

## Kwenta Staking

### Short summary

Divert 80% of inflation (configurable parameter) to pure staking rewards, and the remaining 20% to stakers via a hybrid staking/trading score

### Specification

Base staking rewards at 80% ( $\rho$ ) of inflation will be distributed to KWENTA stakers according to their share of staked KWENTA:

$$staking\_rewards = 0.8 * inflation * \frac{staked\_KWENTA}{\sum staked\_KWENTA}$$

The remaining 20% of inflation will be distributed to KWENTA stakers according to a rewards score that is a function of staking participation and trading activity. The rewards score will be a Cobb-Douglas function with exponential weighting (that ideally will favor trading activity):

$$rewards\_score = fees\_paid^a * staked\_KWENTA^{1-a}$$

It's important to note that *fees\_paid* is used here rather than *trading\_volume* to prevent abuse. Since different markets will have lower fees than others (e.g. FOREX markets may have extremely low fees), malicious stakers may inflate their rewards by trading large volumes in low fee markets. Using *fees\_paid* levels the playing field for all stakers.

Lastly, an individual staker's trading rewards are then evaluated as:

$$trading\_rewards = 0.2 * inflation * \frac{rewards\_score}{\sum rewards\_score}$$

### Configurable Values

- $\rho$  – share of inflation allocated to pure staking rewards (default = 0.8)
- $a$  – weight applied to *fees\_paid* in *rewards\_score* calculation (default = 0.7)