

This is the GF Phase 1 Proposal from the [Overnight.fi](#) Protocol. The goal is to help push the adoption of [Overnight.fi](#) innovative product line (yield generating stablecoin USD+ and delta-neutral ETS strategies) on the Optimism network.

We took into account the community's feedback from the previous voting cycle:

- Grant funding not meant for development - development request excluded
- Clarity about co-incentives - 300K USD+ of co-incentives will be provided (10K USD+ per week over approximately 25 weeks on Velodrome, and additional 3.1K USD+ per week over 16 weeks of Balancer grant for Beets boosted pool)
- Clarity about ETS product promotion - Commitment to promote only uncapped ETS, starting with ETS ETH/USDC, will be incentivized by means of establishing and incentivizing a liquidity pool on Velodrome, thus making opportunity available to the entire community
- Grant amount request has been reduced from ~370 USD to about 300K, the amount commensurate with co-incentives amount provided; The amount in OP - 400K OP total has been kept constant;
- Clarity about verification of contracts - all contracts are verified and by consequence open-source; 1 math-library, not relating to security of user funds, kept confidential in line with industry-practice not to disclose algorithms related to balancing delta-neutral strategies (e.g. Gamma.xyz)

Project name:

[Overnight.fi](#)

Author name and contact info:

Maxim Ermilov @wmermus

, can be contacted through Telegram

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

Yes

L2 recipient address:

[0xe497285e466227f4e8648209e34b465dAA1F90a0](#)

Grant category:

Governance Fund Phase 1

Is this proposal applicable to a specific committee? [y/n, link to committee]

Yes, DeFi Committee

Project description

(please explain how your project works):

[Overnight.fi](#) is the company behind stablecoin USD+. USD+ is USDC that pays you yield via daily rebase. It is 100% collateralized with high-quality stables (USDC, BUSD, USDT, DAI etc.) that are invested onchain into lowest risk no IL stable-to-stable strategies. The yield from farming is passed over to USD+ holders via rebase. The superpower of USD+ is its ability to pay yield in liquidity pools, thus maximizing capital efficiency of LP provision.

Core usecases:

- Treasury management
- Liquidity provision on Dexes (e.g. currently USDC/USD+ on Velodrome)
- Maximizing yield on projects' own liquidity on DEXes (e.g. Sphere, OtterClam, Tetu, Parrotly, MDB etc paired against USD+ to receive yield from liquidity they maintain at DEXes)

In addition to USD+, Overnight is offering ETS ("exchange traded strategies" product line). ETS is a quasi-stable (some call it 'delta-neutral' strategy packaged inside a rebase token) that accepts USD+/USDC, uses it as collateral to borrow (hedge) a crypto asset on AAVE (or Granary), then farms crypto-to-stable pools. Currently, on OP there is already ETS ETH/USDC via Velodrome/AAVE and ETS OP/USDC via Velodrome/Granary in process of release.

Overnight intends to make Optimism its 'innovation hub', i.e. the chain where all new products/approaches are developed, tried and launched ahead of other chains. Innovative products already implemented include:

- 'Self-bribing' LP on Velodrome: USD+ yield from Velodrome LP pools automatically directed towards bribes on Velo
- Insurance (closed beta): Users are able to exchange risky asset, e.g. ETS ETH/USDC, for a combination of insured and uninsured tokens (tranches), with insured - redeemable for USD+ and uninsured - for OVN, Overnight's governance token yet to be released

-Additional '+' products: DAI+

There is more in the pipeline.

Project links:

- Website: [Overnight.fi](https://overnight.fi)
- Twitter: [Overnight_fi](https://twitter.com/Overnight_fi)
- Discord Community: [Discord](https://discord.com/invite/overnight)

Additional team member info

(please link): Telegram: @wmermus

LinkedIn: <https://www.linkedin.com/in/maxim-ermilov/>

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

N/A

Relevant usage metrics

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

Overnight went into open beta around May 1st, 2022 and, despite the timing coinciding with the UST crash, has been having great momentum, largely helped by increased risk aversion:

1. TVL has exceeded 8.5 M USD, x17 growth since UST crash in May (USD+ finalized closed beta and launched open beta on May 1st)
2. number of users has exceeded 3.6K, i.e. x9 growth since May
3. USD+ daily trading volumes have fluctuated in the range of 0.5-1M per day depending on market volatility, on average exceeding 14.5% of TVL, putting USD+ b/w BUSD and USDC on this metric, far ahead of most CDP stablecoins

The growth has been driven by:

