

Proposed Changes:

- Remove DYDX/stkDYDX Trading Fee Discounts

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Note: the community has no power over Trading Fee Discounts, this is simply a signal to dYdX Trading on behalf of the community.

Summary:

Trading fee discounts based on the balance of a user's DYDX/stkDYDX balance fail to promote a credibly-neutral exchange that optimises for volume and revenue. Therefore, we propose to remove the Trading Fee Discount program so that users receive discounts purely based on their 30d Volume.

Description:

We believe that a credibly-neutral dYdX is the best dYdX. A decentralized trading venue that is open and inclusive to all new and existing participants arguably has the highest potential long-term.

What does this look like for dYdX?

It involves eliminating cosmetic entry barriers for traders and liquidity providers e.g. "holding DYDX/stkDYDX earns you X", and instead reward any trader (LP) based solely on their trading volume (+ depth, spread, uptime). The first step to achieving this was successfully proposed by Xenophon Labs by eliminating stkDYDX from the Liquidity Provider Rewards Formula, however, there is still one token barrier that exists i.e, Trading Fee Discounts.

Trading Fee Discounts allow holders of DYDX to reduce their cost of trading on dYdX. I'd argue that given 1) dYdX is already one of the cheapest exchanges to trade on, and 2) the volume required to achieve discounted fees isn't particularly high. Therefore, the trading fee discount program isn't necessary and removing it will eliminate the cosmetic barrier for traders and simplify user experience. Specifically, it levels the playing field for traders and LPs irrespective of their DYDX holdings.

Furthermore, trading rewards already act as a rebate based on the fees a user pays, and in a recent [DYDX Holder Questionnaire](#) conducted by the Foundation. They found that only 19% of monthly active users on dYdX hold or stkDYDX and 94% of DYDX/stkDYDX holders are not active traders on the protocol.

To summarise, this change in conjunction with the removal of stkDYDX from LP rewards attempt to maximize protocol revenue via improved liquidity and volume-based metrics. It no longer rewards inefficiencies (stkDYDX/DYDX) and any participant whether that be a trader, LP, or both, is rewarded according to the value they bring to the platform as described above.

Lastly, one major criticism commonly expressed with eliminating stkDYDX/DYDX utility is that it kills protocol alignment and the value of DYDX. I do agree with this, but it's largely justified by the lack of sustainable DYDX value-capture. Hopefully this will change with V4, but it shouldn't be the reason why we keep inefficient mechanisms and based on the survey mentioned above, the argument holds little merit.

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 that signals to dYdX Trading the wishes of the community, with:

- Yes - Remove DYDX/stkDYDX Trading Fee Discounts
- No - Do nothing.