Hi all,

I'd like to take the time to address and give my perspective on TaikiMaeda's recent proposal titled "Stopping ETH/AVAX yield to esGMX stakers".Let me begin by saying I am a long term Taiki follower and believe that he is a positive voice for de-centralized finance and especially for the GMX community with his early support being a valuable source of information for new and informed GMX users. However, I believe that the proposal submitted is counterproductive in user retention and may have consequences for the longer term value for user and the protocol alike.

The point I'd refute is the claim "esGMX staker's provide zero value for the protocol", this claim taken at absolute face value is true considering that esGMX that users are staking doesn't directly provide liquidity/stability value for the protocol. I would argue taking this approach ignores the risk that esGMX users are undertaking. Which is the risk of token depreciation without the ability to sell. It is true that for a user to extract value from esGMX they will need to keep or/and purchase GLP/GMX to vest and have the option to sell but for an esGMX staker the only incentive for them to hold and not to slowly dump tokens is to stake.

In Taiki's article he praised the tokenomics of GMX as they maximise value for the protocol as well as users in the form of incentivising liquidity. They have achieved this by creating a mechanism by incentivising people to stake esGMX as can be evidently seen by the amount of esGMX stakes which currently stands at around 72% of the current total supply. This model has been generating yield for holders of a locked token which they earned through being a valued contributor of the protocol. By stopping ETH/AVAX yield these $95 million of esGMX will not have any value unless vested. At a glance this may seem good as a portion of these tokens will likely never be vested but it can severely penalize previous users who had farmed them in the past.

The way this could be detrimental could be users who staked GMX to earn protocol fees and esGMX since protocol launch. User then swaps their liquid GMX for GLP to de-risk and to provide liquidity for the protocol traders whilst earning sweet yield for doing so in the summer. GMX as a whole gains traction and the governance token gains value. Throughout all of this the user may have been accumulating and staking esGMX that they earned through staking GMX/GLP earning protocol rewards. This has created value for all parties since the user earns yield through staking GMX/GLP part of which is esGMX which they stake for yield. The protocol has benefitted through the addition liquidity through the users GLP contributions. It is and has been a win-win on multiple fronts.

The issue arises if yield is cut to 0 on esGMX. Id like to propose a scenario in which the user loses out:

The the user has a problem, there is a large amount of esGMX that they earned through providing GMX since protocol launch and a chunk of esGMX earned through staking GLP since summer. If the user wants to get anything out of their esGMX holding they will be forced to buyback GMX and a much more unfavourable ratio than before due to only being able to vest esGMX earned through staking GMX in GMX tokens. Due to market conditions the user may not be able to afford this and has subsequently leaves his esGMX essentially useless. This is a shame as the user may be on avalanche where APR's are usually lower and about 50% of their yield is in esGMX tokens through staking GMX/GLP. This could ve detrimental to the user and may deter them and other new users for further providing liquidity if they are not able to at least earn a small 11% yield on their esGMX.

To conclude I believe that the risk that esGMX stakers undertake and their historical valued contributions to the health and value proposition of the protocol should be rewarded.

I hope this has seeded food for thought for the unexpected and unfavourable consequences for long term esGMX holders, stakers, and users of the protocol. Would appreciate any feedback, comment's or criticizims.