

Proposed Changes:

- Introduce Allocations for Trading Rewards Per Market

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Summary:

The current Trading Rewards Program acts as a protocol-wide rewards program for traders. No matter what market they trade in they get a share of trading rewards proportional to their fees paid. While this is great from a user's perspective, it might not be great from a protocol perspective. Specifically, the protocol currently pays LPs to sit and quote alt markets (non-BTC & ETH) but doesn't actively drive volume there. Therefore, we propose to introduce trading rewards for individuals markets.

Description:

The Trading Rewards program is a simple and effective incentive system that rewards users proportional to the amount of fees they pay in a given epoch. Such a mechanism is very efficient from a user's POV as it's essentially a rebate on all trading activity regardless of the market they trade. For example, a user trading in BTC & ETH markets against much tighter spreads receives better execution and the same "fee" as someone trading in a longer tail asset with wider spreads.

This is completely fine if we believe the purpose of trading rewards is to pay users to trade on dYdX according to their regular behaviour. However, if we view Trading Rewards as a mechanism to incentivise trading volume in longer-tail markets or markets in general, it is very inefficient. Other than marginally reducing the transaction cost for longer tail markets, the current trading rewards program fails to directly incentivize trading in these markets. Furthermore, the Liquidity Provider Rewards program is paying LPs to sit there and wait for trading volume in longer tail markets, while Trading Rewards fail to actively drive volume to such markets.

Figure 11:

[Weekly Trading Volume by Market

](https://dydx.metabaseapp.com/public/dashboard/5fa0ea31-27f7-4cd2-8bb0-bc24473ccaa3) ,

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Therefore, we propose to introduce market allocations for Trading Rewards similar to what already exists in Liquidity Provider Rewards.

Importantly, I believe that for this to be successful it would require marketing efforts and a clear way for users to identify the amount of DYDX each market is allocated for that epoch (weekly prizes would work better). Each market will have an individual prize pool as opposed to one grand prize pool, and being conscious of not cannibalising ETH & BTC markets which contribute the most to volume and fee. We propose a market split of:

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One concern we have is the inability to access volume and fee data in real-time and historically. Thus, it's hard to know if we are overpaying or underpaying for volume in certain markets. I assume that with the introduction of a Growth subDAO in V4, this data will be available and a better understanding of optimal allocations can be achieved.

Next Steps:

We'd like to request feedback from the community surrounding this change. Pending community discussion, we will look to initiate a Snapshot Vote.

There will be a binary vote, with:

- Yes - Introduce trading rewards per market as described above.
- No - Do nothing.