- Partnerships with Dexes, in particular, Dystopia/Penrose and Cone/Unknown, Velodrome
- Partnerships with other projects that chose to establish trading pairs with USD+: Lido (stMatic), Sphere, Tetu, OtterClam, MDB, Parrotly Finance etc.
- Launch of highly attractive (and profitable) product - ETS, a quasi-stable high-yield strategy product on top of USDC/ETH, USD+/wMatic and USD+/wBNB pools (with hedged crypto price-risk)
- Expansion to BSC and Optimism chains

Overnight entered Optimism about 2 months ago with the launch of USDC/USD+ and USD+/LUSD pools on Velodrome. Since then TVL has exceeded 4.6M with approximately 400 users. Total 'bribing' amount has been 3.5K USD+ per week, most from 'self-bribing' described above.

Is/will this project be open sourced?

Yes, all contracts are verified and by consequence open-source; 1 math-library, not relating to security of user funds, kept confidential in line with industry-practice not to disclose algorithms related to balancing delta-neutral strategies on Uni V3 (e.g. Gamma.xyz)

Optimism native?:

Overnight is Polygon native, however, most active part of Overnight community and TVL have migrated to Optimism already once we launched given better product terms on OP.

Date of deployment/expected deployment on Optimism:

Technical deployment - August 2022, commercial launch - first week of September 2022

Ecosystem Value Proposition:

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

Building ideal DeFi product suite for crypto-winter and beyond: trustworthy, low-risk, decentralised asset management solution for passive stablecoin investors with minimum risk appetite in a convenient 'stablecoin' form factor

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

Overnight's vision is to build 'Vanguard of DeFi' with (1) USD+ as a lowest risk product (equivalent of traditional money-market funds) and (2) ETF as a medium risk product (equivalent of ETF). Insurance product will play the central role in de-risking Overnight's ecosystem of the structural DeFi risks

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

Overnight is targeting risk-averse segment of DeFi (both individuals and treasuries), somewhat underserved segment, which, we believe, over time will overtake crypto-native segment of DeFi in volumes and revenue.

Has your project previously applied for an OP grant?

Yes

Number of OP tokens requested:

400,000 OP

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?:

NA

How much will your project match in co-incentives?

(not required but recommended, when applicable):

USD+ will provide at least 300K USD+ in co-incentives by (1) channelling USD+ yield from liquidity pools with USD+ and ETS on Velodrome and Balancer to self-bribing and (2) allocating 50K USD worth of BAL received from Balancer for building boosted pool with USD+ on an L2 towards Beethoven's USDC/DAI boosted pool.

Proposal for token distribution:

- How will the OP tokens be distributed?

250K for USD+ liquidity mining on Optimism (spread between Velodrome and Balancer).

→ This would grow USD+ liquidity on Optimism, but also increase liquidity for the protocols and pairs USD+ collateral is invested into (100% is invested on the same chain). Additional stablecoin yield maximizers with low risk appetite will join Optimism chain

150K for ETS liquidity mining on Optimism (via Velodrome)

→ This would grow ETS liquidity on Optimism, but also increase liquidity trading pairs underlying our ETS products, in particular, ETH/USDC and OP/USDC (100% is invested on the same chain). Additional stablecoin yield maximizers with low risk appetite will join Optimism chain

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

approximately 25 weeks

- Please list the milestones/KPIs you expect to achieve for each initiative, considering how each relates to incentivizing sustainable usage and liquidity on Optimism.

First KPI will be exceeding 15M in TVL and 2000 users for Overnight overall

Second KPI - exceeding 2M in TVL and 100 users for ETS products

Stablecoins like USD+ have considerable network effects. By reaching critical mass of TVL and users, powered by low risk, USD+ and Overnight will realize network effects and make Overnight sustainable on Optimism. Importantly, Overnight

generates 'natural yield from its operations, which is partially directed towards USD+ and ETS pool incentives - this combination will make Overnight operation sustainable after rewards expire

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

Our overall approach is that Overnight products should be attractive without rewards (with rewards used essentially for promotion/marketing only):

- USD+ and ETS rely on natural yield on the chain to generate yield for its users
- USD+ model we are deploying on Optimism is 'self-bribing', i.e. natural yield from USD+ and ETS in Velodrome and Beets core pools will support bribes beyond incentives

Please provide any additional information that will facilitate accountability:

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

All Overnight smart contract addresses on Optimism can be found here: [Contract Addresses - Overnight Finance Docs \(Beta\)](#)

)

We hope the Optimism community will help Overnight not just grow TVL, but push DeFi innovation forward and beyond. Optimism is ideal chain for building things that had not been tried before. Let us know if you have any feedback on the proposal!