

# Simple Summary

A proposal to extend the [dYdX Chain Launch Incentive Program](#) for an additional three months, covering two trading seasons, with an extra allocation of \$10 million in DYDX from the dYdX Chain Community Treasury.

## Motivation

The dYdX Chain Launch Incentives program is currently in its fourth and final season. Initially [launched](#) in late November 2023, the program successfully met its primary objectives of boosting trading activity and expanding the user base on the dYdX Chain. Below, we provide a detailed evaluation of the impact of the Launch Incentives Program. While determining the precise factors contributing to growth is complex, we acknowledge the various drivers that influence trading activity. This analysis highlights key aspects of the first three seasons, offering the community valuable insights into the program’s effectiveness.

Our end-of-season reports on the Chaos Labs [blog](#) and the [dYdX Governance Forum](#) provide more insight into the program’s impact.

### Launch Incentive Program Gross Direct Profit

Overall, the dYdX Chain has witnessed substantial growth in usage throughout the first three seasons of the Launch Incentive Program, reaching a point where trading fees significantly surpass the cost of the program itself.

#### Season

#### Rewards

#### Fees Paid

#### Net

1

\$5 000 000

\$ 1 874 266

-\$3 125 734

2

\$5 000 000

\$ 5 597 469

\$ 597 469

3

\$5 000 000

\$ 9 399 730

\$ 4 399 730

#### Total

\$ 15 000 000

\$ 16 871 465

\$ 1 871 465

The program has evolved so each subsequent season has built upon the learnings to that point to innovate continually, furthering protocol usage.

### Weekly Active Traders and Long-term Sustainability

The Launch Incentive Program is strategically designed to foster long-term, sustainable activity on the dYdX Chain. The program’s trajectory demonstrates that trading activity is sticky, compounding over time. Achieving sustained growth necessitates attracting a large and diverse base of traders. We measure this by the number of traders paying taker fees in a

week, referred to as active traders from here on.

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dydxFees

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The breakdown of weekly active traders by category, as shown below, illustrates a progressively increasing retention and return of traders, catalyzing compounded growth in trader numbers.

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Weekly Trade Breakdown

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Additionally, the program optimizes long-term sustainable activity as much as possible. A trader's long-term value is highly dependent on their propensity to remain in the dYdX ecosystem, which has steadily increased week on week over the three seasons so far.

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Weekly Retention Rate (1)

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Value from New Traders

To demonstrate the program's unit economics, we include the following breakdown of the value of solely the new traders acquired in season 3.

Weekly Retention Rate

75%

Ave weekly Fees

\$329

Implied Value of a New Trader

\$1 316

Season 3 new traders

4 324

Season 3 Value added from New Traders

\$5 690 384

As this analysis is focused on new traders, it excludes the positive impact on the 4,000 existing traders who are likely to have increased their trading activity on the dYdX Chain as a result of the incentives provided, further underscoring the effectiveness of the program.

## Proposal

Given the Launch Incentives Program's impact to date, and with the program scheduled to end at the end of season 4 by June 1st, 2024, we propose extending it for an additional three months. This extension would include two more trading seasons, which will be administered in a similar fashion to the previous ones.

# Specification

An on-chain text proposal will be created to approve the extension of the program and the associated budget.

Should the community approve this allocation, Chaos Labs will continue administering the program and will request an extension of our current grant under the same terms.

# Next Steps

Following community discussion on the forums, we are targeting an on-chain vote on Monday, April 22nd.