Understanding Incentives

This page gives an overview of the Maverick incentives and rewards system. With Boosted Positions, incentives can come from several sources and are distributed according to a variety of factors.

An LP who adds liquidity to a boosted position can earn rewards from the following sources:

- Trading fees
- LP incentives
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Let's look at each of these sources in turn.

Trading fees

As with any other position in Maverick AMM, an LP in a Boosted Position earns a pro-rata share of the trading fees generated by their liquidity. These fees are auto-compounded into the LP's share of the Boosted Position, and do not need to be claimed. If an LP removes their liquidity from the Boosted Position, the amount redeemed will include any fees generated by that liquidity.

LP incentives

In addition to trading fees, LPs in a Boosted Position may receive incentives that have been added to that Boosted Position (these added incentives are what we mean by “boosted”).

Any user can add incentives in the form of ERC-20 tokens to a Boosted Position. These incentives are split pro-rata between LPs in a Boosted Position, and can be used to incentivize more users to add liquidity to a particular Boosted Position.

Incentives are added and distributed over a user-defined period. They can be added at any time (i.e., Maverick does not observe a universal epoch) and are automatically disbursed to LPs over the defined time period.

When adding incentives, a user selects how much of a particular token (defined asbalance) to add and chooses a distribution period between three and thirty days. Based on the period chosen, the smart contract computes areward rate that will distribute thebalance evenly throughout the period. Thereward rate is denominated in seconds, meaning that a proportional amount of thebalance will be distributed every second to LPs in the Boosted Position.

If another user adds more incentives to the same Boosted Position, the contract checks their contribution against the remainingbalance of incentives:

- If the new contribution is higher, this second user can define a new distribution period and thereward rate
- will be recalculated to distribute all incentives (both the new incentives and the remaining old incentives) according to the new distribution period.
- If the new contribution is lower, the new incentives will be added to the existing distribution period at the samereward rate
- and the distribution period will be extended proportionately.
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For example , imagine Alice adds 700 USDC as incentives to a Boosted Position. She chooses a distribution period of seven days, meaning that thereward rate will essentially be 100 USDC a day (distributed equally between LPs every second).

Three days pass, and 300 USDC has been distributed to LPs. The remainingbalance of incentives is 400 USDC and there are four more days of the distribution period left.

Bob decides he wants to add more incentives to the same Boosted Position. If he adds less than 400 USDC, his contribution will simply be added to the existingbalance and distributed according to thereward rate chosen by Alice. So if he were to add 200 USDC, the new balance would be 600 USDC, thereward rate would remain 100 USDC a day, and the distribution period would be extended by two days. There would now be six days left in the distribution period.

If instead he chooses to add more than 400 USDC, he will be able to redefine the distribution period for these incentives and Alice's remainingbalance will be added to his contribution and reapportioned across the period he chooses. So if Bob adds 1000 USDC, he can change the distribution period to seven days. Alice's remaining 400 USDC will be added to his contribution, and the totalbalance of 1400 USDC will be distributed over the new period (essentially at areward rate of 200 USDC a day).

An LP can claim the rewards they have accrued at any time (e.g., they can claim before a distribution period has finished or after it has finished).

For detailed instructions on how to add incentives to a Boosted Position, please seethe guide elsewhere in this section.

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