PROPOSAL NAME

Community alignment on the immediate reduction or elimination of $APE staking emissions

PROPOSAL CATEGORY

Ecosystem Fund Allocation

[

770×558 56.7 KB

](https://global.discourse-cdn.com/apecoin/original/2X/c/c2344cf5d720f248cde4ba45fd7d606517bd7ae6.png)

ABSTRACT

This is a proposal for community alignment on the immediate reduction or elimination of $APE staking emissions in their current form, by an amount to be later proposed by the community. This is not a proposal on quantifying reduction or elimination, but merely aims to express a community-wide willingness to reduce staking emissions in its current form.

BENEFIT TO APECOIN ECOSYSTEM

A reduction or elimination of $APE staking emissions would benefit the ApeCoin ecosystem over the short and long term. Without a sufficient treasury the DAO will struggle to achieve its mission due to a lack of optionality and funding. By retaining a larger share of the treasury, ApeCoin holders will be able to fund initiatives that are in line with the DAOs ethos, and will advance the DAOs desired goals.

AUTHOR DESCRIPTION

Ronan: Investor at Collab+Currency. Collab+Currency is a crypto-focused venture fund backing early-stage projects building the next generation of culture and consumer technology.

Motivation

Some relevant metrics: [Source]

- 3 year staking program allocation: Year 1 allocation 100M $APE, year 2 allocation 50M $APE, year 3 allocation 25M $APE—37% of the initial treasury allocation.
- Roughly 85% of the 100M $APE year 1 allocation has been emitted.

The current staking program is depleting the DAO's treasury without a discernible positive impact on the APE token value or NFT collections. Roughly 85% of the program's year 1 allocation has been claimed, representing ~49% of the total $APE scheduled to be emitted over the 3-year program. With roughly 90M $APE yet to be emitted, the DAO will retain only 63% of its initial equity by the end of Q4 2025, with no alternative spend.

There is rapid treasury depletion without significant or observable APE token value accrual. $APE is down 95% from it's all-time high – it is critical to reconsider the staking program in favor of preserving the DAO's remaining capital for investment in positive ROI initiatives.

Treasury resources should be more effectively used to advance the DAO's objectives. There are limitless possibilities to advance the APE ecosystem with this capital. I am confident in the DAOs ability to uncover more productive spending outside of the current staking program.

Aggressive inflationary token economic models as a form of yield are a harbinger of negative price action in crypto for a reason – there is no net new capital being created nor distributed.

Rationale

Long-Term Vision: The DAO has ambitious plans: supporting the development of multiple games, an immersive environment, and more. Such ambitions are capital and time intensive. Depleting the treasury to sustain the staking program runs counter to these long-term goals.

Funding and Liquidity: Securing another large round of funding for Yuga Labs may prove challenging, as investors often seek a pathway to a liquidity event. With three different PFP collections, multiple in-game asset collections, an ERC-20 token, and a Bitcoin Ordinal collection, the avenues to such an event are dwindling. While Yuga Labs and ApeDAO are two separate entities, the DAO itself has no mechanisms or avenues to maintain its treasury.

Importance of Capital: Without a near-term path to self-sustaining revenue, it is paramount that the DAO exercises prudent capital management. As such, the remaining 58% of the staking program (at today's prices, roughly $147M), should be diverted towards productive investments that align various actors with APEs success – actors that are not existing members of the APE ecosystem. For example:

- Development and expansion of the Otherside
- Community cultivation and education
- Marketing and partnerships
- R&D on web2 and web3 gaming profiles

Counterargument: There is the case to be made that the staking program supports the prices of the ecosystem NFTs, particularly incentivizing long term holders of the BAYC collection, as well as the $APE token due to the yield holders receive. While this may

be true, it is entirely unquantifiable. Even if the staking program kept prices significantly higher in the interim (which I don't believe to be true), the end state for monetary success of these collections and the $APE token relies on Yuga's ability to ship their outlined roadmap. Without a significant multi-year war chest that can weather the cyclical nature of our industry, it is difficult to see how the DAO will be able to achieve its roadmap with such little equity.

KEY TERMS

"Liquidity event": An event that allows private capital to be publicly traded – in traditional markets this is typically through an IPO or acquisition. In crypto, this is typically through a token launch or acquisition.

STEPS TO IMPLEMENT & TIMELINE

In the event of a vote in favor of this proposal, we will put forth a subsequent governance proposal which will outline various options to reduce or eliminate $APE staking emissions, as well as the necessary operational and technical considerations.

The follow-up proposal will be drafted as soon as the proposal is passed.

OVERALL COST

0 ApeCoin

Footnote: Tax implications of high-yield staking

High-yield staking presents a significant tax burden to recipients and should only be deployed when it is necessary for a protocol to function. In most cases, participants will owe income tax on the FMV of staking rewards upon receipt.

For example: User obtains 200,000 APE at a spot rate of $5 – about $1M in fair market value.

User stakes the entire balance for 1 year and yields an effective rate of 45% in-kind. The value of APE drops by 60% to a spot rate of $2.00 during that time period.

Assuming linear price decline, the taxable income in this scenario is 90,000 APE x $3.50 (average spot rate in the period) for a total of $315,000 of taxable income. This would be taxed at the recipient's personal bracket, where this lands in the >32% range. For ease, we'll say their effective tax rate is 30%.

Their tax bill is $94,500 and if no rewards were sold for cash, their entire APE holding is worth ~$580,000 (290,000 APE x $2.00 spot). So they must sell ~16% of their position to cover it. Repeating this process year-over-year results in value erosion over time.

If price declines dramatically in any single tax year, or yield increases to levels beyond 45% in-kind, the impact could mean that a user faces a tax burden that is around the same or more than their entire holding is even worth. Re-running the numbers for a decline in price from $5 to $0.25, the results are: Taxable income $236,250 (90,000 APE at an average spot rate of $2.625), tax due is $70,875, and APE holding is worth ~$72,500. Regardless of subsequent price recovery, the timing of tax years has the potential to create a full liquidation scenario.

Arguments can be made against staking classified as 'income', however they are considered aggressive/high-risk.

Disclaimer:

Statements contained in this proposal are based on current expectations, estimates, projections, opinions and beliefs of Collab+Currency. Such statements involve known and unknown risks, uncertainties and other factors. Additionally, this Letter may contain "targets" or "forward-looking statements." Actual events or results may differ materially from those reflected or contemplated in such statements.

The receipt of this proposal further shall not be taken as constituting the giving of legal, tax, investment or other advice by Collab+Currency.