

# Introduction

Hello everyone, we are FranklinDAO, the recently rebranded Penn Blockchain team. Over the last couple of months, we interviewed stakeholders in the Uniswap ecosystem to investigate the current state of the governance process, highlighting triumphs, concerns, and areas of improvement. In this report, we'd like to give an overview of our research and highlight wins and pain points felt by members around the community. This will be closely followed by a separate post detailing specific recommendations we have to be implemented in the future.

## Background

FranklinDAO acts as a delegate for many of the largest DeFi protocols in the space today. Over the last year and a half, our governance arm has observed the adoption and creation of unique and interesting governance systems. From delegate programs to working groups, different projects have introduced innovative ways to incentivize activity and focus. In an effort to increase participation and discussions in governance, projects have taken different approaches to prevent a common problem: low governance turnout. Whether it is a small percentage of the circulating token supply actively voting or inactive governance forums, these problems persist in many projects, including Uniswap.

That is why we were excited to collaborate with the Uniswap Foundation to improve its governance processes. After multiple productive discussions, we established a research opportunity to help "reinvigorate governance participation". This research involves exploring the community and gathering its sentiments and opinions on Uniswap's governance operations. We can then use this research to offer solutions to the primary pain points felt by community members. Over the past few months, we interviewed multiple users and stakeholders in the Uniswap community and gathered their governance feedback.

Ultimately, we grouped all interviewees into five main stakeholder groups: liquidity providers, swappers and traders, developers, community members, and university delegates. Swappers and traders and liquidity providers were obvious choices as the main community built on top of Uniswap, providing crucial governance feedback through their day-to-day operations. Developers offer a technical perspective on the integrations and operations needed for effective governance. Community members and groups have been part of the ecosystem since its inception and are committed to the interests of the protocol. Finally, since universities are becoming increasingly involved in governance decisions, we interviewed and gathered feedback from the most active ones in Uniswap.

## What's Next

In our next report, we will present common themes from each stakeholder group and their feedback on Uniswap's governance process. We will summarize the feedback and identify critical issues that must be addressed in the governance system. This report will be followed by suggestions and recommendations for addressing these issues. Stay tuned!

# Liquidity Providers

## Introduction:

The protocols developing applications on top of Uniswap V3 that specialize in providing enhanced liquidity services are a crucial group for Uniswap governance. Many of these protocols offer customizable strategies for Uniswap V3's concentrated liquidity options, including concentrated liquidity managers (CLMs) that provide mining programs with dedicated data analytics services to maximize returns. CLMs also provide alternative liquidity solutions for advanced data-backed market making strategies. Additionally, this group includes automatic rebalancers that improve returns and reduce gas fees for liquidity providers. Developers that build liquidity visualization interfaces to assist in position management for LPs are also included in this group.

Liquidity providers are an essential group for Uniswap governance because of their relationship with important proposals on the platform. For example, the fee switch proposal directly impacts the potential returns for liquidity providers on Uniswap. After interviewing multiple participants in this group, proposals like the fee switch were consistently mentioned as being of high importance. Understanding how liquidity providers engage with the community on forums and other platforms during these proposals is crucial for improving governance participation. Additionally, understanding the current issues liquidity providers have with the governance process can inform how Uniswap can redesign its interfaces to better suit their needs.

## List of Interviewees:

We interviewed the following liquidity providers focused on developing liquidity solutions: Panoptic, Gamma, xToken, Seedle Finance, CharmFinance, Arrakis

**Panoptic:** Panoptic is a protocol consisting of smart contracts connected to Uniswap pools to replicate put and call options. Panoptic makes use of AMMs and permissionless liquidity on Uniswap V3 to provide a Uniswap options protocol. Panoptic supports liquidity providers by offering price stabilization tools when interacting with Uniswap V3 pools. Panoptic's solutions allow market makers to create delta-neutral portfolios when creating the liquidity needed for retail users.

