

## Summary

This CIP proposes that CoW DAO extend its revenue model testing period for CoW Protocol, as initially proposed with [CIP-34](#), by an additional 6 months.

## Motivation

CIP-34 directed CoW DAO's core team to spend 6 months testing promising fee models for the purpose of generating revenue from CoW Protocol. In the ensuing period, the core team tested the following fee models:

- Surplus fees on out-of-market limit orders
- Quote improvement fees on market orders
- Volume fees on Gnosis Chain orders (excluding stable-to-stable pairs)

The results are, as follows:

- Surplus fees on out-of-market limit orders have generated 273 ETH from CoW Protocol. During the observation period, from Jan 23rd to March 26th, limit order usage actually increased while retention stayed flat. As a reminder, this fee type aligns protocol incentives with user incentives; no other exchange is able to generate surplus on out-of-market limit orders. ([Reference](#))
- Quote improvement fees on market orders have generated 467 ETH from CoW Protocol. During the observation period, from April 3rd to June 7th, CoW Protocol market share dipped slightly before rebounding (it is now above the mean for 2024), and churn dropped from 10% to 6%. This is another value-aligned fee model. ([Reference](#))
- Volume fees on Gnosis Chain have so-far generated ~\$5.2k in revenue from CoW Protocol. During the observation period, which is still ongoing, there have been small increases in user retention and product loyalty (a metric that tracks CoW Protocol users trading on competing platforms). The protocol is less than 4 weeks into this testing period, so we should continue to keep an eye on the numbers, especially as the volumes are quite low thus-far

NB: Up-to-date revenue information can always be found on the following Dune dashboard:

<https://dune.com/cowprotocol/cow-revenue>

In sum, the tested fee models have generated a total of ~745 ETH for CoW DAO, to date. During the testing period, the core team has observed no statistically-significant impact on user behavior resulting from the fee model tests.

The core team believes that it would be beneficial to observe the impact of the fee model tests – especially the volume fee on Gnosis Chain – over a longer period of time. It also believes that there are additional fee models worth testing.

As the initial testing period expires on July 16, 2024, we propose to extend the time period of CIP-34 by another 6 months.

## Specification

If this proposal passes, CIP-34 will stay in place, as written, for an additional period of 6 months from the date this proposal passes.

## Rationale

Extending the testing period will allow the core team to observe the impact of the initial fee tests over a longer period of time. It will also give them the chance to test more-ambitious fee models for the protocol.

Additional revenue can be used for multiple purposes: to accelerate the development of CoW Protocol, to acquire new users, to fund token utility, and more.

## Execution

If this CIP passes, the core team will continue testing fee models under the guidelines set forth in CIP-34, for another 6 months. Fees will accrue to the same Safe that was created for revenue model testing under CIP-34. That Safe currently belongs to CoW DAO and is operated by the treasury team with a threshold of 1/2.

