Abstract

This Arbitrum Improvement Proposal (AIP) outlines a strategy to distribute 500,000 ****ARB via Quest Protocol quests. The primary objective is to substantially increase the number of ARB tokenholders actively engaging with the network, enhancing the overall effectiveness of initiatives during the Short Term Incentive Program (STIP). Upon approval, this proposal will start the deployment of thousands of quests over a three month period, specifically designed to promote increased interaction with protocols that have secured their position in the STIP. The detailed objectives of this proposal include:

1. Amplifying the count of ARB tokenholders actively participating in the network.

2. Boosting the transaction volume on the Arbitrum Network.

3. Expanding the user base of the Arbitrum Network by directing incentives towards current users within other L2 ecosystems.

4. Pioneering the Arbitrum Quest Gateway, a cutting-edge, open-source quest platform anchored on Arbitrum.

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Motivation

Following the approval of the STIP, 50 million ARB will be allocated across 29 protocols over a 3 month timeframe.

We understand that the community sees a need to complement the efforts of the STIP program by funding quests to onboard new users into the Arbitrum ecosystem while re-engaging existing ones.

The Quest Protocol is a fullstack quest toolkit that makes it easy for anyone to permissionlessly deploy quests and build their own quest platform, while tapping into the distribution of popular quest platforms like RabbitHole.

The RabbitHole team will use the Quest Protocol to deploy quests for projects that received STIP funding as well projects that met quorum that did not meet cutoff, bolstering existing growth efforts that the STIP aims to accomplish.

We're requesting an allocation of 500K ARB to be deployed entirely to Quest incentives, aiming to amplify the count of token-holders and users within the Arbitrum Network during the STIP, thus the STIP's overall results.

Rationale

The enthusiasm from the Arbitrum Community in onboarding users through quests and exploring diverse quest platforms to innovate growth strategies has been genuinely inspiring.

While we're relatively new entrants to the Arbitrum ecosystem, we took a leap by applying for the first round of the STIP program. Though we achieved quorum and passed the approval threshold, we narrowly missed the qualifying mark due to the number of qualifying protocols applying. Despite just narrowly missing, we walked away from the first round of the STIP, deeply impressed by the robust engagement and governance participation within the Arbitrum community.

Since RabbitHole's inception in 2020, we've envisioned the future of the Ethereum ecosystem comprising protocols akin to Arbitrum, which consistently demonstrate a deep commitment to decentralization.

Our ethos resonates with that of the Ethereum and Arbitrum ecosystems, which played a major role in our decision in 2022 to transition from a centralized quest platform to a permissionless Quest Protocol, where the platform is open for all to contribute, and every participant holds an equal stake in the ecosystem. This distinction sets us apart from other quest platforms, where often there's a misalignment in incentives between the protocols using the platform and the platform themselves, leading them to rely on community ownership to cover operational costs. For reference, we've outlined the challenges of the centralized quest platform model below.

Why we built Quest Protocol

Once of the most common questions we get is what is the difference between centralized quest platforms and Quest Protocol? Here's a brief rundown…

RabbitHole started off as a quest platform in 2020, and in 2022, we started to notice there were a few problems with the centralized quest platform model:

Issue

Elaboration

Quest Protocol's Remedy

Incentive Misalignment

Traditional quest platforms receive tokens as payment to allocate XP or points to users, who often gain no tangible benefits. These platforms secure funds upfront, without any motivation to ensure quest success.

Quest Protocol introduces fees generated within the protocol, aligning the incentive structure among the protocol treasury, quest creators, funders, and users. Dive deeper into our documentation for a comprehensive understanding.

Insufficient Sybil Deterrence

Existing quest platforms are inadequately equipped to counteract sybil activities.

Our innovative approach involves an Allowlist Snapshotting system. This mandates users to exhibit specific onchain actions or possess certain assets at the time the snapshot is taken. Importantly, these criteria remain undisclosed to quest participants, ensuring genuine incentive alignment.

Absence of Data-Driven, Iterative, and Conditional Airdrop Mechanisms

Present-day DAOs struggle to distribute tokens to users in a manner that centers around participants, barring capital-heavy methods like liquidity mining.

Quest Terminal offers a transparent view of all quest outcomes and insights. Moreover, any third party can directly query this data on-chain.

We've demonstrated that the quest protocol model works in the Optimism ecosystem, and you can check out our real-time results in that ecosystem by visiting this dashboard here. Here are the main highlights from the Optimism Ecosystem:

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](https://global.discourse-cdn.com/standard17/uploads/arbitrum1/original/2X/d/d68ef5818c9379a3a6c556bbb459c000bcab97fc.jpeg)

Other stats by Quest Protocol on Optimism:

- 2.6m transactions made by Quest Protocol & RabbitHole users (source)

- $340K network fees generated (source)

- 70K+ first-time users that delegated (source)

- Top 3 most used contracts on OP Mainnet (source)

Quest Protocol also drove the following to projects on OP Mainnet source):

Project

Transactions

Velodrome

199,399

Agora

154,394

Exactly

59,047

Uniswap

105,130

PoolTogether

43,579

ParaSwap

42, 867

For the full list of projects and their results, check out our[Dune Dashboard](#).

