

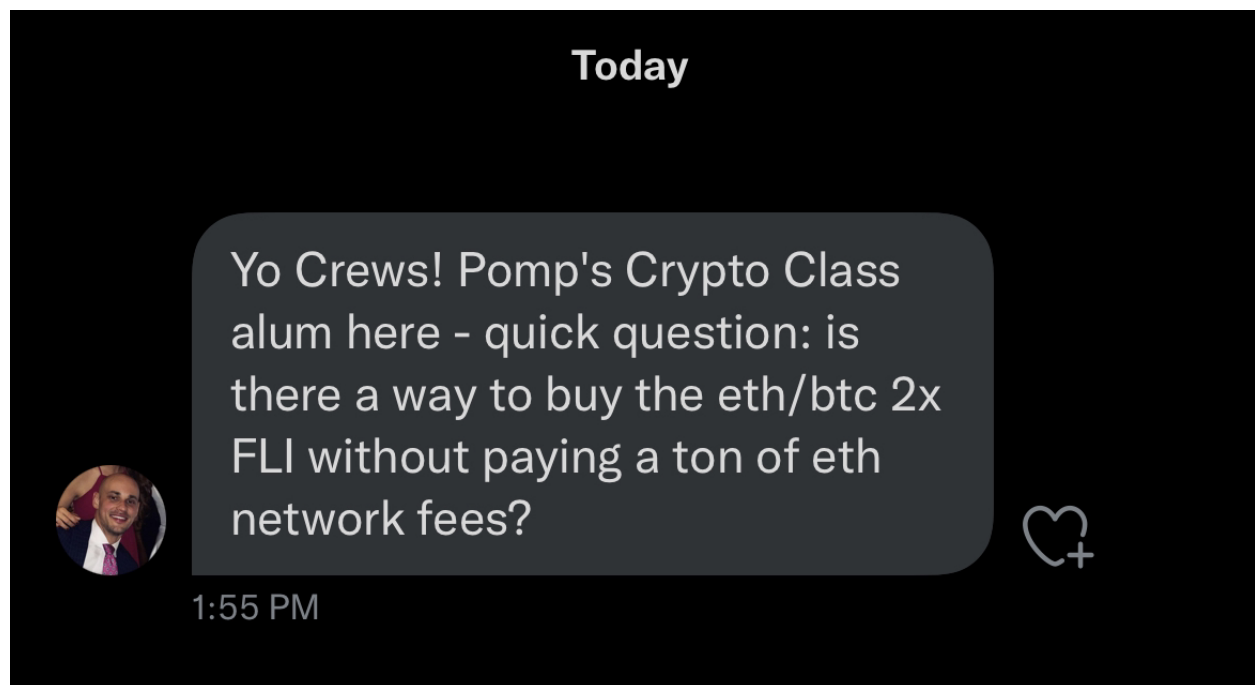
MATIC2x FLI PRD

OKR: Increase impactful products per quarter.

Status: Implementation

Lead: Cormac

What problem are we solving?



Problem 1: Expensive gas fees prevent us from launching further leveraged products on L1

Problem 2: Our customers tend to buy and hold our *trading* products because active trading is cost prohibitive. Launching on an L2 should eliminate those cost constraints and lead to a better experience for traders and a better APY for LPs as a result.

Why are we pursuing this problem?

Primary

1. There is ~\$294M in MATIC borrow supply on Aave's Polygon Market. Of this, ~\$42M is currently borrowed. This indicates a deep pool of available capital, and material demand for borrowing MATIC on Aave Polygon.

Secondary

1. Make ETH2x-FLI available in a low gas environment
2. Extending the FLI suite creates a network effect. A full suite of products can attract more users and create a market of “FLI traders”
3. Launching in a low gas environment enables us to rebalance more often leading to more accurate tracking of the target leverage ratio; this should improve customer experience

What are we building?

Primary Teams Involved:

Stakeholder (Internal / External)	Profile (Inputs/Outputs - Communication Frequency)	Status
Smart Contracts and Application Engineering (Internal) - Edward	Communications: Product Leadership Standup Inputs: PRD Outputs: Deployment, FLI services deployment	[x]
Index Coop Community (Internal) - CPM for (MATIC2x-FLI), Automated Indices Pod	Communications: Allan + Cormac <> Cav Inputs: Methodology Outputs: Successful product launch	[x]
MMATICodologist (External) - DeFi Pulse	Communications: Allan + Cormac <> Christoph + Scott Inputs: Community Feedback Outputs: Parameterization and Launch Strategy Considerations - DEX, incentives etc	

Goals:

1. Launch long MATIC token on Polygon Network

How will we measure success?

Primary: TVL / volume in the product.

Job Stories

Traders who are taking short term bets on MATIC price movement.

MATIC holders who use the minting of a FLI token as a USDC loan while keeping their long MATIC exposure and who cannot afford gas fees of frequent rebalancing needed to maintain the position. In addition, some of these holders may act as LPs in a MATIC2x-FLI/MATIC pool resulting in a 1.5x leveraged ETH position that also earns LP fees with limited impermanent loss.

Scope

Product Requirements:

- Ability to charge 10 bps mint / redeem, 1.95% streaming fee
- Methodology:
 - Underlying Asset: MATIC
 - Target Leverage Ratio: 2
 - DeFi Lending Protocol: Aave Polygon
 - Maximum Leverage Ratio: 2.2
 - Minimum Leverage Ratio: 1.8
 - Rebalance Interval: 4 hours
 - Recentering Speed: 2.5%
- Use Aave Polygon as lending protocol with ETH as collateral asset and USDC as borrow asset
 - Requires Aave Leverage Module on Polygon
- AMMSplitter, Sushiswap and Quickswap are enabled exchanges and parameterized accordingly
 - Final parameters (ex. Max Trade Size) to be shared pre-DG2
 - AMMRouter will NOT be utilized for this product because there is no concentrated liquidity DEX on Polygon
- **Polygon Dependencies**
 - Buy / Sell flow on Index UI leveraging MATIC2x-FLI/MATIC pool on Sushiswap Polygon
 - IC operations account multi-sig wallet on Polygon for accrual of fees
 - Gas costs will be manually subtracted from fees before distributing to methodologist on a monthly basis
 - TechOps dashboard deployed on Polygon for managing product parameters
 - Arbitrage Bot

Schedule:

- Deploy script completion: 11/8
- Deploy to testnet: 11/12
- Multisig to add enabled SetToken on CLM: 11/17
- Pass DG2: 11/24
- Launch: 12/01

Out of Scope:

1. Liquidity mining
2. Reinvesting Aave Polygon borrowing / lending rewards
1. AMM Router functionality
3. Launching FLI products on L1 / Ethereum main net

Risks:

Ripcord - outstanding questions about monitoring and safety features need to be understood and communicated to the methodologist.

Resources

- [IIP](#)
- [Parameters & Liquidity Analysis](#)