

Introduction

The current distribution of dYdX rewards has led to an imbalance. Thanks to research conducted by [@RealVovochka](#) ("[Unfair distribution of trading rewards](#)") we can clearly see that one account alone takes around an average of 30% of all rewards each epoch, highlighting the concentration of rewards in the hands of a few users.

Furthermore, recent reductions in rewards have negatively impacted trading volume and platform usage. To address these concerns, we present a starting point for a fairer dYdX rewards distribution that focuses on enhancing platform growth, user adoption, and retention. By redistributing rewards more equitably and offering innovative incentive strategies, dYdX can attract a broader range of users, foster a strong and committed community, and ultimately drive its platform toward sustained success.

In this post, we will discuss various approaches for a more effective rewards distribution, including rewarding long-term users, implementing referral rewards and competition rewards, offering vesting rewards, establishing activity-based milestones, creating loyalty tiers, reintroducing token-holding bonuses, and rewarding early adopters. We acknowledge that these ideas may require further refinement and development work, and some may overlap slightly. This post is intended to initiate a discussion within the community and gather input on whether these approaches could lead to a more balanced rewards system that reduces the concentration of rewards among a select few, promotes fair participation, encourages user loyalty, and contributes to the overall growth of the platform. We encourage the community to engage in the conversation, share their thoughts, and work together to refine and develop these ideas further.

Boosting Platform Adoption

Rewards attract users to dYdX by incentivising new and existing users to participate actively in the platform. A well-designed rewards system can make the platform more appealing to potential users, encouraging them to join and engage with its features and services.

However, recent reductions in rewards have had the opposite effect, potentially discouraging new users from joining and existing users from maintaining their engagement with the platform. When rewards are reduced, the perceived benefits of participating in the platform may decrease, leading to lower user adoption and reduced trading volume.

To counter this effect, we suggest reinstating all rewards to their original emissions, ensuring the platform's growth and new strategies are not hindered by reduced rewards. Restoring the original emissions levels will provide users with the incentives they initially expected and prevent any negative impact on the platform's growth.

A growing user base improves liquidity, trading volume, and overall platform stability, leading to a more robust and reliable trading experience for all participants. To continue growing and solidifying dYdX's role within the decentralised finance landscape, we propose diversifying the rewards distribution to cover several areas while retaining a portion of the rewards for fee-based incentives. We recommend the following distribution:

1. Fee-based Rewards (35% allocation)
2. Rewarding Long-Term Users (5% allocation)
3. Referral Rewards (10% allocation)
4. Competition Rewards (20% allocation)
5. Vesting Rewards (5% allocation)
6. Activity-Based Milestone Rewards (10% allocation)
7. Loyalty Tier Rewards (5% allocation)
8. Token Holding Rewards Bonuses (5% allocation)
9. Early Adopter Rewards (5% allocation)

Rewarding Long-Term Users

One way to improve the dYdX rewards system is by designing incentives specifically for long-term users. The platform can encourage continued participation and foster a committed community of loyal users by providing these incentives. Long-term users contribute to the platform's overall stability and growth, and rewarding them for sustained engagement can strengthen the relationship between dYdX and its user base.

There are various ways to structure incentives for long-term users, such as:

- Offering rewards that increase over time based on the length of a user's active participation on the platform.
- Implementing bonus rewards for users who maintain a certain level of trading volume or token holdings over an extended period.

By incentivising long-term users in these ways, dYdX can cultivate a strong community of dedicated users who are more likely to remain actively engaged with the platform, even in times of market volatility or other challenges. Encouraging user loyalty and fostering a committed community can contribute to the overall success and growth of dYdX within the DeFi ecosystem.

Referral Rewards

Referral rewards are an effective way to incentivise users to bring new customers to the dYdX platform. By allocating 10% of the total rewards to referral incentives, dYdX can further encourage its users to promote the platform within its networks and help expand its user base.

