

Hey everyone,

Summary

This proposal aims to increase the community pool tax from 2% to 6%. This to ensure the community re-gains optionality around investment and SCRT allocation to potential new integrations, constellation chains and native dApps. Currently the secret community pool holds approximately ~750k SCRT which equates to ~ 0.3% of the current SCRT supply. In order to increase the impact of potential (liquidity) deals we think a target of min ~1% of the supply is important.

Why a larger community pool is a good idea

1. Preparation for Growth:

As more constellation partners and native dApps join the Secret network and other ecosystems are increasingly more liberal with their liquidity resources, we think it is important to have the means to make similar decisions where needed. With a larger community pool, we'll have the flexibility to engage in potential mergers and acquisitions, liquidity as a service for SCRT integrations, supporting the native liquidity of LSDs and potential gambleFi apps, interact in token swaps with potential constellation chains and overall facilitate the growth and development of the Secret ecosystem. The current size of around 770k SCRT in the pool may limit our ability to seize these opportunities.

1. Enhanced Resources and Tooling:

With the recent advancements such as DaoDao and the coming SDK 0.50, the community will have access to better ownership and governance mechanisms. These tools allow for proper management of POL deals through easily managed multisigs but also enhanced ownership through chain-governed VETO rights. By utilizing the new tools, we reduce trust assumptions on potential recipients, can vest tokens more easily and mitigate past challenges of taking money but not delivering. Overall it ensures more transparent and effective resource allocation.

1. **** A focus on mutual beneficial deals and liquidity over grants and committee lossmakers:**** We think the community is better positioned than any other chain to truly vet coming deals due to the rich past of often failed proposals. With a strong DeFi oriented community we also think Secret might be more effective in deploying POL than other chains. The community is an important voice next to SNF and SCRT labs and its important that it has some resources available to make decisions where it deems needed. The pool however should be safeguarded from becoming a slush fund or fallback option for unsuccessful projects - a separate proposal for a clear COC might be beneficial to assure the community of its responsibilities in managing the pool.

The expected pool growth rate after this proposal is:

- Year 1

: The pool is expected to grow to approximately ~2.4m SCRT.

- Year 2

: By the end of the second year, the pool could reach approximately ~4m SCRT, equivalent to approximately 1% of the total supply at the end of 2025.

The expected impact on staking APR should be minimal:

from - $9\% / 0,55$ (bonded rate) * 0,98 = ~16.0% APR

to - $9\% / 0,55$ (bonded rate) * 0,94 = ~15.3% APR

APR change: $(15.3-16) / 16 = -4.5\%$

Curious to hear all your thoughts!

Best,

Ertemann

Lavender.Five Nodes