT Pool Incentives (70%) and Liquidity Mining (30%).

The Liquidity Mining will be matched 1:1 with DHT, but not the DHPT Pool incentives.

Proposal for token distribution:

We're proposing a multi-channel distribution model as follows:

1. Pool incentives (70%)

We propose distributing \$OP tokens to holders of whitelisted dHEDGE Pool Tokens (DHPT) on Optimism.

This method of distribution aims to incentivise liquidity into dHEDGE pools.

DHPT holders would receive a portion of \$OP tokens relative to their DHPT position calculated over a monthly allocation.

E.g. 70% of the proposed 350,000 = approx 240,000 OP, split into 6x 40,000 monthly \$OP allocations.

The whitelisting process will be an ongoing governance vote. This is to ensure pools of sufficient quality qualify for \$OP incentives. Criteria likely to include a minimum TVL and/or over a certain age (weeks).

Given 40,000 OP as monthly incentives, if priced at \$1.50 per \$OP equates to an additional \$60,000 of incentives per month. Annualised, this would attract the below TVL at incremental APY targets:

5% APY - additional \$14.2m

10% APY - additional \$7.1m

15% APY - additional \$4.7m

Given the current dHEDGE TVL on Optimism is \$4m, forecasting an appetite for 10% APY from \$OP incentives would attract \$7.2m - almost twice the current TVL to dHEDGE.

This liquidity is likely to remain on Optimism given the unique staking model dHEDGE is about to launch. DHT rewards are paid to users staking both DHT and Pool Tokens, and the emissions model favours longer term staking durations.

Additionally, we may seek to use 10% of this allocation as specific rewards for a trading competition.

1. Liquidity Mining (30%)

dHEDGE is currently migrating governance onto L2, and requires a deep source of liquidity for fluid management of staking rewards and acquisition of governance power.

As such, we propose to incentivize a DHT:OP pool on Optimism, and allocate 30% of the proposed grant to encourage this liquidity.

This program will also run for 6 months, and will be matched 1:1 with DHT tokens.

Liquidity will be hosted on Velodrome/Uniswap, and managed via a dHEDGE pool.

Dividing this portion of the grant distribution over 6 months would provide 17,500 \$OP per month in liquidity incentives. Matched with DHT, (and pricing \$OP at \$1.50), would allocate approx \$50k per month in total OP and DHT rewards.

For a volatile pair pool, this would attract \$1.2m in TVL at an APY of 50%.