**Gamma:** Gamma offers non-custodial, automated active liquidity management to Uniswap users. Specifically, "Gamma Public" offers concentrated liquidity pools at customizable trading fees. Gamma Public also has access to external liquidity

mining programs that utilize dedicated analytics to provide data, statistics, and charts for investors. Gamma additionally provides ERC-20 wrappers around Uniswap positions.

**xToken:** xToken Terminal is a capital markets and liquidity management platform to create financial maneuverability for on-chain projects. In particular, xToken Terminal provides projects with access to fundamental primitives that on-chain projects need to succeed on platforms. In addition to providing this capital markets interface, xToken has previous experience in both building native staking and liquidity strategy services.

**Seedle Finance:** Seedle is an open-source tool for liquidity providers that allows LPs to better track the performance of their Uniswap V3 positions. This includes providing a combined view of all positions across multiple networks with multi-address support. It also allows LPs to produce CSV data of positions and swap/add liquidity for a position as well.

**Charm:** Charm's Alpha Vaults allows for Uniswap LPs to provide liquidity at higher returns with more stable performance. Alpha Vaults provide unique solutions to save time and gas fees for LPs, which is further being supported by quantitative research to maximize returns. Key features offered by using Alpha Vaults include higher yields, automatic rebalancing, automated fee collection, and gas fee savings.

**Arrakis:** Arrakis is a Web3 liquidity protocol that enables LPs and on-chain projects to seamlessly optimize liquidity across multiple blockchains. Arrakis provides specialized concentrated and active liquidity management with tokenized LP strategies to maximize fee returns. Abstracting liquidity management and directing it towards advanced market making strategies allows Arrakis to be a successful primitive. Holding an ERC-20 LP token exposes an LP to the underlying automated strategy of that token.

#### Key Points:

1. Forums are not designed to promote productive conversation.
  - One of the main concerns voiced by liquidity providers is that the current design of the forums does not facilitate productive conversations about proposals. Some believe that the forum design itself contributes to this issue, as proposals often fail to gain traction and quickly lose momentum. Charm mentioned that temperature checks are often lost in the discussion and do not receive enough attention. Additionally, some liquidity providers feel that the content of proposals is often not structured in a way that engages readers and contains non-important material. Seedle mentioned that the proposals are often cluttered with irrelevant information, making it difficult to find relevant details.
1. Time to invest in understanding every proposal is not a profitable venture.
  - Liquidity providers often expressed the idea that the opportunity cost of participating in governance is too high compared to their regular operations. In addition to the aforementioned issue of forum design, they feel that engaging in governance requires too much time and effort. Many liquidity providers mentioned that there is not enough focused discussion within the community to gain a clear understanding of proposals without sacrificing time spent on other aspects of the project. For example, Gamma mentioned that they would only invest effort into governance if proposals were more directly relevant to their operations. Panoptic also echoed this sentiment, stating that even if forums were improved, the return on investment for direct involvement in governance is currently not high enough to justify the time and effort.
1. Lack of proper community traction to facilitate proposal conversation.
  - Many liquidity providers emphasized that the community is not meaningfully engaged in generating conversation about proposals. They feel that there are few relevant topics being fully discussed and that controversial topics are not being actively debated or resolved. xToken reported that their team sees little productive conversation occurring in the community, and Charm said that there is little focus within the community. Both suggested that greater engagement through posts or newsletters could improve focus in the Uniswap ecosystem.

#### Conclusion:

Improving governance participation from liquidity providers is crucial for the success of the Uniswap ecosystem. However, a major issue is the misalignment between liquidity providers' operations and the proposals being discussed on forums. This problem is compounded by the disorganized nature of the conversation and the confusing forum structure, which makes governance unprofitable for these projects. It is essential to align proposals with the interests of liquidity providers in order to encourage their participation.

