Beamex PERPadot: $DOT LP Depth Loan

Proponent Address: 15zT5nrMkpK4NdQRCHdpMvLCaU4Mt2ekVP9hXkPzcMwPNEw2

Requested Amount: 500,000 $DOT for one year

Short Description: The aim is to create a significant $DOT liquidity depth on Beamex by allocating 500,000 $DOT into Beamex Liquidity Pool (BLP), allowing users to open larger leverage positions natively on Polkadot. Funds would be controlled by Beamswap multisig wallet.

Summary

At Beamswap, we acknowledge many significant steps made across the whole Polkadot ecosystem before the Polkadot 2.0 launch. With new interest and new players coming in and committing to the Polkadot ecosystem, users should also enjoy a well-positioned on-chain option for perpetual $DOT trading. The Beamex PERPadot campaign aims to do just that - to create a seamless native decentralized perpetual trading experience.

Beamex is the only and most used platform offering long/short decentralized trading options, limit orders, and swaps without any price impact. This is made possible by price oracles, which draw data from on-chain price feeds and centralized exchanges.

- **Primary Goal:** Creation of significant liquidity depth for leverage trading on Polkadot
- **Project Description**: Beamex is the only perpetual exchange on Polkadot, specifically on the Moonbeam Network. As a decentralized spot and perpetual exchange, Beamex delivers advanced crypto trading, both swaps and leverage trades at low fees and zero price impact, via direct wallet connectivity.
- **Requested DOT Grant Amount**: 500,000 $DOT
- **Use of Grant**: 500,000 $DOT would be deposited into Beamex Liquidity Pool (BLP) - a unified LP token that constitutes an index of assets supporting all trades on the platform.
- **Motivation:** Aligned with the vision of becoming a fully user-powered perpetual exchange, the funding of Beamex would significantly contribute to acquiring new users in the Polkadot ecosystem. This would further elevate its standing compared to other networks and projects, such as dYdX on Ethereum, GMX on Arbitrum, and Jupiter on Solana.

If approved, the 500,000 $DOT would be deposited into the Beamex Liquidity Pool (BLP) to create a significant liquidity depth for leverage trading on Polkadot. This request runs in parallel with the liquidity incentives request, which aims to offer 475,000 $DOT as a reward to all liquidity providers on the platform. 500,000 $DOT would not be allocated to farming and would not farm any liquidity incentives.

A secondary goal of the proposal is to create a significant influx of liquidity and leverage traders to Polkadot. Deep liquidity pools allow liquidity providers to earn rewards for market-marking in swap fees and leverage trading fees. A solid liquidity base would allow users to finally enjoy a wholesome DeFi experience on Polkadot. The cornerstones for efficient trading, risk management, and overall success of the network consist from:

- Decentralized exchanges (HydraDX, StellaSwap)
- Lending and borrowing (Moonwell, Prime)
- Perpetual DEXes (Beamex)
- Liquid staking derivatives (BiFrost, vested $DOT solution)

In this environment, adequate liquidity depth is crucial to facilitate smooth order execution, especially during times of high volatility when market movements can be rapid and unpredictable. Deep liquidity ensures traders can enter and exit positions without slippage, maintaining fair pricing and preventing cascading liquidations.

Problem Statement

Liquidity is the oil that powers the engine of not only DeFi but the Web3 ecosystem at large by bringing in capital to sustain numerous projects and millions of transactions performed every day.

As more and more people opt for decentralized alternatives to managing their finances, new DeFi opportunities are released on a monthly basis, however, liquidity capabilities are not always sufficient. If DeFi is to mature to a level where it becomes not only an alternative to traditional, centralized portfolio management but its legitimate competitor, liquidity should sustain its adoption needs, too.

In a technical sense, Polkadot outperforms the majority of Web3 ecosystems. However, while several DeFi projects have promoted its adoption via countless UX-enhancing features, the network still lacks sufficient liquidity inflow to cover the increasing demand on the user and platform sides. Currently, low liquidity in the Polkadot ecosystem manifests in higher slippage and less efficient trading for users.

The spike in general DeFi interest is evident also in the growth of Beamex TVL. The advantages that attract traders to decentralized platforms are sovereignty over their funds, 24/7 trading opportunities, high leverage, no trade expiration, low fees, and no need for KYC. On Beamex, sufficient liquidity is supplied by the platform's native BLP (Beamex Liquidity Provider) token pool, which ensures high cost-efficiency of trades and low fees for users.

