

This post is co-written with [@guil-lambert](#)

In July of 2022 [a proposal was put forward](#) to pilot turning on the “fee switch” for a small set of Uniswap protocol pools. A [temperature check passed](#) and a [consensus check](#) also passed voting.

During the process, many people voiced a desire to have more time to research this proposal before voting. In light of that, the vote was [postponed until December 1st](#). This pause led to helpful [research from Alastor](#) as well as [input from the newly created Uniswap Foundation](#).

Now that it's December 2nd, the vote is moving forward! The purpose of this post is to re-iterate key points of the proposal and next steps so the community can be ready!

Key Proposal Points:

The rationale behind the proposal remains the same. For clarity, we are stating a few of the key points here but it's recommended to read [the original post](#).

- This proposal is solely designed to test the impact of the “fee switch” on protocol usage. The proposal does not dictate how any tokens retained during this period are used (or if they ever will be used). The proposal does not create any expectation the retained tokens will be paid out to UNI token holders. On the contrary, this proposal advocates that if future proposals use accrued tokens, that use be restricted to public good purposes for the community and to grow the Uniswap protocol.
- This proposal is truly designed as a pilot program intended to evaluate the impact of turning on the fee switch on trade execution.
- Turning on the fee switch will not

increase fees for people using the protocol to swap. It will simply retain a small portion of what is currently being paid out to liquidity providers.

- To limit the potential impact of the pilot program on liquidity providers, we are proposing to activate the lowest possible settings for the “Fee switch” (1/10) on a limited subset of pairs (ETH-stablecoin “sister pools”) and for a limited time (120 days).
- The metric to measure success of the experiment is the following: If trading execution is not diminished for the pools with the “fee switch” turned on – the experiment is a success.

Proposal Settings:

We thank the Alastor team for the thorough and comprehensive “Uniswap Fee Switch Report” which has been released earlier this month (link to the report: [Uniswap Fee Switch - Alastor Report \(11.14.2022\).pdf - Google Drive](#)). The key takeaways from the report are that the fee switch should be designed to grow both volumes and market share of the Uniswap protocol. We wholeheartedly agree with this goal and we are sure most UNI stakeholders will be guided by similar principles.

However, we chose not to follow their recommendation to not turn on the fee switch for any of the “lower fee tier” pools. Their report argued that doing so could decrease Uniswap's volume and market share, but at this point we are frankly unsure if anyone knows whether that would be the case.

They also made the observation that “sophisticated” LPs often sit in lower fee tiers, which by association also suggest that the retail-level LPs sit in the higher fee tiers. Hence, only targeting the higher fee tiers could disproportionately impact smaller players. We believe the community would agree that the fee switch should not negatively impact retail users while at the same time favor sophisticated LPs.

In addition, several users raised concerns about turning on the fee switch for the ETH-Dai 5bps pool. As per the Alastor report, the ETH-Dai pairs collectively have the least amount of liquidity amongst the ETH-stablecoin pairs, and we agree that targeting the ETH-Dai 5bps fee tier, which has the most volume, could negatively impact liquidity providers at all levels.

We thus decided to follow [@alanalevin](#) suggestion to use the ETH-USDT-0.05% as a possible alternative to the ETH-Dai-0.05% pool.

Therefore, we propose to set Fee parameter to 1/10 for the following pairs:

- ETH-USDT-0.05%
- DAI-ETH-0.3%
- USDC-ETH-1%

All accrued protocol fees will remain “uncollected” inside each pool smart contract until governance agrees on best use for

funds via a vote.

Proposal Success Metrics:

The metric to measure success of the experiment is the following: If trading execution is not diminished for the pools with the “fee switch” turned on – the experiment is a success. Note that this criteria explicitly does not consider the impact of the fee switch on liquidity provider returns.

More intangibly, we hope this proposal helps catalyze robust discussion and work around Uniswap, the world's most successful decentralized finance protocol. We hope this work is broad and creative, showing the world what new models of coordination are possible.

Timeline:

We anticipate the on-chain vote going live in the next 14 days. We are currently doing technical diligence to ensure the proposal itself is formatted correctly. We will post this code when it is ready for additional review by the community

Disclosures

The authors of this post hold no UNI tokens nor have any price exposure to UNI via alternative methods (i.e. margin, leveraged trading, etc.).