

Hello UNIswapers!

TLDR:

How can the fee switch change the value proposition of \$UNI?

The rationale of owning ETH as an investment is that Ethereum is a clear market leader in the cryptocurrency space. The Ethereum network proves its value in strong development activity, smart contract functionality, and tangible fee generation (e.g., PoW mining, and fee burning). However, over the history of Ethereum (~9 years), none of the platform accrued compoundable value to ETH token holders. In the summer of 2022, the Ethereum network is switching to a Proof-of-Stake consensus, securing its own network while rewarding stakers in the process. Why can't Uniswap do something as great? The fee switch mechanism developed within Uniswap's V2 & V3 contracts presents the opportunity to add compoundable value to UNI holders similar to how Ethereum plans to accrue compoundable value for staked ETH holders.

Let's finally get something done.

From endless twitter posts, discord rants, posts scattered throughout the governance forums, and month's long silence on the topic of the fee switch. Over the last 2 years, the Uniswap governance has been in indecision to "toggle" the fee switch mechanism - stalled by inaction to help benefit \$UNI holders who believe in the value of the Uniswap protocol. Through this proposal, we plan to create a responsible entity on changing the paradigm of \$UNI being represented as purely a redundant "governance-based" token. By diverting a portion of swap fees from liquidity providers to \$UNI holders, we shift the paradigm of holding a token to one where voting actually matters since \$UNI can be used as a staking token for revenue generation and voters in tandem.

Background on action.

In a non-exhaustive list of actions, we propose to allocate the "Ultrasound UNI Fund" with 0.3 – 1 M \$UNI with the directive to transform \$UNI and establish:

I. Value to UNI holders and prospective UNI investors:

Ensuring the prosperity of \$UNI holders by establishing the fraction of swap fees to be diverted from Uniswap's V3 contract from the Ethereum, Polygon, Arbitrum, and Optimism network to staked \$UNI holders. This includes determining if the 5-basis point fee switch on Uniswap V2 should be enabled.

II. Dominance over competing DeX AMMs:

Growing Uniswap's market share and being the best place to trade across many pairs is important. The fund aims to finance research on the optimal application of the fee switch mechanism by collaborating with knowledgeable professionals to carefully balance the impact to Liquidity Providers on a DeX competitiveness-based perspective.

III. Conservativeness to Uniswap LPs:

Activating the fee switch on certain pools may disincentivize LPs from trading on Uniswap. The fund aims to establish an organization to communicate with Uniswap LPs on either activating the fee switch on a per-pool basis; or activating the fee switch on a protocol wide basis.

IV. Defense against legal pressures:

The fee switch may expose angles of undefined regulatory risk. The fund aims to consult with knowledgeable legal professionals on threats that may expose the Uniswap protocol to overarching agencies.

V. Actioning the Uniswap community:

Incentivizing, proposing, creating, and following through the necessary governance processes to toggle the fee switch requires governance approval. The fund aims to commission research to investigate the scale of economic impact to \$UNI holders and to maximize the potential earnings through the fee switch mechanism.

Concluding Thoughts.

We believe that activating the fee switch mechanism will add indisputable value to \$UNI token holders and bring in a new perspective to future UNI investors. The change presents few, but meritable risk-factors to justify the creation of a fee-switch fund to manage the execution of this proposal. The suggested fund proposal size of 0.3 – 1 M \$UNI is purely speculation based on the expenses required to perform initial research, manage future governance changes, execute essential governance proposals, onboard DeX on-chain analysts, consultation fees, and collaborate with the community at large. A breakdown and distribution of the fees to fund the fee switch toggle are to be detailed in a consensus check.

The snapshot voting poll will be live for 8 days, from Sunday, February 13 to Monday, February 21 (1:00PM). If the poll passes, a breakdown and distribution of the fees to fund the fee switch toggle are to be detailed in the consensus check phase.

A link to the snapshot proposal: [Snapshot](#)

