

## Background:

Pirex is a product by Redacted, which creates liquid wrappers that allow for auto-compounding and the tokenization of future yield/vote events. In addition, Pirex will also include an ecosystem of applications on top of Pirex liquid wrappers that further enhance the utility of governance tokens for users, enable novel utility and provide yield opportunities that are exclusive to those using Pirex wrappers.

pxCVX (Pirex v1CVX) was the first Pirex liquid wrapper, with more to follow. The Pirex team will also be launching several applications built on top of the Pirex protocol by the end of 2022, showcasing the broad utility and flexibility of the protocol and the wide range of applications that can be built on top of it.

Following the passing of [RIP-27](#), GMX will be the second protocol to be integrated into Pirex. The Pirex GMX integration is currently being audited and will be launched shortly thereafter. Once launched:

- GMX can be deposited into Pirex for pxGMX. GMX earns ETH rewards, esGMX rewards and multiplier points. pxGMX holders can claim ETH and pxGMX rewards (esGMX rewards are tokenized as pxGMX). As GMX and esGMX to pxGMX is a one-way process, GMX and esGMX will never be unstaked, and esGMX will never be vested. Multiplier points accrue and ETH rewards from multiplier points are shared pro-rata by pxGMX holders
- Any supported GLP tokens (e.g. ETH) can be deposited into Pirex for pxGLP. GLP earns ETH rewards and esGMX. pxGLP holders can claim ETH and pxGMX rewards (esGMX rewards are tokenized as pxGMX).

Similar to Pirex Convex, there will be an Easy, Standard and Expert mode that will provide varying levels of functionality, aimed at different types of users:

- Standard mode: pxGMX yield in ETH and pxGMX (esGMX yield converted to pxGMX); pxGLP yield in ETH and pxGMX (esGMX yield converted to pxGMX)
- Easy mode: pxGMX ETH yield compounded into more pxGMX; pxGLP ETH yield compounded into more pxGLP
- Expert mode: tokenization of future pxGMX and pxGLP yield

The tokenization of GLP and GMX/esGMX into pxGLP and pxGMX will allow for greater composability of GMX and GLP in DeFi. For example, tokens could be paired with pxGLP in liquidity pools, and benefit from the yield generated from the GLP in addition to the trading fees from the LP itself. Greater composability builds sticky liquidity and increases the demand for GLP.

With all GLP, GMX and esGMX being held in the same account, and all GMX and esGMX being permanently staked (no esGMX will ever be vested), users will benefit from enhanced liquidity while also benefiting from shared multiplier points accrual. This allows smaller users (and those who have discovered GMX later than others) to also benefit from multiplier points. As the conversion of GMX and esGMX to pxGMX will be one-way, this will create a black hole for GMX, similar to what Convex has done for CRV - thereby reducing GMX sell pressure. Sharing of multiplier points incentivizes new GMX deposits, as depositors can quickly access some multiplier points, furthering the GMX blackhole flywheel. pxGMX gives GMX stakers and GLP holders access to greater liquid yield, thanks to a pxGMX/ETH LP to be bootstrapped by Redacted.

## Proposal:

To further solidify the collaboration between GMX and Redacted while increasing Redacted's exposure to the GMX ecosystem and bootstrapping the pxGMX/ETH LP, we propose a \$200k token swap between the Redacted and GMX treasuries.

Specifically, we are proposing to swap \$200k worth of GMX tokens for \$200k worth of BTRFLY tokens. The amount of tokens received will be based on a 30-day trailing average of both tokens' prices at the time that the governance proposal passes, if voted on, or 15 days after being posted to the GMX forum if no vote is conducted. Pricing will use the daily rate from Coingecko.

Redacted's GMX will be permanently deposited into Pirex for pxGMX and will be used to bootstrap the pxGMX/ETH LP. As all GMX received by Redacted will be deposited into Pirex for pxGMX, all esGMX yield from that pxGMX will be permanently staked and tokenized as further pxGMX. GMX's BTRFLY will be locked for r1BTRFLY.

Redacted and GMX intend to hold the tokens received from the swaps indefinitely, with them deployed in accordance with this proposal.

After two (2) years, if there has been a material change in the tokenomics or intended utility of the tokens that result in the protocols being unable to use them as had been planned, the protocols may mutually review and come to governance to seek equitable adjustments.

The swap is intended to support protocols building on GMX through sustainable yield generated from GMX/esGMX and not the selling of the principal from the swap.

As part of the GMX and Redacted partnership and the treasury swap, two GMX core contributors and two Redacted core contributors will be on the three of four pxGMX multisig. This will, among other things, help ensure that the GMX from the treasury swap is not sold prematurely.

## **Action:**

Complete an OTC treasury swap between the GMX and Redacted treasuries for \$200k worth of tokens.