Specifications

Should the proposal be approved, the RabbitHole team will initiate daily and weekly Arbitrum quests featuring ARB rewards via the Quest Protocol, following the objectives outlined in the abstract. We will distribute the entirety of the grant through the protocol to incentivize the usage of STIP recipient protocols and those who did not make the cutoff, ensuring alignment among Arbitrum community members, associated protocols, and Quest Protocol participants. Quests will be deployed for the following projects, following successful setup on Quest Protocol:

Group 1 (250K ARB)

Camelot, Jones, Dopex, GMX, LODESTAR, Socket, Timeswap, RADIANT, Pendle Finance, MUX, Frax, Tally, Rysk, Silo Finance, Stella, Good Entry, Gamma, Umami, Abracadabra, KyberSwap, OpenOcean, Angle, Trader Joe, Dolomite, Premia, Vertex, Perennial Finance, Balancer, WINR

Group 2 (250K ARB)

WOOFi, Gains Netowrk, DefiEdge, Synapse Protocol, PancakeSwap, Notional Finance, Rodeo, Magpie, Stargate, Savvy, Tales of Elleria, Thales, TIDE, Solv Protocol, Furucombo, dForce, Sanko GameCorp, RAMSES, Vela Exchange, Thetanuts, JOJO Exchange, Wormhole, Shell Protocol, REALM, unshETH, StakeDAO, Curve, iZUMi, Beefy Finance, Arrakis Finance, Florence Finance, CVI, Prime Protocol

Payment Terms:

Upon approval of this proposal, a sum of 500K ARB tokens will be directed to a 2/3 multisig wallet, overseen by protocol contributors. These funds will be progressively allocated through the protocol until approximately January 2023. Should the proposal's milestones be achieved as outlined, RabbitHole will present a renewed proposal to the DAO, refining objectives and projects based on acquired insights. Continuous updates and progress will be transparently displayed on the provided Dune dashboard, which already highlights Quest Protocol's contributions to the Arbitrum community. Given that all quest outcomes are recorded on-chain, any third party can verify this data.

Steps to Implement:

- Development of Quest Plugins

- To roll out quests for projects via the Quest Protocol, a[specific plugin must be created](#). The RabbitHole team will collaborate closely with the STIP teams to craft these plugins, which are essential to use the protocol. Documentation on the plugins can be accessed [here](#), and further support is available in[our Discord community](#).

- Formulate Data-Driven Strategy & Quest Deployment

- RabbitHole will deploy quests over a span of three months, leveraging allowlist snapshotting to target & engage users strategically. This approach ensures users gain ARB ownership and are funneled into the recipient's projects in a cost-effective manner while meeting the goals in the abstract. Projects that have secured their STIP grant can also utilize the protocol to distribute a portion of their incentives if they'd like, thereby reducing the workload on their respective engineering team.

- Publish Weekly and Monthly Summaries

- RabbitHole will consistently update this [Dune dashboard](#), showcasing key insights, findings, and progress towards the grant. It's worth mentioning that by being a protocol, any third-party can verify the results directly onchain and use their own dashboard.

Below will be the KPIs that we seek to hit with the approval of the proposal:

Phase 1 (Experiment)

Phase 2 (Iterate)

Phase 3 (Scale)

KPI

Month 1

	Month 2	Month 3	Total
Transactions or Actions Driven	200,000	400,000	800,000	1,400,000
Monthly Unique Addresses	20,000	50,000	100,000	170,000
New Arbitrum Addresses	10,000	20,000	50,000	80,000
Reactivated Users	10,000	20,000	50,000	80,000
ARB Distributed	125,000	125,000	250,000	500,000
Estimated Network Fees driven to DAO	$40,000	$80,000	$160,000	$280,000

Timeline

Phase 1 - Brief experimentation for user insights (November 2023)

Phase 2 - Refinement based on initial findings to optimize cost-efficiency (December 2023)

Phase 3 - Amplification of results for broader impact (January 2023)

Overall Cost

We seek an allocation of 500K ARB to be fully distributed through the Quest protocol, with all ARB going to protocol participants. With this proposal, the Arbitrum DAO, grant recipients of the STIP, and projects that did not make the cutoff all receive benefits. For the Arbitrum DAO, they receive a kickback of $280,000 network in network fees that go back in the hands of the DAO, as well as the [Arbitrum Community Gateway.](#) For grant recipients of the STIP, they not only receive growth of new users, but also a way to deploy their own ARB to grow usage without any engineering lift. For STIP projects that did not meet the cutoff, they receive a chance to grow and make the Arbitrum ecosystem a more diverse ecosystem.

Other Resources:

- [Quest Protocol docs](#)
- [Quest Protocol Codearena audit](#)
- [Quest Protocol GitHub](#)
- [Quest Protocol discord](#)