## Swappers & Traders

#### Introduction:

We have classified swappers and traders as those who are heavily involved in swapping and trading activities on Uniswap. Some have even started their own projects since using the platform. These individuals are active users on the platform and many provide tools and services to improve the efficiency of trading activity on Uniswaps. These services include asset management interfaces, swapping infrastructure protocols, and consultancy services to optimize trading returns.

Swappers and traders form the foundation of a significant user demographic on the platform. By addressing their concerns

and improving the governance system, Uniswap can appeal to a wider range of users and gain a competitive advantage over other DEXs. Many swappers and traders commented that they have not encountered another large DEX with an effective governance system, making Uniswap a leader in this area.

List of Interviewees:

We interviewed the following swappers and traders: Nirun, Eric Koen, Scopelift, John Palmer

Nirun (@nir\_un

Twitter): Nirun is an active member in the Uniswap trading and staking community. He is especially active on Twitter where he hosts educational seminars and online sessions to inform people on how to optimize returns on Uniswap's services. Nirun is heavily involved in the NFT and Uniswap communities.

Eric Koen: Eric Koen is a developer at Avantgarde, a crypto tooling platform that provides trading services for users. Avantgarde serves a wide variety of different users on Uniswap, with a large emphasis on trading and swapping services. For example, Avantgarde serves asset managers by providing trading automation and strategies to optimize returns. Avantgarde also uses the Enzyme protocol, which provides on-chain asset management for users that allow diversification across multiple projects and assets. Koen specifically leads data aggregation services at Avantgarde's Enzyme protocol.

ScopeLift: ScopeLift is a software engineering consultancy group that focuses on developing Web3 solutions. Specifically, ScopeLift specializes in Solidity smart contracts that have processed thousands of transactions on multiple platforms. ScopeLift also has expertise in dApp development and backend crypto integration, particularly for trading and swapping interfaces. These services are further supported by experience in business and technology strategy that is capable of optimizing returns from trading activities.

John Palmer (@jpalmz

Telegram): John Palmer is an active user on Uniswap and is a delegate with 4m+ UNI tokens. Palmer declares himself primarily as an independent Uniswap user, using the protocol for his own personal trading. Palmer also has expertise in protocol governance systems, having a strong interest in how protocols are built and management. Palmer is involved in not only the Uniswap DAO but also PartyDAO as well, having governance knowledge across the greater Web3 ecosystem.

Key Points:

1. The standard for proposals of on-chain votes is too low and not upheld.

– Swappers and traders commonly argue that the criteria for which proposals receive on-chain votes is not consistently applied. This concern was particularly emphasized by individual traders who believe that the current standards for proposals are too low. For example, John Palmer mentioned that too many low-quality proposals are brought to on-chain voting. By raising the bar for all proposals, it would incentivize better discussion and encourage more active participation by swappers and traders on the platform. As it stands, many token holders ignore and consider irrelevant the vast number of low-quality proposals.

1. Discussion platforms for proposals are difficult to navigate.

– Swappers and traders often feel that the platforms used for proposal discussions are difficult to navigate and contain irrelevant information. This makes it difficult for them to engage with proposals. For instance, Nirun mentioned that proposals are not always fully explained to users, making them complex and difficult to understand. He believes that extending discussions to other social media platforms, such as Twitter, could increase participation in governance. Palmer also expressed dissatisfaction with Discord as a platform for discussions, stating that proposal discussions are unnecessarily difficult.

1. Relevant proposals are not effectively explained.

– Swappers and traders feel that many proposals are not adequately explained, leading to confusion and a lack of understanding. This issue may also contribute to the abundance of lower-quality proposals, as proper education and dissemination of these ideas is lacking. John Palmer mentioned the difficulty in understanding what is happening within Uniswap governance and how to interpret proposals. Erin Koen also discussed the issue of overly complex and “fluffy” proposals that make it difficult for other users to understand.

