

Proposal Summary

Distribute at least one-third of the \$ARB as liquidity incentives to select liquidity pools on Uniswap (Arbitrum). Use Angle Merkl to distribute the rewards proportionate to the depth of liquidity provided by the LPs. All LPs who provide directly to Uniswap (LP NFT) or through an active manager like Gamma Strategies, Arrakis Finance, and DeFiEdge will be rewarded according to the same criteria. The pools selected will depend on (1) importance to the ecosystem and (2) amount of co-incentives from partners.

Why Liquidity Incentives?

Given the importance of liquidity, we believe that at least a one-third allocation of the total \$ARB DAO airdrop towards liquidity incentives would be prudent. It directly benefits the Uniswap ecosystem to have more liquidity and volumes.

Facilitating more volumes towards Uniswap will encourage more builders to Arbitrum and Uniswap. More liquidity would allow other projects to build off Uniswap more easily and increase its reach within the ecosystem. Examples of projects benefitting from deeper Uniswap liquidity include lending projects using Uniswap liquidity pools for liquidations, projects leveraging the Uniswap v3 TWAP oracle which requires liquidity for safety, projects building derivatives on top of Uniswap pools.

Why Angle Merkl?

More info: <https://docs.angle.money/side-products/merkl>

The main benefits to using Merkl are the following:

1. Inclusivity - Anyone who provides directly to a Uniswap pool whether thru an LP NFT via the Uniswap frontend, or an active liquidity manager like Gamma Strategies, Arrakis Finance, and DeFiEdge will be included
2. Fairness - The same criteria will be used to reward all positions (LP NFTs, Gamma ERC-20 LPs, Arrakis ERC-20 LPs, etc)
3. Capital efficiency/Flexibility - Rewards will only be distributed to active liquidity providers in accordance to depth of active liquidity and trading fees accrued, and preservation of liquidity.

How does it work?

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](<https://global.discourse-cdn.com/business6/uploads/uniswap1/original/2X/d/d780125b026fa75e6c996c9d4d72d05a466dad91.jpeg>)

Merkl is based on an off-chain script that computes the rewards for all LPs of these pools according to specific preferences. For example, Uniswap can determine to weight rewards as 50% by fees accrued, 25% by preservation of Token A liquidity, and 25% by preservation of Token B liquidity.

The script aggregates onchain LP NFTs, Gamma LPs, Arrakis LPs, and other Uniswap LP positions and records eligible rewards based on a uniform criteria. It then compresses this information into a Merkle root and posts on-chain allowing LPs to claim their rewards.

Precisely speaking, for a given pool with two tokens (A and B), the script looks into the swaps that took place on the pool during the period for which it is ran and computes a reward score for each position according to:

- the fees earned by the position during the period, which represent the liquidity of the position used by the pool
- the amount of token A held by the position during swaps on the pool compared to the total amount of token A in the pool
- the amount of token B held by the position during swaps on the pool compared to the total amount of token B in the pool.

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Which pairs to incentivize?

The pools selected should depend on (1) importance to the ecosystem and (2) amount of co-incentives from partners

For pairs important to the ecosystem:

1. WETH / USDC - 0.05%
2. WETH / USDT - 0.05%
3. WETH / ARB - 0.3%

Potential partners for co-incentives:

1. Lido Finance - wstETH pairs
2. Rocket Pool - rETH pairs
3. GMX - WETH / GMX - 0.3%
4. Radiant Capital - RDNT/WETH 0.3%
5. Treasure - MAGIC/ETH 0.3%
6. Gains Network - GNS/WETH 0.3%

About Us

Gamma is a protocol designed for non-custodial, automated, and active management of concentrated liquidity.

Gamma uses its automated infrastructure to manage over \$100m in assets and 400 liquidity positions. Gamma's vaults are deployed on six different networks and four different decentralized exchanges.

Gamma has previously worked with the Uniswap Foundation in a liquidity mining program on Optimism. The program is currently in its third phase and distributing 165,000 OP to Gamma as rewards for liquidity providers to select liquidity pools.

<https://gov.uniswap.org/t/rfc-the-optimism-uniswap-protocol-liquidity-mining-program/17820>

While we do aim to be active participants in this proposal, this proposal is designed to reward all LPs equally in accordance with the same criteria. The general rule is that the deeper liquidity provided, the more rewards earned.

Gamma will also reach out to its partners Lido Finance, Rocket Pool, and others for potential co-incentives.