

GMX V2: (i) UPDATING THE GMX-INTERFACE CODEBASE AND (ii) GMX V2 FEE SETTINGS

1. PROPOSAL SUMMARY

This proposal seeks the approval of the GMX DAO for (i) updating the gmx-interface codebase to work with the new GMX V2 open-source contracts developed by Labs ([gmx-synthetics/README.md at main · gmx-io/gmx-synthetics · GitHub](https://github.com/gmx-io/gmx-synthetics/blob/main/README.md)), and (ii) establishing fee parameters for GMX Markets within these V2 contracts.

1. UPDATE GMX-INTERFACE WITH V2 CONTRACTS

The updated gmx-interface codebase will integrate both GMX V1 and GMX V2 contracts, with the possibility of gradually sunsetting GMX V1 once V2 gains appropriate market adoption. The DAO is requested to confirm support for Labs integrating the current GMX V2 contracts, as well as any future versions of these, into the gmx-interface codebase found at [GitHub - gmx-io/gmx-interface](https://github.com/gmx-io/gmx-interface).

Currently, we rely on the generosity of community members deploying IPFS hosted version, which after being verified to match the current GitHub, are linked to redirect from app.gmx.io

The protocol will benefit from a diversity of front ends utilizing the V2 codebase as a base but potentially include customization, improvements, and regionalization for various communities. A separate proposal and discussion will occur to seek support to incentivize the creation and maintenance of these front ends by establishing (i) a Front End Fee collectible by deployers, (ii) licensing framework including open source requirements, and (iii) a methodology which the GMX DAO would follow if it chooses to highlight reputable deployers of front ends.

1. NEW MARKET FEE SETTINGS

GMX V2 handles a more robust set of parameters when creating markets, which requires a broader set of base and dynamic parameters, including a richer dataset from our new oracles. Below are the proposed range and initial fees for testing; a final range should be confirmed by governance closer to full deployment.:

Action / Parameter

Approved Range

Initial Parameters

Increase / Decrease Position:

0.00% - 0.10% of trade size.

0.05% of trade size.

Price Impact

Adjusted based on liquidity on reference exchanges.

Swap Fees

0.00% - 0.50% on crypto assets.

0.05% on crypto assets.

0.00% - 0.50% on stableswaps.

0.01% on stableswaps.

Fund Fee

Based on the difference between long and short open interest for a market and a multiplier value.

Borrow Fee

Based on the utilization percentage of the pool and a multiplier value. Borrow Fee help mitigate attacks with a trader or competitor consuming both long and short capacity at low net cost.

Multiplier Value

Funding and Borrow Fee have multiplier values that need to be configured such that they don't overly reduce the effect of positive funding fees but are a sufficient incentive to minimize OI imbalance. Over time Funding fees may start to

approximate levels for existing centralized exchanges.

GMX V2 contracts combine a proposed lower swap fee with the implementation of price impact (both positive and negative) along with oracles that aggregate best bid and best ask pricing from the reference exchanges. This setup is aimed to ensure deep liquidity is secured with liquidity providers having a less volatile exposure, as net OI will be more effectively balanced through economic incentives when a large directional exposure occurs. More details on the price impact calculation: <https://github.com/gmx-io/gmx-synthetics#price-impact>

In GMX V2, swaps are now a two-step process similar to increase/decrease position transactions. This setup greatly reduces toxic flow (as was seen when GMX moved to two-step transactions) and should allow lower fees, which combined with price impact, will create efficient markets without running into front-running issues. This would make it convenient for traders to swap in and out of different collateral when increasing or decreasing positions. The lowered swap fee may also help make the protocol a preferred platform for swaps once aggregators can integrate this novel approach (discussions are already ongoing).

1. RISK MANAGEMENT

The Approved Range and Initial Parameters are for testnet and a limited testing deployment of V2 code to mainnet. It is expected that these parameters may change before the completion of these trials. The updation and management of parameters in V2 are proposed to move to a Risk Committee of the GMX DAO, along with the guidance and feedback of professional risk managers and interested community members.

Such a committee and associated community multi-sig and executor delegations with implementing such changes should be formed by the GMX DAO within 90 days of deployment to ensure community governance can guide V2.

1. DISCLAIMER

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