Conclusion:

Swappers and traders are the most active user group in the Uniswap ecosystem by sheer number, making their participation in governance crucial. In interviews with this group, a common theme emerged: the platform for discussion and ease of communication are major issues that impact governance participation. The difficulty of navigating platforms leads to confusion around proposals, which in turn makes it difficult for new users to engage with the governance process. Improving the platform for discussion and communication will be key to increasing participation from this group.

## Developers

## Introduction:

Here, we interviewed firms and organizations building applications that let Uniswap's community more effectively interact with the protocol or utilize Uniswap's passive liquidity in other applications. Examples include helping users migrate liquidity from Uniswap V2 to V3, more effectively querying on-chain data from Uniswap's pools, creating DeFi-based debit cards, and creating interest protocols. We include both groups that interact with Uniswap's liquidity pools and groups that focus on DAO management tools.

Applications that build on top of Uniswap can help the ecosystem become more decentralized, drive more liquidity to the platform, and get more people involved in governance. However, several issues were raised repeatedly in the interviews: low-quality or poorly written proposals, a high opportunity cost to write proposals, and a lack of financial incentives to participate in governance. While there is agreement on these underlying issues, there is no consensus among developers on the best way to change Uniswap's governance to address them. However, understanding the pain points of developers could help involve them in the governance process, resulting in a platform that is easier to use and has widespread utility across the crypto ecosystem.

## List of Interviewees:

We interviewed three stakeholders that focus on development within the Uniswap ecosystem: Flipside Crypto, GFX Labs, and Llama.xyz.

Flipside Crypto provides API keys to more efficiently query data across chains including Ethereum, Algorand, Flow, Near, and Solana. They're important for the Uniswap ecosystem in two ways. First, their pay-to-learn program incentivizes greater knowledge about the on-chain ecosystem, potentially allowing LPs to pursue more sophisticated strategies. Second, Uniswap's pools can also function as price oracles, particularly for illiquid assets that aren't traded on other exchanges. Flipside Crypto's tools enable better data collection from Uniswap.

GFX Labs are involved in projects across the crypto ecosystem, including a widely used interest protocol, a DeFi-based debit card, and governance across platforms. Half of passed proposals in Uniswap have been authored by GFX, including the first cross-chain proposal. As some of the most involved stakeholders, GFX Labs has a strong understanding of the pain points preventing greater participation in governance.

Llama.xyz is a DAO management platform heavily involved in Uniswap governance. Their past projects include helping users migrate their positions from Uniswap V2 to V3 and building better tools for delegates to interact with the platform.

## Key Points:

### 1. Forums do not facilitate productive discussions.

– Developers believe that forums are cluttered with incomplete proposals that do not benefit the ecosystem. A key concern is the lack of incentives for quality participation. Many developers feel that the two temperature checks before an on-chain vote are unnecessary and discourage more proposals. One solution could be to reduce the number of off-chain votes from 2 to 1 and increase the barriers for submitting a proposal, including a clear plan for execution. The abundance of incomplete proposals makes the Uniswap forums difficult to navigate, and the Foundation could take action to address this issue.

### 1. A lack of financial incentives for proposals.

– A common issue among Uniswap stakeholders is the difficulty of writing high-quality proposals. This is due to several challenges, including the high opportunity cost of authoring and educating others about a proposal. One potential solution is to offer financial incentives for successful proposals. Developers, such as GFX Labs, estimate the opportunity cost of writing a technical proposal to be around \$30-50k, and believe that compensation for successful proposals could offset this high cost and create incentives for authors.

### 1. Too many inactive delegates occupy voting space.

– Many delegates do not vote on the majority of proposals, both on-chain and in the temperate check phase. Developers propose giving delegates "skin in the game" as a solution. Positive and negative incentives could create more involved delegates. For example, developers argue that there should be a reward mechanism for contribution based on the accuracy of outcomes. If someone champions a proposal in forums that is eventually accepted on-chain, financial incentives for offering that education to the community could decrease the knowledge barrier. On the other hand, decreasing the voting power of routinely inactive delegates could incentivize participation. Without something to lose, participants may not take the governance process seriously and may even disengage entirely. Addressing this is crucial to ensure stakeholders remain educated while preserving Uniswap's decentralization.

