

Sorry for the sacrilege, but hear me out...

Proposal: Keep fees to UNI holders at 0% for the foreseeable future, letting LPs capture more value from each trade. Burn part of the Treasury instead.

Let's keep fees turned off...for now

Uniswap's liquidity providers currently earn 0.3% for every transaction that occurs in the protocol, this is 0.05% higher than its primary competitors. This additional 5 bps acts as an implicit "yield farming" program without diluting UNI holders.

If we assume that Uniswap has an average daily trading volume of \$1B/day in 2021, this extra 0.05% to LPs represents an additional \$182.5M/year (\$500k/day) to liquidity providers. At current UNI prices, this is the equivalent of about 6.5M UNI tokens - or over 1/4 of the initial liquidity mining program that was run at launch.

Starve the competition

While it will be more difficult to fork v3 due to its creative licensing structure, it would still be in our best interest to reduce the incentives to fork the protocol. A competing protocol will have a very difficult time luring LPs away with an inflationary token that does not produce fees. Let protocols like SushiSwap inflate away their investors while Uniswap reinvests in itself by returning its income to liquidity providers.

Burn (some of) the Treasury

The UNI Community Treasury is indisputably massive and likely represents the biggest threat to the overall performance of the UNI token as an investment. Let's shift the narrative away from inflationary airdrops and yield farming to a moderated and sensible deflation schedule. This can be achieved by burning the equivalent amount of UNI from the Treasury as would have been earned in fees.

For example, if we again assume an average daily trading volume of \$1B/day in 2021, we would burn 6.5M UNI tokens from the Treasury at today's prices to compensate UNI holders for one year of fees (a comparatively small amount of tokens relative to the size of the Treasury).

Summary

I believe this is a simple yet effective way to demonstrate a commitment to maintaining the value proposition of UNI without hurting the overall competitiveness of the protocol. Uniswap is in a growth phase and we should continue to invest in user experience and distribution before withdrawing capital from the protocol.