Hi all,

Following up on [this thread](), we want to lay out a proposal that changes the current network inflation and significantly lowers the % of inflation directed at the community pool. This proposal is meant to be the first to follow the newly proposed [governance best-practices](). Steps #1

and #2

have already taken place in the forum of the previous forum post, conversations in other Secret Network social channels, as well as discussions with community members on the community calls. We are now ready to follow the 3rd step - making the proposal off-chain (this post).

Proposed changes to inflation and community fees

Based on feedback gathered, there seems to be a consensus at meaningfully reducing the community fee and maintaining a low double digit inflation figure. As such, we propose the following changes to the network:

1. Inflation

: Change to 7%-15%. In practice, this will lead to 15% inflation currently

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1. Community fee

: Change to 2%.

1. Foundation fee

: A new concept we recommend the network should adopt.

Rationale

- The goal of inflation is to subsidize network security, by offering validators/delegators meaningful rewards in the form of new coins. Reducing the inflation to 7%-15% would maintain a lower inflation (which is generally a good thing), while still providing rewards (%-wise) that are higher than many (if not most) networks out there.

Bottom line is:

validators/delegators currently earn 4.75%

of the inflation. With the following changes, they are expected to earn between 12%

to 14.7%

. So practically 3 times as much. In terms of actual returns on tokens staked, validators/delegators will currently earn ~70%-85%

returns.

This is expected to decrease over time as more people stake.

- Changing the community fee to 75% was always a temporary measure to build up a meaningful community pool. With 850K+ SCRT, that has been achieved. It seems reasonable to return to the previous, default, fee value of 2%, thus increasing the net share stakers earn.

- To balance the community pool change, we would like to suggest a new form of fee for the recently founded Secret Foundation. The Secret Foundation is quickly becoming the best distributed entity representing the community itself, and we support finding a sustainable mechanism for the network to support them. While not an official part of this proposal, we would like parties to signal approval/disapproval for such a mechanism (which would need to be separately developed) in this proposal, as it would affect staking rewards.

Please feel free to comment on this proposal and talk it out. We plan to prepare an on-chain proposal based on the responses and submit it next week.