## Conclusion:

Developers play a critical role in the success of any ecosystem, and Uniswap is no exception. However, many developers feel that the current mechanisms and incentive structures of Uniswap governance do not encourage meaningful proposals or robust discussion. To create a more supportive environment for developers, there is a strong consensus among this group that financial incentives should be provided for high-quality proposals, and feedback loops be instituted. By doing so, Uniswap can become a more attractive environment for developers to contribute their ideas and expertise.

# Community

## Introduction:

We had the opportunity to interview several communities involved in Uniswap governance, including Tally, Other Internet, and She256. A diverse and inclusive community is crucial to Uniswap's goal of decentralization and widespread adoption of cryptocurrency. To achieve this, Uniswap must lower barriers to entry and increase transparency. As a result, many of the community's pain points focus on ways to make the governance process more transparent and accessible.

## Key Points:

1. Incentivizing participation by awarding quality work.

– The current voting system in Uniswap governance does not require justification or explanation. This lack of accountability hinders effective governance and makes it difficult to understand the motivations and reasoning behind people's votes. One possible solution is the implementation of "proof of work," which could include monthly forum updates, written explanations for decision-making, and recorded participation in events and proposal development. This would create a feedback loop that incentivizes high-quality participation.

1. Streamlining the current delegation structure.

– Tally noted that many Uniswap allocations are already delegated behind the scenes, but there is no easy tooling to manage and see this delegation. As a result, it is unclear which groups delegate to which actors, how those actors vote, and what incentives they have. One potential improvement could be a delegation portal to make it easier to track each delegation and better understand the interests of different stakeholders. She256 also suggested that tracking call attendance and documenting votes could increase accountability for delegates. Ultimately, participants would have a range of recognized delegates to choose from based on their accountability and track record.

1. Fragmenting delegates into specific, established roles

– It is unrealistic for every member of a community to participate in every vote with a high level of knowledge. As such, Other Internet suggests recognizing specific roles within the Uniswap ecosystem, rather than using general-purpose delegates. As the protocol grows, specialized roles might include those focused on integrators/developers, liquidity providers, existing delegates, and advisors. Delegates with expertise in each field would be able to provide more informed governance and prevent the rubber-stamping or endless debate that can occur without the right delegate background or education.

## Conclusion:

A common concern among Uniswap community members is the need for increased transparency. These individuals would like to delegate to trustworthy groups and have accountability mechanisms in place to ensure that delegate actions are transparent and decisions can be explained. As Uniswap grows and attracts a wider range of users, both experienced and new to crypto, transparency and accountability will be crucial for maintaining decentralization and fostering innovation.

# Universities

## Introduction:

And finally, we had the chance to interview other universities that participate in Uniswap governance. These universities have their own blockchain student organizations, and some also have separate governance teams that handle the delegations. The universities we interviewed include Michigan, Columbia, Stanford, UCLA, Berkeley, and UChicago.

## Key Points:

1. Varied levels of participation across universities

– Overall, universities' participation in Uniswap governance varies. For instance, UCLA considers the significance of votes and only participates in ad hoc fashion if a proposal is critical for the ecosystem. In contrast, Columbia tried to examine every new proposal on the governance forum and offer feedback on potential improvements. Berkeley is also very active in Uniswap governance, with around 4.5 million UNI. It has a high level of engagement within its organization, but noted that Uniswap governance is not as demanding as other protocols.

1. Pain points with Uniswap Governance

– Universities have identified several pain points with the current Uniswap governance process. One of the main issues is the redundancy of having both a temperature and consensus check. Additionally, universities would like to see more opportunities for off-chain communication between participants, such as on Discord or Telegram, to facilitate more meaningful and insightful discussions.

