Revenue Pool

A portion of the fees collected within the protocol (denominated in a particular token: USDC, SOL, etc) go into that spot market's revenue pool.

The revenue pool increases from various portions of the protocol:

1. borrow fees
2. spot market exchange fees
3. perpetual market exchange fees
4. liquidations

and ultimately goes to fund:

1. insurance vault
2. perpetual market amm (conditionally)

Insurance Fund

Every hour (on the hour), a portion of the revenue pool can be settled to the insurance fund using the permissionlesssettle_revenue_to_insurance_fund instruction:

If the insurance fund has users staked, each individual hourly settlement is capped to what would amount to 1000% APR

- thus an astronomically large inflow into the revenue pool (relatively to user insurance staked amounts) would result in revenue that slowly reaches the insurance over a longer period of time rather than immediately* this encourages more insurance fund stakers (who require a medium horizon of insurance offering) to join during the high annualised cap inflow

Insurance Fund Stakers must adhere to the cooldown period for withdrawals (seeInsurance Fund Staking).

Spot Markets

Spot Markets allow for swaps between tokens and interest payments between depositors and borrowers. These token swaps and flow of interest are parameterised to allow fee collection for the revenue pool and thus ultimately insurance.

Within the program, its parameterised by the followingin bold :

Field Description total_if_factor percentage of the borrow interest reserved for revenue pool user_if_factor this proportion oftotal_if_factor is reserved for staked users (the other piece is reserved for the protocol itself) liquidation_if_factor the proportion of liability transfer inliquidate_borrow that is sent to the revenue pool Thus the following must be true:user_if_factor <= total_if_factor . For example, if thetotal_if_factor is 100%, depositors would receive no interest from borrows.

The following instructions interact w/ the insurance fund:

- resolve_borrow_bankruptcy

Perpetual Markets

Perpetual Markets are bootstrapped by theDrift AMM which depending on market-making performance conditions can add and remove funds from the revenue pool.

Within the program, its parameterized by the followingin bold :

Field Description max_revenue_withdraw_per_period the amm's max revenue pool draw per period(note this doesn't include bankruptcy resolution) revenue_withdraw_since_last_settle revenue pool draws on behalf of user pnl since the last settle(note this doesn't include bankruptcy resolution) last_revenue_withdraw_ts the last timestamp of a revenue withdraw (track in order to reset the period) A perpetual market's amm may draw up tomax_revenue_withdraw_per_period from the revenue pool every period.

Additionally, for direct draws from the insurance fund, it parameterized by the followingin bold :

Field Description quote_settled_insurance settled funds from the insurance fund since inception quote_max_insurance max funds it can settle from insurance fund since inception unrealized_max_imbalance max amount of pnl the net users can be owed within a market before:1. draws from insurance are allowed2. initial asset weights for this pnl gets discounted Unlike spot markets, perp markets are capped by the max draw from insurance viaquote_max_insurance

quote_settled_insurance tracks the insurance fund draw amount since inception. Once this threshold is reached or the insurance fund is depleted, the market will then resort to the AMMFee Pool . For any remaining losses not covered, the market will perform socialized losses in bankruptcy events.

The following instructions interact w/ the insurance fund:

- resolve_perp_pnl_deficit
- resolve_perp_bankruptcy

notes:

resolve_perp_pnl_deficit can only be resolved by insurance fund deposits (within the market's constraints), not by social loss with other users

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