

Dear Uniswap v3 Community,

We, at [0xPlasma Labs](#), are pleased to partake in the vital governance discussions around the distribution of the ARB token. As significant contributors to the development of Uniswap v3, we bring forward a proposal designed for capital efficiency and optimization of benefits for the Uniswap protocol.

The Proposal

The core of our proposal involves dividing the ARB airdrop into two distinct parts:

1. 1/3 of the ARB will be allocated for a Gas Refund

initiative designed explicitly for Uniswap v3 on Arbitrum.

1. The remaining 2/3 of the ARB will be directed towards incentivizing liquidity providers

on Uniswap v3 pools on Arbitrum.

Gas Refund Initiative: Detailed Perspective & Projected Benefits

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The proposed gas refund initiative provides substantial benefits for traders on Uniswap v3 by enticing a broader user base to engage in direct trading on the platform. Concurrently, the Arbitrum ecosystem is set to profit from this distribution through blockchain transaction fees, positively impacting both the Arbitrum DAO and its wider community. Given that Arbitrum is a scaling solution for Ethereum which ensures high speed and reduced transaction fees, this initiative, especially when transaction fees stand at around \$0.1, can significantly benefit small traders.

Realization of the Proposal

The gas refund initiative would be implemented as part of the ARB airdrop distribution strategy. It suggests allotting one-third of the total ARB tokens (1,459,396 ARB)

for compensating 100% of gas fees

, facilitating around 16,953,070 gas-free

user transactions. This projection is based on the current number of transactions on the Uniswap v3 Arbitrum contract (315,697).

In terms of distribution, gas compensation could be administered through snapshots taken every month and distributed via a Merkle drop, akin to the mechanism employed by 1inch (refer to <https://blog.1inch.io/1inchs-cumulative-merkle-drop-tool-an-overview/> for details).

Projected Benefits for Uniswap and Arbitrum Community

1. Broadened User Adoption

: The prospect of a gas refund will likely attract a broader spectrum of users, particularly small traders for whom the refund could significantly offset trading costs. This, in turn, encourages a more diversified user base, fostering enhanced liquidity and robust market dynamics within Uniswap.

1. Augmented Transaction Volume

: As the gas refund initiative spurs users to perform more trades on Uniswap v3, it could significantly increase the overall transaction volume. Greater transaction volumes contribute to pool stability and make Uniswap v3 a more appealing platform for long-term traders and arbitrageurs.

1. Sustainable Growth of the Arbitrum Ecosystem

: This initiative, operating on the Arbitrum layer-2 solution, ensures that the distribution of ARB tokens eventually cycles back into the Arbitrum ecosystem through blockchain transaction fees. This circular economy benefits the Arbitrum DAO and the broader community, as an increase in transaction volume potentially translates into higher transaction fee revenue. These funds can be reinvested into the Arbitrum ecosystem for ongoing development and growth.

This strategy provides a dual-faceted benefit, significantly enhancing the collaborative potential of Uniswap v3 and the Arbitrum ecosystem while fostering their individual growth.

Proposal for Enhanced Liquidity and Pool Stability with ARB through Quadratic Protocol and Booster

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We wish to put forth a comprehensive strategy for the augmentation of liquidity pools within the Uniswap network, through the employment of a methodically curated Liquidity Farming Mechanism. Our primary aim is to bolster user engagement, incentivize liquidity provision and subsequently enhance the depth of liquidity pools, to the best interest of all stakeholders.

Our proposal involves the utilization of the Quadratic Protocol for active liquidity management, coupled with the Quadratic Booster Protocol, to motivate liquidity providers with additional incentives. This plan relies on a conservative farming mechanism that will offer liquidity providers a two-fold advantage. Firstly, it will help mitigate the potential Impermanent Loss (IL)

on Uniswap v3 pools and secondly, it will offer providers additional, reasonably calculated rewards for their contribution to liquidity.

We have conducted an analysis of the current Uniswap v3 pools, focusing on the top 10 in terms of total value locked (TVL). The analysis revealed varying degrees of liquidity distribution within the pools. The ETH/USDC 0.05% pool, for instance, with a TVL of \$58.7M and a +/-10% range APY of approximately 23.21%, shows balanced liquidity distribution and as such, does not require incentivization.

On the contrary, the ETH/USDT 0.05% (TVL = \$17M, +/-10% range APY ~28.10%), ETH/ARB 0.05% (TVL = \$17.34M, +/-10% range APY ~49.73%) and ARB/USDC 0.05% (TVL = \$4.5M)

pools reveal a disbalanced liquidity, which we believe could significantly benefit from the implementation of the Quadratic active liquidity management protocol.

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In light of the UNI token not receiving incentivization from the protocol, we recommend the establishment of a farming initiative for UNI token holders and the UNI pool on Arbitrum. This would entail creating a UNI/ARB 0.05%

farming campaign. Additionally, we note that the ETH/UNI 0.3% pool

(TVL = \$529.79k) exhibits a highly disbalanced liquidity and would profit from the application of the Quadratic protocol.

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About Quadratic & Booster Protocol

Moreover, we'd like to extend our proposal to include our highly capital-efficient protocols –[Quadratic and Booster](#). These protocols aim to optimize resource allocation while driving higher APY for liquidity providers. The Quadratic Protocol is designed for active liquidity management, allowing for a reduced incentive amount to achieve a higher APY. On the other hand, the Booster protocol, an extension to Quadratic, incentivizes Quadratic Strategies using the ERC-20 token or Strategy LPs. The Booster protocol is highly customizable, and we can set additional boosting periods for liquidity and liquidity lockup periods, thereby ensuring that liquidity remains in the Uniswap v3 pools for extended durations.

More info:

[Quadratic](#) and [Booster](#) | [dApp Dashboard](#)

We eagerly await your valuable feedback and hope to contribute meaningfully to the Uniswap network's continued growth and success.

Best Regards,

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