

Summary

This proposal introduces a discussion about implementing fee discounts

for GMX traders. The objective is to address concerns raised by the community regarding trading costs, with the goal of making GMX more competitive and attractive to both existing and new users. By lowering fees, the proposal seeks to enhance the overall user experience and increase trading volume, which would benefit the protocol in the long run.

Rationale

One of the most frequent complaints from GMX traders revolves around costs, with feedback being split 50/50 between concerns about fees and price impact. By introducing fee discounts, GMX can improve trader satisfaction.

Reducing fees could also help GMX stay competitive in the increasingly crowded perp DEX space, where traders are looking for platforms with lower costs and higher efficiency. With rising competition from centralized and decentralized exchanges, reducing fees could increase trader retention and acquisition. Moreover, addressing this pain point could foster long-term loyalty, leading to higher trading volumes and protocol growth.

Specification

There are multiple approaches GMX could take to reduce fees and increase trading volume. The options being considered include:

1. Volume Discounts

– A tiered system where fees decrease based on traders' monthly or biweekly trading volume, offering incentives for higher volume traders.

1. Flat Rate Reduction for Open/Close Fees

– A uniform fee reduction for all traders, ensuring everyone benefits from lower costs regardless of their trade size.

1. Volume-Based Discounts for GMX Holders

– Offering lower fees to traders based on the amount of GMX tokens they hold, encouraging more engagement with the GMX ecosystem.

1. GMX Holding Rebates

– Implementing trading rebates paid in GMX tokens, where a portion of weekly trading fees is returned to GMX holders, up to a percentage of their trading costs.

Open/Close fees competition comparison

In comparison to its close competitors taker fees: Hyperliquid, Vertex, DyDx, Gains. GMX fees look as follows:

x-axis: Trader size based on 14-day trading volume

y-axis: Taker fee, avg for gmx

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GMX's fees are meaningfully higher than some of these competitors, depending on the trader's size

Volume Discounts

Volume discount is supposed to increase the overall trading volume at GMX by:

1. Attracting traders from other platforms or Re-engaging churned traders – Traders are more likely to favor GMX due to reduced fees and the opportunity to secure or maintain better rates.

2. Incentivizing traders to increase their trading activity in order to reach higher discount tiers or to maintain their current discount level, creating a reason to trade more frequently and in larger amounts.

Pros

- This scheme is familiar in the market, it helps build “stickiness”, encouraging users to stay on the platform. Theoretically, increased trading volumes could potentially cover the cost of offering additional discounts.
- GMX’s strengths for large traders, who are aware of their costs and consider pricing as a factor in their decision-making. Many large traders operate across multiple platforms, meaning there’s potential to attract their volume through discounts.

Cons

- Users might perceive it as unfair, though our existing referral program already works the same way.
- It positions us directly against CEXs and Hyperliquid and others, shifting the perception of GMX from an ecosystem to primarily a trading platform.
- The benefits of volume discounts overlap with the referral system, which will require us to implement “caps” on the total incentives a trader could receive when participating in both programs.

Flat Rate Discount

Decrease flat rate fees across the board for all traders. It is simple, easy to promote, and ensures that the platform treats all traders, regardless of size, equally, which contributes to a sense of fairness.

Volume Discounts for GMX Holding

Using GMX holdings as an anchor to provide volume discounts.

Could also be combined with other incentive schemes. For example, with volume discounts, we could implement an “or” structure, where traders must meet one of the thresholds to get the discount, for example:

14-day Volume

GMX Holdings

Fee

0 - 3M

or

some value 1

0.06%

3M - 25M

or

some value 2

0.052%

25M-100M

or

some value 3

0.04%

100M+

or

some value 3

0.03%

GMX Holding Rebates

Implement trading rebates paid in GMX tokens for holding GMX tokens. A portion of the weekly trading fees can be paid out to traders holding GMX up to a % of their trading fees.

- Effect is the same as a discount, but the cost comes out of GMX distributions instead of LP share
- Probably requires allocating a greater % of revenue to GMX vs LPs which, unless we can show other changes drive more value, could be viewed negatively.
- This is now possible also because of BB&D, which creates available GMX tokens

Calculation Examples

Volume Discount approximation

Since the main hypothesis is that volume discounts could attract traders from competitors or bring back churned users, it's important to understand how trading volume is distributed among competitors based on trader size. The volume distribution for the first 14 days of September 2024 is as follows:

x-axis: Trader size based on 14-day trading volume

y-axis: Cumulative trading volume from traders of various sizes, with the number displayed at the top of each bar indicating the count of traders in that size category

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According to this data, “wealthiest” segments are those with trading levels above \$3M.

Let’s take a look at an example of how the proposed volume tiers would impact the fees collected. For example, for the following volume tiers:

14-day Volume

Fee

0 - 3M

0.06%

3M - 25M

0.052%

25M-100M

0.04%

100M+

0.03%

In comparison to the competition, the fees would look as follows (represented by the blue line):

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Assuming that the open close fee historically accounts for 30-60% of total collected fees, total fees will be lowered by approximately 9%

Fee Structure

Total Fees

Open/Close fee collection change

Total fees Change

Current: 6bps

833283

0.00%

Volume tiers

684473

- 17.86%
- 8,7%

Flat Rate reduction approximation

If we review flat drop of the open/close fees to 5bps, 4bps and 3bps respectively

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Based on the current volumes generated at GMX, the 14-week open/close fees would approximately change as follows, with data calculated for the period from 01.09 to 14.09:

Fee Structure

Total Fees

Open/Close fee collection change

Total fees Change

Flat – 6bps

833283

0%

0%

Flat – 5bps

694403

- 16.67%
- 8.3%

Flat – 4bps

555522

- 33.33%
- 16.5%

Flat – 3bps

416642

- 50.00%
- 25%

Conclusion

This proposal seeks community feedback on the outlined fee reduction strategies. Once input is gathered, a more formal proposal will be drafted and implemented, taking into account the thoughts and preferences of the GMX community.