

Matrix DAO - vNEO Tokenomics

Tags: Blockchain, Cryptocurrency, Cosmos, Stablecoin, Tokenomics

Description: ""

Matrix DAO will be responsible for deploying new stablecoins, accepting new collateral types for a given stablecoin and protocol upgrades and integrations.

vNEO is the decentralized governance token of the **Matrix Protocol**. In other words, vNEO tokens give hodlers the right to participate in governance votes with the **Matrix DAO**, which manages the protocol with a **split of 75% to the community, 15% to the core Matrix Protocol development team, and 10% to early backers**.

Split (%)	Group	Description
40	Community	vNEO Liquidity Mining Program on Osmosis
20	Community	Treasury controlled through Matrix DAO
15	Community	Strategic partners, project advisors, and community members that contribute a lot to the protocol
15	Core	Core Matrix Team
10	Early Backers	Initial DEX offering (IDO), Seed funding

Utility of vNEO

Governance with vNEO will be crucial to shaping the protocol's tokenomics. The idea here is put most of the voting power into the hands of the Matrix community and allow the token model to be iterated upon and revised in an inclusive, decentralized manner. The intention is ensure the efficient use of the collateral in the protocol through on-chain voting with Matrix DAO.

Matrix protocol will accumulate surplus in the form of transaction fees from NEO/Collateral swaps, yield from insurance fund investments, and collateral appreciation. The DAO (and, thus, vNEO) will be responsible for deciding how to best utilize this surplus. Our view is that some of the protocol's surplus should be:

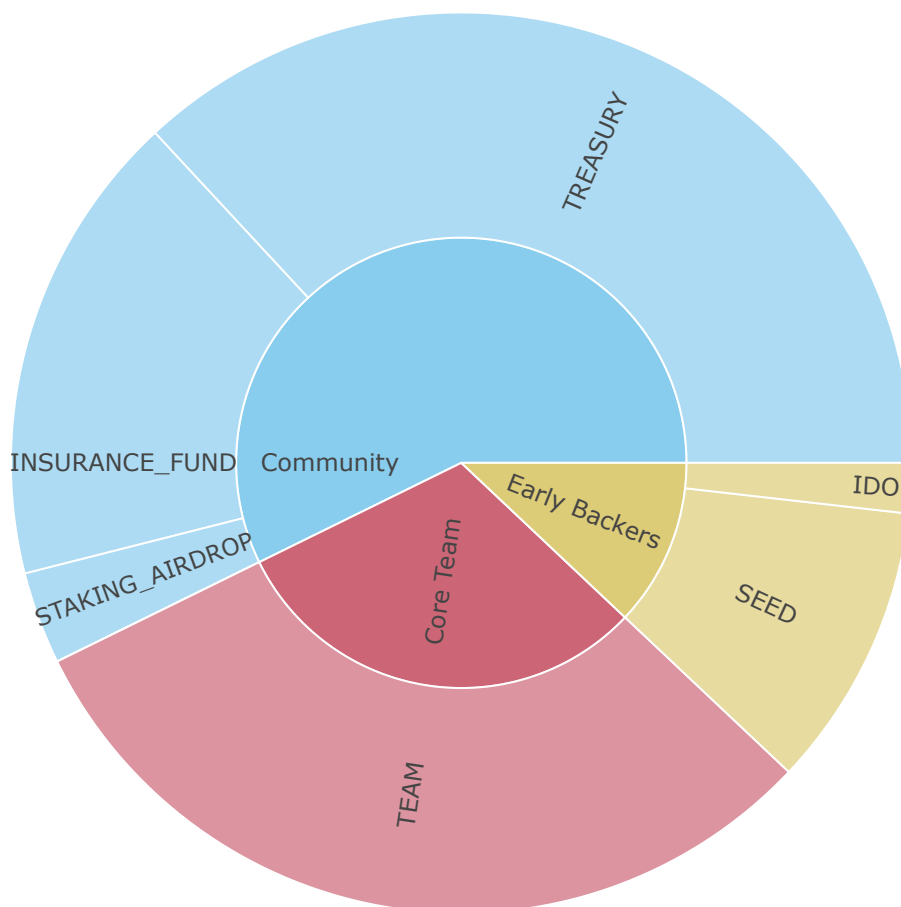
1. Used as a buffer to the collateral's volatility and be reinvested into the protocol's yield aggregation mechanisms.
2. Allocated to support future development initiatives and extensions to the protocol.
3. Put toward vNEO **buybacks**. Buybacks would transfer some value back to the community and vNEO hodlers, aligning incentives between governance token holders and the rest of the Matrix ecosystem. The Matrix protocol could buy back tokens to burn them, distribute them into the DAO Treasury, or put into the liquidity mining program.

Token Distribution

The vNEO token distribution has been modeled to ensure both the short and long-term success of the protocol and its community. With an **genesis supply of 355.5 million**, the mission behind vNEO will be make governance for the protocol much more active and decentralized, to help the protocol control a portion of its reserves, and incentivize both users and [Matrix Liquidity Providers](#).