– Universities also believe that proposals are too binary and static. They prefer a multiple choice ranking system and a

voting option for “abstaining from voting.” Additionally, they desire more transparency in decision-making and a less centralized structure with fewer, higher quality proposals. Columbia specifically highlighted the need for more technical detail in proposal summaries.

#### 1. Incentives to Vote

– Participation in Uniswap governance is often lacking due to a lack of relevance or overlap with personal opinions, according to UCLA and Columbia. UCLA describes their incentive to vote as a sense of responsibility to the community. In some cases, not voting is seen as a better option than voting no, as noted by Berkeley. They also mentioned that it seems inappropriate at times to vote on funding proposals or the onboarding and renewing of retainers for certain firms. Technical proposals and information can be easily thrown at students, leading to questions about neutrality and conflict of interest, they noted. Finally, UChicago believes that students will be more likely to participate in Uniswap governance if there are job opportunities and experiences that add value for individuals.

#### 1. Involvement in the governance of other DAOs

– Universities are playing an active role in the governance of several protocols, many overlap with: Aave, dYdX, Compound, and MakerDAO. According to the some, Compound and MakerDAO have effective governance systems that are well-regarded. Michigan praised Aave’s multi-level voting system and MakerDAO’s payment model for increasing participation. UChicago appreciated Maker’s onboarding process and its tracking of voting statistics to hold delegates accountable. UCLA considered Compound and Uniswap to be well-centralized, while dYdX was praised for its off-chain communications on discord and telegram. Berkeley noted that Compound fosters engaging discussions within the community, both from paid and unpaid contributors. Berkeley also suggested that Uniswap should facilitate more discussions and conversations to promote engagement without relying solely on on-chain interactions.

## General Summary

Overall, many stakeholders in the Uniswap community have similar concerns about its governance processes. Liquidity providers, community members, and universities would like to see better organization of the Uniswap forum, more discussion between delegates on the potential effects of proposals, and more intuitive user interfaces. Swappers and traders, who are among the most active users of Uniswap, find the current governance platforms difficult to navigate and feel that they inhibit their ability to contribute to proposals. They also believe that the high technical barriers to entry in forum discussions limit the diffusion of beneficial information, leading to confusion and misunderstanding among users about what proposals entail.

Universities and liquidity providers agree that improving user education and better explaining the underlying technology would lead to better proposals. Developers are also a crucial stakeholder group for Uniswap, and they believe that the current incentive structures are insufficient to motivate their participation. They think that providing financial incentives for high-quality proposals would improve the environment for developers on Uniswap.

All stakeholder groups commented that certain logistical requirements, such as temperature and consensus checks, are redundant and contribute to voter fatigue. Community members suggested implementing accountability mechanisms to ensure that delegate actions are transparent, decisions are explained, and fair compensation is provided to all participants. As Uniswap grows and attracts new users, maintaining transparency, accountability, and a fair reward structure will be essential for ensuring that the protocol remains innovative and decentralized.

## Request for Comments

For the next few weeks, we’d love to hear the community’s opinions on anything they think can improve the governance process. Some points we are interested in are:

- How can we make the community feel more involved in the day to day processes?
- How can we keep delegates accountable? Should there be public participation metrics? What about expiring delegations that have to be renewed every x months?
- Should delegates be compensated to ensure quality output? How much?
- Should successful proposals have bounties attached?
- How can the team summarize and communicate to stakeholders what’s happening in the forums? Does forum management need to happen? Direct communication/messages of summaries to stakeholders?

These are just some points that came up repetitively, but would love to hear your opinions on anything!

~ Thanks for your time everyone. We’ll compile all this data and anything from the RFC period in our next post, where we will discuss possible solutions to address the challenges outlined above and explore how they can be implemented effectively as the platform’s user base continues to grow. ~