Liquidity pools are a critical component of DEXs and other decentralized platforms such as Beamex. They facilitate trading in a decentralized manner, allowing users to execute orders directly from their wallets by providing sufficient funds availability. However, as traders' demands grow and they seek to execute larger transactions without having to split them, deeper liquidity is needed to ensure higher trading efficiency.

A boost in liquidity on the Polkadot network would increase access to the available capital, which is essential for ecosystem growth for at least two reasons. First, it would deliver a smooth transactional experience for users, allowing them to execute larger orders at low slippage and gain exposure to Polkadot's $DOT tokens on their chosen chain. And second, it would ensure uninterrupted operation of decentralized finance platforms such as Beamswap and Beamex while boosting $DOT adoption in the ecosystem.

The growth of DeFi on Polkadot is, first and foremost, a question of enjoyable and frictionless UX and how seamlessly users can engage with the features provided and enjoy the outcome of their trades. Only with increased capital influx and deeper liquidity can DeFi features run smoothly and instantly provide traders with the expected solution without them having to navigate various platforms to perform a single trade. Deep liquidity would thus help the ecosystem as a collective to gain traction while sustaining and promoting the interaction with Polkadot-based assets, $DOT included.

About Beamex and Beamswap

Beamswap and Beamex are the beacons of DeFi and decentralized trading on Polkadot.

Beamswap is a leading DeFi hub on Moonbeam featuring a decentralized exchange (DEX) as well as the standard, stable, and CL automated market makers (AMM) for optimal asset price discovery and constant liquidity provision in peer-to-peer transactions. Besides the decentralized exchange, Beamswap users can tap into a wide range of DeFi features and opportunities to grow their crypto portfolio, from collecting rewards in Yield Farms, providing liquidity in LP pools, to increasing yields in Yield Booster, and staking the Beamswap-native stGLINT.

Beamex by Beamswap is the only active decentralized perpetual exchange on Polkadot powered by Moonbeam and allows users to trade derivatives directly from their wallet. The platform delivers advanced crypto trading, both simple swaps and leverage trades, at low fees and zero price impact. Thanks to direct wallet connectivity and sparing users the need to create an account or authenticate themselves, traders can perform advanced trading while remaining in control of their assets.

On Beamex, dynamic pricing is ensured by the price feeds aggregate sourced from top-volume exchanges, which mitigates the risk of liquidation from temporary wicks and keeps costs at a minimum. An asset price is determined by price oracle, not the number of assets in the Beamex Liquidity Pool. This way, liquidity providers can keep the profit made by arbitrage traders on Beamswap, a traditional DEX model, as well as new V3 concentrated liquidity models.

Leverage trading on Beamex is easy and intuitive thanks to a familiar UI and easy trades set-up. Users can trade crypto with up to x50 leverage, and enter either long or short positions using market or limit orders.

Deep liquidity to sustain perpetual trades on the platform is supplied by a unique multi-asset pool and the BLP token. The BLP (Beamex Liquidity Provider) token is Beamex’s native liquidity provider asset and constitutes an index of crypto assets, both stable and volatile, supporting swaps and leverage trades on Beamex.

Users can mint BLP tokens using any index asset and supply liquidity to earn fees for market making or from leverage trading. Liquidity providers or BLP token holders can earn a profit when leverage traders suffer a loss, and vice versa. Once acquired, the BLP tokens can also be staked to earn rewards in Beamex Earn. Out of the 0.1% leverage trading fees incurred on the Beamex platform, liquidity providers earn 60%, while $stGLINT stakers receive 20%. The remainder is mostly used to cover upkeep and operations.

Proposal

Description

This proposal aims to acquire Polkadot Treasury funding in the amount of 500,000 $DOT to be allocated into the Beamex BLP liquidity pool for one year. At the end of the one-year period, the proposal could be extended or funds returned to Polkadot Governance. Returned funds may suffer impermanent loss, a potential result of price change of assets in the BLP or traders suffering losses or winning trades on the platform**.**

In case the proposal is approved, Polkadot Treasury would transfer 500,000 $DOT to Beamswap-owned Polkadot multisig wallet, and from there, the assets would be moved to Beamswap multisig (0x58d7b4e82CDadc74F67171df2BC58469d0bCCBD6). Assets would be distributed weekly to the BLP index. The five weekly distributions would ensure that the index doesn't get disrupted out of the gate and deliver a consistent supply of $DOT across a period of five weeks. Constant supply is essential to prevent large parts of the pool from getting locked up by trade positions on the platform.

