

# Arbitrum GovHack Track

:

1. Arbitrum liquidity

## Challenge Statement:

The current status quo relates to creating incentive programs for already existing DeFi users. There hasn't been a program to incentivize the migrations of users from Centralized Exchanges to the Decentralized world.

Additionally, there has been a lack of mechanisms to target this user base directly to funnel them to DEX Products, with strong and long-term incentive programs.

## Members:

ImmutableLawyer

getitdone1 - Sam from Gains Network

AlexLumley from Savvy

GabrielBegazo from Cede.store

More Perps DEX founders to come (supporting the proposal)

Loom video: [Loom | Free Screen & Video Recording Software | Loom](#)

Deck: [Perp-trader \[Onboarding Program\] - Team 14.pdf - Google Drive](#)

## What the problem is

### Problem statement

- The current status quo relates to creating incentive programs for already existing DeFi users. There hasn't been a program to incentivize the migrations of users from Centralized Exchanges to the Decentralized world.
- Additionally, there has been a lack of mechanisms to target this user base directly to funnel them to DEX Products, with strong and long-term incentive programs.

### Abstract

Arbitrum currently has \$4.1 Billions in Daily Derivatives Volume (DefiLlama) with derivatives volume on centralized exchanges being upwards of \$2 Trillions (CoinMarketCap).

Arbitrum is host to numerous products that allow spot or perpetual trading of assets across multiple trading pairs. This onboarding program via incentives aims to bring a new wave of capital injection from centralized exchanges to test out and utilize Arbitrum's perp-based product offering with the eventual goal being that of attracting additional users from CEXs to the Arbitrum Ecosystem.

Arbitrum Market Share of Perp trading volume 70% of On-chain trading volume is on Arbitrum;

On-chain vs off-chain trading volume [2% of trading volume is On-Chain]

### Problems

1. The current status quo relates to creating incentive programs for already existing DeFi users. There hasn't been a program to incentivize the migrations of users from Centralized Exchanges to the Decentralized world.
2. Additionally, there has been a lack of mechanisms to target this user base directly to funnel them to Perp DEX Products, with strong and long-term incentive programs, ensuring the retention of this liquidity on the DeFi side.

## What is the solution

### The Proposal

To increase Arbitrum's market share of trading volume from centralized exchanges to native Arbitrum products that offer

spot and perpetual trading;

To onboard traders and institutions alike to use products on the Arbitrum Tech-Stack;

To utilize the ARDC's knowledge-pool & institutional connections to achieve our goal of increasing trading volume on Arbitrum.

#### Theoretical Framework

- Utilise the ARDC to manage the onboarding program;
- Utilise Cede.Store to funnel CEX users/traders/institutions to Arbitrum products;
- Utilise the ARDC for incentive modelling;
- Utilise the ARDC's institutional user-base to funnel institutional traders to Arbitrum products.

#### Goals

1. Funnel CEX users/traders/institutions to the Arbitrum Ecosystem.
2. Increase trading volume & correspondingly, sequencer revenue
3. Improve the retention rate of these new CEX traders: the incentive program we're bringing on the table

#### Methodology

1. Trader-Focused: Creating a trader-oriented incentive program similar to what dYdX has done for the dYdX Chain.
2. Cede.Store: Funnel & track seamless capital injections to the Arbitrum Ecosystem via Cede.Store.

#### Indeed:

- Traders are the sole focus of this Program with, naturally, cascading positive effects on Projects they choose to trade on.
- Rewards could be based on trading activity, trading fees, capital transitioned CEX-DEX, amount of pairs traded, amount of projects traded on.
- As with the dYdX Incentives Program, the incentive model could be based on the Locke & Latham theory of motivation 'Incentives Theory Through Goal-Setting'.

Source: [dYdX Chain: A Comprehensive Overview of the Launch Incentives Program | Chaos Labs - Cloud Native web3 Security and Infrastructure](#)

#### Implementation

- Pre-proposal: Create Cede.Store integration (to be assessed by Security Member of the ARDC), ARDC incentive modelling, analytics to track capital flow.
- Proposal-stage: Proposal drafting, posting on the Forums, Feedback round, discussions w/Traders on CEXs.
- Post-proposal: management of the program by the ARDC.

## Why is important

Why Cede.Store? Introducing a new standard: CEX on-ramp solution

To onboard a user in a protocol on a Arbitrum chain, you have only 3 possibilities:

- Use a bridge → only for assets already on-chain, high-fees and slow sometimes
- Use a FIAT on-ramp → usage problems (40% drop rate) + high fees (2%-5%) + custodial + target newbies that bring only small liquidity
- Withdraw from a CEX → that's where cede.store comes in, making the experience ultra-smooth and fast.

Cede.store is the non-custodial gateway between CeFi & DeFi allowing any dApp to interact with their user's CeFi liquidity.

Arbitrum use case:

we are the only product capable of identifying the CeFi usage of a DeFi persona.

Therefore, we are able to incentivize them to withdraw their CeFi assets to Arbitrum based on the incentive mechanism that would be created by Chaos Labs should they be elected to the ARDC.

Cede.Store support all the tokens and withdrawable networks provided by the 10 Centralized Exchanges that they support.

If new tokens and networks get supported by a supported CEX, cede.store will also support it!

You can check out by yourselves the complete list here: [Supported Exchanges, Networks, Tokens – cede.store](#)

Viability

: traction already proved through LogX & Cede.Store integration.

⇒ video demo: <https://youtu.be/zglcGAa4Dk>

Desirability:

almost all the Perps DEX we've been talking to (on Arbitrum but also on Cosmos, Solana and other evm and non-evm chains) are craving for this CEX on-ramp solution to acquire more liquidity and easily bring CEX traders into their Perp DEX solution, as the value proposition of their product is similar, or even better than CEX ones. By leveraging on an incentive program, we could boost this transition from CEX to Perp DEX.