These referral rewards can be structured in various ways, such as offering dYdX tokens to both the referrer and the referred user once the new user reaches a certain trading volume threshold. This approach motivates existing users to invite others to join the platform and ensures that referred users actively participate and contribute to the platform's growth.

Competition Rewards

Allocating 20% of the total rewards to competition rewards allows dYdX to further enhance user engagement and participation, mainly through the existing competition platform. These rewards can be utilised as an addition to the Hedgies prizes and a replacement for the removed USDC prizes, creating a more attractive competition platform for users.

Moreover, competition rewards generate increased visibility for the platform within the decentralised finance ecosystem, attracting more users who want to participate in these events and potentially win valuable rewards. This increased user adoption, in turn, contributes to the platform's overall growth, trading volume, and liquidity, ultimately enhancing the experience for all participants.

Vesting Rewards

Allocating 5% of the total rewards to vesting rewards incentivises users to maintain their engagement with the dYdX platform over a more extended period. These rewards would be distributed over a specified period, with users gradually receiving them as they hold their tokens and maintain their activity on the platform.

Vesting rewards encourage users to stay engaged with the platform and hold their tokens for longer, fostering a more stable user base and contributing to its overall growth. Additionally, this approach helps to mitigate short-term speculative behaviour and discourages users from merely seeking quick profits, ultimately leading to a more committed and loyal community of users.

Activity-Based Milestone Rewards

By allocating 10% of the total rewards to activity-based milestone rewards, dYdX can further incentivise user engagement and platform usage. These rewards would be distributed based on user activity or platform usage milestones, such as trading volume, number of trades, and duration of participation.

As users reach these milestones, they become eligible to receive rewards, motivating them to continue using the platform. This approach increases user engagement and improves the platform's overall trading volume and liquidity.

Incorporating activity-based milestone rewards into the distribution system ensures that dYdX rewards users who consistently contribute to the platform's growth and success. By recognising and rewarding such users, dYdX can create a more committed and supportive user base.

Loyalty Tier Rewards

By allocating 5% of the total rewards to loyalty tier rewards, dYdX can establish a tiered loyalty program designed to recognise and reward users based on their length of participation, token holdings, or trading activity. As users unlock higher loyalty tiers, they become eligible for better rewards, further incentivising their continued engagement with the platform.

Implementing loyalty tier rewards helps foster a sense of community and commitment among dYdX users. This system encourages users to maintain a long-term relationship with the platform.

By incorporating loyalty tier rewards into the distribution system, dYdX can create a more diverse and balanced rewards structure that caters to its users' varying needs and preferences. This approach can help retain users and boost platform growth.

Reintroducing Token Holding Rewards Bonuses

By reintroducing token-holding rewards bonuses and allocating 5% of the total rewards to this initiative, dYdX can again provide bonus rewards for users who hold a specific amount of tokens for a certain period. This approach was extremely popular among users before its removal and can significantly contribute to user retention and investment in the platform.

For example, holding more than 500 tokens for 30 days could unlock a specific bonus, 90 days could unlock a higher bonus, and so on. This system encourages users to maintain their token holdings and remain invested in the platform for an extended period, leading to increased stability and growth.

Incentivising users to hold onto their tokens will also help improve the dYdX tokenomics, making it more attractive for existing and potential users.

Early Adopter Rewards

Allocating 5% of the total rewards to early adopters rewards is a way for dYdX to acknowledge and appreciate the users who have been with the platform since its early stages or contributed significantly to its growth. This allocation demonstrates a commitment to recognising the value these early adopters bring to the platform and fosters a sense of loyalty and community.

Early adopter rewards can be distributed based on various criteria, such as the user's registration date, trading volume, or other metrics highlighting their long-term support and contributions to the platform. By rewarding early adopters, dYdX can strengthen the bond between these users and the platform, encouraging them to continue their active participation and support.

Incorporating early adopter rewards into the overall rewards distribution helps create a more diverse and balanced rewards structure. It acknowledges the importance of long-term supporters in the platform's success and growth.