Status

Voting Period

ADJUSTED PROPOSAL:

1. Narrow the inflation bandwidth to a maximum of 8% and a minimum of 2%

, compared to the current inflation parameters (10% maximum and a 1% minimum).

1. Adjust the Goal Bonded

ratio to 50%, instead of 66% (originally proposed a change to 45%).

Reasoning:

Demand-based inflation isn't achieving the goal it set ought to achieve. (Pay DYM according to staking demand should act: more stakers = reduction in yield, less stakers = increase yield)

I.e currently staking demand is at 92% of the total stakable tokens, both vesting and circulating, yet inflation is still "paying" the maximum it can.

This proposal aims to recalibrate the distortion caused by the following:

1. Inability of onchain modules to engage in staking.
2. Rapid increase of inflation rates due to reasonable operation time the network needed to acquire stake.

The adjusted proposal takes into account the importance of long term monetary stability.

Below is the original proposal (Reduce bond to 45%) following the response which led to this new adjusted proposal:

Yishay:

Status

Draft

Proposal

Proposal to reduce the

Goal Bonded

ratio to 45%.

At genesis, the Goal Bonded

ratio was set at 66.7%. However, with the current inflation dynamics and due to onchain modules' (community pool and incentive streamer) inability to delegate DYM tokens to validators, the actual amount of tokens bonded can only reach a maximum of 62% of the genesis total supply

(i.e. 38% of the genesis supply is held by the onchain modules).

Consequently, we believe the current state of DYM issuance and rewards is not manifesting the vision and mechanics it set to achieve. We propose to adjust the Goal Bonded

ratio downwards to a 45% ratio (66.7% * 62% rounded up to account for new issuance and incentive releases). We expect the reduction to better reflect the idea behind the dynamic issuance mechanism and protect DYM from excessive and unnecessary inflation.

Context

As of this draft proposal's publication, the current bonded ratio is approximately 55%, including vested tokens (which are non-transferrable) being staked with validators. The inability of onchain modules to engage in staking results in their gradual dilution over time, as new block rewards are allocated to delegators & their validators.

Given that a maximum of 62% of tokens (excluding new issuances) can be staked and with the current Goal Bonded

ratio at 66.7%, the inflation rate incrementally climbed to the maximum of 10%. However, this figure does not fully capture the economic situation of the blockchain, as a significant portion of available tokens is staked (55% staked in comparison to the 62% available for staking).

Given that 55% (at the time of writing) of the total supply is already staked and with the proposed Goal Bonded

ratio at 45%, the adjustment proposed is expected to lead to a ~22% decrease in the current inflation rate over the following year.

TL;DR: More people staking DYM means less inflation. The formula for adjusting inflation considers how far we are from the target staking goal and decreases/increases inflation accordingly. We propose to lower that goal to fit the real available supply for staking and to reduce excessive and unnecessary inflation.

Prediction

It is important to note that the exact outcome is unforeseeable by design

, enabling market forces a constant "say" in the actual dilution and issuance.

*Previous predictions deemed irrelevant due to the adjusted proposal and using rate of change in a non-absolute fashion.

References

- Initial supply parameters:

DYM Supply | Dymension Docs

- Dymension Portal App
- Mintscan

Governance votes

The voting period for this proposal as set on genesis is 5 days beginning from the time of deposit. The following items summarize the voting options and what it means for this proposal:

- YES
- NO
- NO WITH VETO
- A 'NoWithVeto' vote indicates a proposal either (1) is deemed to be spam, i.e., irrelevant to Dymension, (2) disproportionately infringes on minority interests, or (3) violates or encourages violation of the rules of engagement as currently set out by Dymension governance. If the number of 'NoWithVeto' votes is greater than a third of total votes, the proposal is rejected and the deposits are burned.
- ABSTAIN
- You wish to contribute to quorum but you formally decline to vote either for or against the proposal.

After careful consideration and discussions with advisors, core team members and community members, I would like to propose two improvements to the original proposal that are expected to have a broad long-term impact, as well as immediate effect.

Proposed Adjustments:

1. Introduce an additional change to the original proposal: Narrowing the inflation bandwidth to a maximum of 8% and a minimum of 2%

, compared to the current inflation parameters (10% maximum and a 1% minimum).

1. Adjust the Goal Bonded

ratio to 50%, instead of the originally proposed 45%.

Reasoning:

In addition to the reasons described in the original proposal, we must carefully consider Dymension's long term

stability aspirations together with our justified argument for fixing distortions. A tighter range between the minimum and maximum inflation rates creates more certainty and mitigates the odds of extreme edge cases from appearing in the monetary policy. In addition, this change will recalibrate the current distortion.

i.e currently staking demand is at 92% of the total stakable tokens, both vesting and circulating, yet inflation is still “paying” the maximum it can.

Given the current phase (’singularity point’) of the Dymension protocol, the timing for this adaption imposes minimal risk compared to future changes which might effect countless RollApps. Adaptations at later stages will be less likely due to the broad effect that they can impose in a 2D, 3D permissionless environment with various bonded RollApps. Therefore the opportunity to safely align the parameters into a more conservative range between min 2% and max 8% is sufficiently adequate with respect to timing.

On a longer time horizon, a 50% bonding goal (instead of 45%) is a more conservative approach as currently, 50% would be closer to the actual bonded ratio of 57%

(and the standard 66% original goal bonded ratio) thus having less effect on the rate of inflation change. This tweak would greatly improve the odds for these parameters to stay relevant and serve the protocol vision and goals of both stability and accurate demand based inflation for the longest foreseeable timeframe.

TL;DR

1. Immediate effect to narrow the range of inflation between 2% and 8% (instead of 1% and 10%).

2. Set bonded target for 50%, rather than the 45% proposed (or the current 66%)

to reduce risk and pursue our goals for moderate demand based inflation.