Genesis Supply

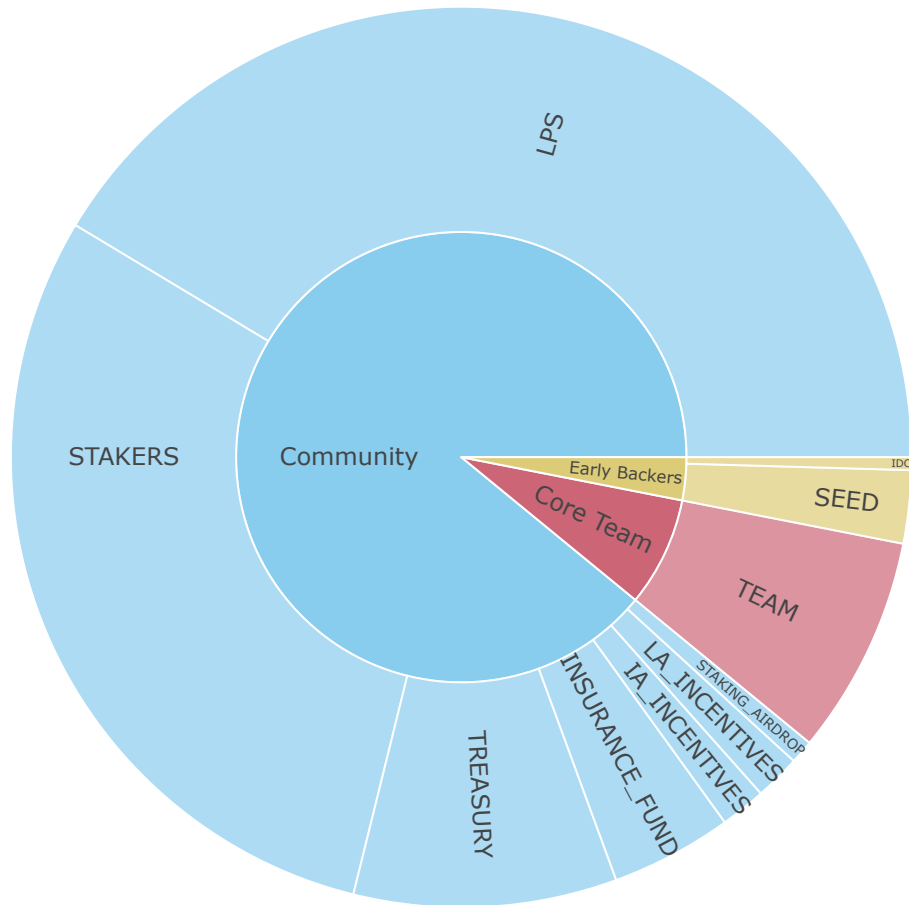
Token distribution at the time of protocol launch



As more tokens are released into the ecosystem, the distribution will eventually rest mostly in the hands of the community.

Final Token Supply

Cumulative token distribution 4 years after protocol launch



Community Liquidity Mining Program

40% of the vNEO supply (400M tokens) will go to liquidity mining incentives over a period of 4 years on Osmosis. These are to be distributed to stable holders through staking contracts, to Insurance Agents, and to LPs of AMM pools involving whitelisted tokens of the protocol.

The vNEO distribution is modeled after Bitcoin mining, except that instead of halving every 4 years, vNEO's distribution will diminish every week. This is implemented using a multisig held by vNEO's Core Team.

Each week, some tokens will be distributed to each group with an allocation size determined by governance. The objective of this portion of the treasury is to incentivize early users and new participants over the long-term while avoiding short-term mercenary capital.

Matrix DAO Treasury

At launch, Matrix DAO will manage 20% of the vNEO supply, empowering the community to decide where vNEO rewards are allocated. Upon activation of governance, the Core Team will sell large a portion of tokens against NEO via a **bonding curve** so that the protocol can accumulate surplus,

control some of vNEO's reserves, and deflate the total stablecoin supply (in the event of a black swan scenario).

The Core Team's bonding curve is an exponentially increasing function depending on how many tokens have been sold. It has the potential to revolutionize the way protocols fund themselves and own liquidity. Instead of selling tokens against another curve, the bonding curve sells governance tokens against a token of the protocol, giving the Matrix DAO

Core Team

15% of the token supply goes to vNEO's Core Team. They will be subject to 3-year vesting, where 2% of this 15% (0.3% of the total supply) will be made available on release, and the remaining tokens will vest linearly. The goal of this scheduling is to keep a meaningfully incentivized yet non-controlling core development team that is still fully committed to the protocol and community long-term.

Early Backers

The Core Team is expected to raise funding using 10% of the tokens for early backers. This funding goes toward the recruitment of top tier talent and payment for extensive security audits.

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