Beamswap's deployment plan coincides with the parallel proposal that would reward liquidity providers on Beamex:

- Initial Supply: 37,500 $DOT (7,5% of the grant)
- Week 1: 50,000 $DOT (10% of the grant)
- Week 2: 87,500 $DOT (17,5% of the grant)
- Week 3: 125,000 $DOT (25% of the grant)
- Week 4: 200,000 $DOT (40% of the grant)

A detailed deployment plan can be found here.

At the end of the one-year period, surplus liquidity would be withdrawn from the platform and returned to the Polkadot Treasury account. During the deployment period, the assets would be visible and verifiable on-chain and, if needed, the Beamswap team would build a tracker to show the total size of assets. This would allow users to easily trace assets and values of the whole position in the index.

The Beamswap team constantly strives towards enhanced security and the setup proposed above is designed to ensure safety of Polkadot Treasury $DOT tokens. From the time of funds allocation to the time of their return, the transactions would be handled in a fully transparent manner.

Here are the two main factors that could lead to impermanent loss or create profit on the requested $DOT tokens:

1. **Price fluctuation of assets in the BLP index**

    a. In case any of the core assets in the pool loses significant value, the value of the BLP index would be impacted, too. When adding liquidity, the BLP is minted at a certain price. This price could later vary due to various factors. The biggest one is the price fluctuation of index assets, followed by the traders' success (explained below). BLP has a built-in security measure - 50% of the pool index is formed by stablecoins, which mitigates the impact of volatile assets on the index's overall value.

2. **Traders' success on the platform**

    a. The Beamex Liquidity Pool is shared with everyone on the platform - traders, liquidity providers, arbitrageurs and market makers. Any time a user makes a profit on leverage, another party suffers a loss. And vice versa, if a trader's position is liquidated, liquidity providers share the funds that have been taken away from the trader. With $DOT added to the pool, the Polkadot Treasury could earn from traders' losses or lose when traders make significant profits in the long run.

With the above risks acknowledged, the proposal aims to deliver more significant advantages. Thanks to the large influx of funds, the Polkadot Treasury could earn extra $DOT in case market conditions remain favorable, traders lose money on the platform, or the Beamex Liquidity Index increases in value.

In that case, the Beamswap team would return the principal of 500,000 $DOT plus any profit generated on the platform to the Polkadot Treasury.

Motivation and final thoughts

$DOT is the native and main asset of Polkadot Network and its parachain family, hence the most relevant and tradable token in the ecosystem. Several data aggregators indicate that the average daily volume of $DOT ranges between USD $200,000,000 and $300,000,000. Traders can acquire $DOT in different ways and employ it in multiple use cases, yet the main component is missing - trading $DOT with leverage on a decentralized exchange.

A demand for decentralized perpetual trading undoubtedly exists, as demonstrated by centralized trading platforms like Binance, Bybit, and OKX. These offer centralized options of perpetual trading and generate a similar volume or higher compared to platforms offering no-leverage $DOT trading. Beamex has experienced similar demand despite being launched in unfavorable market conditions.

In its initial phase, the Beamex platform went through robust testing on test networks (BSC and Moonbase) and on the Moonbeam mainnet, and throughout its operation, it hasn't suffered downtime or position problems. In its current state, it is mature enough to increase its liquidity pool to attract larger players and a greater number of daily users. Users should naturally have the opportunity to trade $DOT on their native network and not on centralized exchanges that take custody of their assets.

Deep $DOT liquidity on Beamex would ensure a significant market depth for the asset, leading to a smooth trading experience. This would include opening and closing of larger positions, swaps with zero price impact and bringing social score to the general Polkadot public. The community would finally be able to enjoy everything that decentralized finance has to offer on their native network, Polkadot.

To conclude, the Beamswap team believes that the Polkadot Treasury funding outlined in the present proposal, along with the LP grant running in parallel, would turn a new page in Polkadot's evolution of decentralized finance on the network. Deeper liquidity could attract new users and, more importantly, more $DOT to the native chain. The latter translates to a greater asset influx on other protocols and Beamswap partners. It should also incentivize ecosystem outsiders who consider building on Polkadot to create products on top of current grant recipients.

At the end of the day, Beamswap is here to offer people a robust product, which, however, currently lacks proper liquidity depth to be fully operational. Polkadot Treasury is the agent that could help the platform overcome the only major obstacle on its way to serving broader audiences and achieving long-term success.