Summary

StableLab's proposal "Delegation of UNI to Active but Underrepresented Delegates" from last year highlighted key issues in governance participation in Uniswap and the lack of incentives for governance participants who are crucial to a healthy governance ecosystem.

With governance participation costs expected to rise due to market activity, such as increased gas fees for voting and an increase in governance proposals and assessment, we see an opportune moment to introduce a delegate reward program at Uniswap DAO. We believe that this is an ideal period to propose and discuss the Delegate Reward program for Uniswap.

We propose a 6-month program with a total budget of $600K in UNI to incentivize and reward Uniswap delegates. To determine these rewards we will consider three main factors: Voting Participation, Communication, and Badge Ownership.

Proposal Background

StableLab's "Delegation of UNI to Active but Underrepresented Delegates" proposal proved that accountability and delegate incentives indeed lead to more active and secure governance. For example, all of the delegates who participated in the initiative showed a 100% voting participation rate over the past 3 months. This kind of active governance ensures proposals are actively reviewed and assessed, preventing malicious proposals from passing while also meeting quorum for beneficial proposals.[

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Onchain governance helps secure governance further, but with each voting cost more and more and executions of proposals can even cost a few hundred USD as the Ethereum gas fee is increasing, it is not sustainable nor fair for delegates to bear all the cost.

Proposal Focus

Leading DeFi protocols like AAVE and MakerDAO feature Delegate Reward programs varying in requirements and reward amounts. Despite the differences, they commonly emphasize delegate participation and communication. And in many cases, delegate compensation is factored by the voting power as well, thus the larger delegates often get a greater share of the delegate reward compared to smaller delegates.

StableLab has experience designing Delegate and Governance reward initiatives across various ecosystems. In the case of Uniswap, our goal is to prioritize collective growth and accountability over typical competition. The Uniswap community and its governance consist of various esteemed and reputable contributors, fostering synergy through collaboration.

Proposal Details

Participation and communication as Delegates requirements that are common across delegate compensation will be applied. However, similar to "Delegation of UNI to Active but Underrepresented Delegates", rather than calculating the voting record since the start of delegate launch, it would be examining for the past 3 months (which also means the delegates should at least should have contributed for 3 months) to allow more participation. Generally, the reward is a linear scale where the better the performance such as participation rate, the more reward such delegates get. However, for simplicity and also to be more inclusive, the proposal will use 80% for the past 3 months as a benchmark for both participation and communication.

Also generally, the reward is factored by the amount of token delegated. For certain protocols, one needs to be top 8 or 12 to be considered for delegate compensation. However, to be inclusive, we will implement a mixture where we borrow the idea of a badge system. 500,000 UNI or above delegated , of which 50+ delegates have such amount according to tally, have "Badges" and can apply for Delegate Reward if they also fulfill participation and communication requirement. For those delegates that have less than 500,000 UNI delegated can also apply for the "Badge" with endorsement from delegates with 500,000 UNI +. There's no limit on how many these 500,000 UNI + delegates can endorse as this mechanism is in place to prevent spams but also give ample opportunity to all the genuine delegates.

While there can be other factors to be considered such as need to author or co-author a proposal, we believe the above three requirements are good place to start for RFC.

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Example from MakerDAO- Pre-Endgame

More Details - Communication Metric

Communication means an interested delegate will need to create a delegate profile post, make an introduction and also post voting updates that require reasonings behind their votings. This is crucial in ensuring healthy governance as the reasoning allows the governance and the community to challenge if needed and eventually allow a more active, vibrant, and accountable governance environment.

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Example of Delegate Platform- StableLab

Proposal Budget - 6 Months

In total, the budget will be $600,000 worth of UNI for 6 months.

StableLab will receive compensation for overseeing the program in addition to our current delegate responsibilities. To clarify, StableLab will NOT receive delegate compensation to prevent double-budgeting.

For Delegates, a total of 94,000 USD per month is allocated, to be distributed among qualified delegates. For instance, if there are 10 qualified delegates, each delegate would receive $9,400.

Position

Description

Cost per month

Management

Operations of the Uniswap Delegate Reward Program by StableLab

$6,000

Delegate

Delegate Compensation in Total

$94,000

Total

$100,000

Next Steps

As this is a RFC, the contents may change significantly based on community feedback before it's moved to an offchain vote. We welcome and appreciate any and all feedback and suggestions to improve this proposal.