

## PROPOSAL NAME

Innovative Treasury Strategy: Generating Revenue through Covered Call Lending

## PROPOSAL CATEGORY

Ecosystem Fund Allocation

## TEAM DESCRIPTION

[MYSO](#) is a decentralized lending protocol that allows users to borrow and lend with any ERC20 token. The protocol currently holds a TVL of ~\$1.7m and is live on Ethereum, Arbitrum, Mantle, Evmos, and Neon EVM.

The protocol originated from the ETH Global Hackathon in 2021, where it was awarded as [one of the winners](#). MYSO is also [backed by several reputable crypto OGs](#), such as HashKey, Wintermute, and Nexo. MYSO has received several grants and has partnered with many top projects and DAOs in the space, including Mantle, Lybra, Pendle, and others.

MYSO's core team comes from a varied background of finance and engineering and has several years of professional experience in crypto. We have a deep understanding of both DeFi and TradFi (in particular financial derivatives), which allows us to synthesize concepts from both worlds.

- Aetienne, Founder & Developer
- Jamie, Lead Full Stack Developer
- Mykola, Senior Full Stack Developer
- Denis Golub, Growth and Research
- Matan, Designer
- dominic, Operations and Partnerships & Author of this proposal

## ABSTRACT

During the recent election season, it became clear that sustaining a robust treasury is essential for the long-term prosperity and resilience of ApeCoin's community. A noticeable trend in AIPs is their focus on spending rather than income generation, which over time, results in a depletion of the treasury.

To address this, we propose utilizing idle treasury-owned \$APE to engage in covered call lending using MYSO Finance. This would allow ApeCoin DAO to generate significant stablecoin revenue, diversify part of its treasury and earn cash upfront. In contrast to simply selling tokens, there's no market impact. All loan execution happens through MYSO smart contracts and is trustless and fully transparent with full on-chain traceability.

## BENEFIT TO APECOIN ECOSYSTEM

- Idle \$APE tokens can be used to generate immediate upfront USDC revenue
- Immediate revenue and liquidity for operational and developmental activities
- Diversification of the treasury into stables
- Tokens don't need to be sold, thus there's no immediate market impact
- Covered call parameters (e.g., duration, upside cap, size etc.) can all be fully customized
- Unlike conventional covered calls or market maker loan arrangements, there is no counterparty risk

## KEY TERMS

- Covered Call: A covered call is an investment strategy where the investor sells call options on assets they already own to generate income from the option premiums.
- Strike Price: The strike price is the set price at which the option can be exercised

## PLATFORMS & TECHNOLOGIES

MYSO v2 smart contracts (three comprehensive audits: [Trail of Bits](#), [Omniscia](#) and [Statemind](#)) deployed on Ethereum.

## STEPS TO IMPLEMENT & TIMELINE

We propose using \$APE to engage in covered call lending, allowing the treasury to generate USDC income. In contrast to conventional lending, the USDC is earned upfront, eliminating the need to wait until the loan matures. All loan execution happens through MYSO smart contracts and is trustless and fully transparent with full on-chain traceability.

The covered call lending parameters, such as loan duration and upside cap, can be customized according to individual treasury preferences to optimally serve the ApeCoin community. Unlike traditional CeFi-style covered calls which are oftentimes presented by market makers, this proposal allows ApeCoin to get access to a similar financial payoff but without any counterparty risk. This is because the borrower is required to post USDC collateral upfront, ensuring that ApeCoin never faces a situation where the upside cap price is not paid or the loaned \$APE tokens are not returned.

The upfront USDC income from lending ApeCoin can be immediately utilized for community needs. And unlike a simple token sale, covered call lending enables the treasury to diversify its holdings into stable assets without any immediate market impact.

#### Example Scenario

The diagram below shows indicative upfront premiums (as of 16. January 2024) that the ApeCoin treasury could earn across various loan duration (Days to Expiry) and upside cap (Relative Strike Level) combinations.

[

image

1460×719 101 KB

](https://global.discourse-cdn.com/apecoin/original/2X/f/f1d5ff6bf5aae6a8e744e02cd813dfe33e7c904c.png)

For instance, ApeCoin treasury lends \$500k worth of \$APE for 90 days at a 105% upside cap. In turn, ApeCoin treasury gets approx. \$42k USDC upfront.

If the \$APE price remains below 105% after 90 days, the originally loaned \$APE is returned. If it exceeds 105%, ApeCoin treasury receives \$525k USDC (and still keeps the initial \$42k USDC upfront).

Start Date: March 1

#### Execution Phases:

- Through MYSO's OTC network, the terms for the covered call can be discussed and matched with institutional borrowers beforehand, so that ApeCoin can be certain that the borrower will take the loan offer within a few hours (process to be facilitated via MYSO platform)
- Creation of a multisig with signers from the foundation, governance group, special council and MYSO. The respective members having the ability to opt in to participation.
- Once the loan terms have been agreed on, a lender vault needs to be created and funded w/ \$APE token
- Creation of a loan offer according to the agreed terms, where multisig owners will be signing off the deals
- In case the borrower doesn't execute the loan for any reason, ApeCoin can withdraw the funds at any time.

#### Reporting and Transparency:

- Weekly updates on performance and progress will be transparently reported.

## OVERALL COST

MYSO would recommend using \$500k worth of \$APE to start writing covered calls.

Regarding the overall costs, there are two main scenarios to consider at the expiry of the covered call. However, it's important to highlight that \$APE will receive the upfront premium in any case, no matter what happens at expiry of the option:

- If the price of \$APE is below the defined strike price, ApeCoin will receive the \$APE back, essentially incurring no costs
- If the \$APE price is above the strike price, the \$APE will be sold at the defined strike price and the ApeCoin DAO will receive USDC. This scenario also does not incur direct costs

as \$APE is sold at the strike price (without any slippage etc.)