Summary

We are thrilled to mark the conclusion of Season 4 in the dYdX Launch Incentive program and to announce the start of Season 5. This post is dedicated to summarizing the achievements of Season 4 and outlining the enhancements and expectations for the upcoming season.

Recap of Season 4

Comprehensive End-of-Season Report

Chaos Labs has meticulously reviewed the third full trading season on the dYdX Chain, focusing on evaluating the impact of the Launch Incentives Program. The detailed analysis covers all facets of the exchange's performance and can be fully explored in Chaos Labs' blog post [here](#).

Key Stats:

- dYdX Chain has seen over $51bn in trading volume across 67 live markets.

- Over 5300 traders actively earn points through season 4 of the launch incentive program.

- Funding rates have been more muted on the dYdX Chain this season. This can be attributed to lower volatility generally.

- The dYdX Chain has grown to approximately $126m USDC in TVL deposited on the exchange at the end of season 4, up 10% from the beginning of the season.

Incentives Distribution Proposal

As presented to the community in our original proposal, the end of each trading season will result in a Chaos Labs recommendation for incentive distribution per account.

We plan to share this proposal for a community vote in the upcoming week, after a thorough analysis of the trading data from the season, with an emphasis on identifying and addressing any potential wash trading activities. Our objective in highlighting and countering such activities is to ensure the integrity and effectiveness of the program. By doing so, we aim to direct the trading incentives rightfully towards participants who engage in legitimate trading activities on the exchange. This approach is crucial in maintaining a fair and productive incentive structure, which not only rewards genuine contributions to the exchange but also discourages any practices that might compromise the program's long-term objectives and success.

Launch of Season 5

Introduction and Context

The dYdX community has approved an extension of the Launch Incentive Program run by Chaos Labs for an additional three months, as decided in [Proposal 54](#). To maximize the program's efficiency over this period, three new innovations will be introduced to align incentives with long-term valuable activities on the dYdX Chain.

Multiplier for DYDX Stakers (Directly or via LSTs)

Summary:

DYDX stakers, either directly or by holding an LST, will receive more points.

DYDX stakers typically show significantly higher retention than traders less invested in the dYdX ecosystem. To acknowledge the long-term value of these traders, we are introducing a staking boost. Traders who stake DYDX, either directly or using an LST, will see their points increase by up to 50% at the end of the season. Currently the two live LSTs, stDYDX from Stride, and stkDYDX from pStake will receive boosts in addition to direct stakers.

The boost will be calculated based on the average amount staked over the season and applied retroactively, enhancing the points for DYDX stakers when the season concludes.

Multiplier for Front-End Activity

Summary:

Trades executed through one of the front-end interfaces will earn more points.

In Season 5, the incentive program aims to boost rewards for human-executed trading activity. Such activity will be tracked as trades executed via the web, iOS, or Android apps. Trading fees paid for executions through a user interface will receive a 1.5x multiplier.

This change will be applied retroactively at the end of the season, so traders using the front-end interfaces will see their points increase upon the season's conclusion.

Separate Trading Reward Allocations for Major Markets (BTC, ETH, SOL) and the Long Tail

Summary:

Trading fees paid in long-tail markets will receive more points.

Throughout the dYdX Chain Launch Incentive Program, Chaos Labs has aimed to avoid overly prescriptive incentives and maintain balanced trading dynamics. Instead, incentives for all non-major markets have been distributed based on trader preferences, albeit with higher yields following this adjustment.

While we have not specifically focused on bootstrapping liquidity in new markets within this program, the rollout of permissionless markets has required us to adapt to changing dynamics. Traders typically concentrate their activity on the three major markets—BTC, ETH, and SOL—due to tighter spreads and lower trading costs.

In Season 5, we plan to enhance the program by increasing rewards for the other 64 long-tail markets and any new market introduced during the season through a multiplier on points earned in non-major markets. This approach maintains the market-based allocation of tokens while recognizing the value of bootstrapping retail and non-toxic flows in developing markets.

For Season 5, a 2x multiplier will be applied to activity in markets other than BTC, ETH, and SOL. Regular traders who focus on major markets will still be well rewarded, while increased attention will be given to bootstrapping activity in other markets.

Duration and Structure

Season 5 of the Launch Incentive Program will follow a similar structure to previous seasons, spanning 6-8 weeks, ending sometime between July 7 and 17, 2024.

Trading Rewards

Trading points will continue to be weighted by taker fees, with new enhancements: activity in markets other than BTC, ETH, or SOL will earn points at twice the rate of those in major markets. Additional multipliers will be applied for front-end initiated activity and DYDX staking in any form.

Season 5 allocates $3.1 million for trading rewards.

New Deposit Bonus

The limited first deposit bonus of $100 will continue but will be limited to the first 1,000 new accounts. Should more than 1,000 new accounts begin trading in season 5, then the 1,000 new accounts with the highest taker volume will receive bonuses.

This initiative is allocated a total of $100,000.

Trading Leagues

Due to positive feedback from the past three seasons, trading leagues will continue in their current format. Prizes will be awarded in tiers to ensure fair competition among traders of all sizes, providing clear goals to work towards.

As before the trading leagues are allocated $800k in Season 5.

Market Maker Rewards

The success of the dYdX Chain is also closely tied to the robustness of its liquidity. Recognizing this, our program continues to incentivize liquidity providers to integrate their infrastructure with the dYdX Chain. The LP reward program is thoughtfully structured to compensate market makers significantly contributing to trading volume. By applying multipliers to impactful liquidity contributions, such as those in less active markets or during periods of volatility, we ensure that rewards are aligned

with the platform's needs. This approach aims to attract high-quality liquidity providers, providing a smooth trading experience for all users.

1. Eligibility Determination

: Identify eligible market makers, focusing on those contributing over 0.25% of maker volume.

1. Reward Calculation

: Assign a reward score to each trade and sum these for each eligible market maker. The reward share for each market maker is then determined as a proportion of the total reward score.

For details on the specifics of how the reward score is calculated, see the [Supplemental LP Reward Formula in this post](#).

As before Market Maker Rewards are allocated $1m in Season 5.

Next Steps

1. Publication of the distribution proposal on the forums.

2. Creation of the on-chain vote to distribute incentives.

3. the publication of the distribution proposal and on-chain vote is subject to the finalization of the investigation into trading league positions.