# Arbitrum Incentives Working Group – 2024/10/02 18:59 EEST – Transcript

# **Attendees**

Alex Lumley, Ana-Maria Yanakieva, Anastassis Oikonomopoulos, APLsdcOttr's Notetaker, Bee 926, Brick, C Eley, Caesar Premia, Coin Flip, cr1st0f, Darius T, Darren Mims, Disruption Joe, Francesco Castle, JoJo, Joseph, KR, Krzysztof Urbański, Krzysztof Urbański's Presentation, Lino Velev, Matt Grunwald, Matthew Kelleher, Matthew Stein, Mayank, Myrddin, Pruitt Martin, Sam Martin, Saurabh Dhekale, Tekr0x, Tnorm, Togbe, Uhthred Of Bebbenburg, WinVerse

# **Transcript**

Anastassis Oikonomopoulos: Hey Darius.

Darius T: How's it going?

Anastassis Oikonomopoulos: All good, you read?

Uhthred Of Bebbenburg: I think this.

Anastassis Oikonomopoulos: People will start trickling in but let's give it a minute or two.

Darius T: Okay.

Krzysztof Urbański: These looping on the telegram groups.

Anastassis Oikonomopoulos: Yeah.

Anastassis Oikonomopoulos: Welcome to everyone. That's given another minute or two for people triple in

Anastassis Oikonomopoulos: In the meantime, I'm gonna share in the thread on the forum about the detroposal in which you can find recordings of all previous calls as well, like summaries from all them, just so you can Skim through them, Get up to speed if you haven't done so already or we've missed any of the previous calls.

**Anastassis Oikonomopoulos:** I want to remind everyone. Probably you got the notice when joining the call, but the call is being recorded. So if you don't want to be in camera, Don't turn on yeah.

**Anastassis Oikonomopoulos:** All Today we're gonna have Darius who's the founder from Verdex Present their perspective as a protocol receiving incentives from arbitrum.

**Anastassis Oikonomopoulos:** I, With allocate to discussing any of the points that were brought up. so, this is kind of like, for today, Crystal,

**Krzysztof Urbański:** Yeah, I'm sure we start, I would like to remind you that if you've got something to share as well in this group, if you would like to, take the stage the next time, feel free to reach out to us

and we'll make it possible. Also, pull the next week we might have guys from talking about requesting the retro wood for LTP to present what they achieved so far, we have analyzing the results of all the AP and maybe I don't want to call out project before they come from me, but I'm talking with two other projects that might also come to share their own perspective. So if you would like to be one of those trading, the perspective on the future incentive programs, don't hesitate to reach out to us and make it possible.

**Anastassis Oikonomopoulos:** All Thanks So I think we are good to begin Darius. I'll let you take the stage And hear what you have to say about incentives from a protocol that will receiving them.

**Darius T:** Yeah, great So I guess I'll preface by saying that. obviously vertex was a big beneficiary of incentives and we were very grateful for the support. We got from the Dow.

**Darius T:** That being said, I guess human nature. You often remember some of the bad things about a process more strongly than the good things. So if I sound like I'm coming across with criticism is just because those are the kind of improvement things that kind of top have had as I go through. So I'll go through it chronologically from our point of view.

**Krzysztof Urbański:** Excuse me, there is just to set the stage, maybe you could just give a very brief introduction to what your protocol does. And what are you doing? How doesn't work, just for us to understand the context in which you are describing this?

**Darius T:** Of course, no problem. So vertex is commonly lumped in as a curb tax. It has a few more functionalities than that. So we have a borrowland protocol as well as spot markets baked into the contract. And in contrast to say, a GMX, for example, which most people are familiar with, I guess we operate fire and order books. So we have a slightly different structure approach whereby. We're very built up to do kind of high volumes at low cost and it's very professionally orientated, too low. I would say. So we tend to do well with More kind of pro retail as well as trading firms and things like that, tend to be the main user base. So, okay, background.

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**Darius T:** so, for us, I guess when The. Step first came out, we were sort of relatively new kids on the block we were sort of growing. And we went through this step process just before we did our TG, which often like a galvanizing, and for most protocols.

Darius T: I was involved in some of the step discussions prior to the step actually happening. And my memory of it was obviously. The Initial Step Grandma's look to be quite large. So the initial kind of approach we had was let's do one number. And have it be an experiment. But that's the number before we do anything else and then we'll set a whole bunch of terms of engagement for things. Now as it happened, obviously then there was a step extension alter stippbridge all these things came after and then the thing itself because it was done fairly quickly, there was some problems. So, I think from our point of view, when we put our initial proposal and we'd want it to do something where we cut our fees to try and encourage usage and then

**Darius T:** keep some of the art tokens. I like a capital base that we could give out to market makers as loans to help build the quality. something that was very bespoke tried to align with the Dow. Didn't end up in loads of are being sold. But when it came down to the feedback, we got, was because he didn't fit within the narrow remit of how proposal could be structured. We actually had to convert to something

that, in my opinion, probably wasn't as good for the Dow. As the proposal we had in the first place. And so they're I guess the first feedback I'd give us any further programs, it will be great if protocols had a bit more flexibility in terms of how they proposed a structure and anything. That's a bit more inventive, that tries to do something positive for token holders would be viewed as a positive rather than

**Darius T:** it didn't fit in. So, good question Alex. So the reason the second version wasn't as good was we were just giving out tokens for volume effectively. So in that second version, And I think this last for a lot of the program you creating a temporary effect opening that it becomes permanent. So, we saw some benefits whereby it was an inducement to get Different firms and retail users to come and use vertex and we've retained some of those users for sure. But on the negative side, I'm pretty sure that a lot of those users got those rewards and just sold them on the open market. So it's like an assessment of whether that.

**Darius T:** That's subsidy that the Dow given is better than something that maybe have a little bit more like long-term alignment. I think there's room for kind of both approaches but it would have been better in my opinion if there was flexibility where you could try and do some more of these long-term things. So that was the first one. Yeah, Kristoff.

**Krzysztof Urbański:** Could you give an example so that we can like because right now we are speaking kind of high level, which is okay, but I would like to understand what was exactly that you would like to implement that you were unable to implement that would make this program better in this case.

**Darius T:** I mean it's all detailed on the forum. You can see it in the first edit of our first proposal for step. But essentially, as I said, we offered to take a haircut on fees on our side. Have that subsidized by the Darren, instead of the funds going to traders. It would flow directly to the project and then we'd use that balance sheet as loans that we give to market makers to create liquidity on the platform. so, as a way of us like getting those people captive and locked into vertex on Arbitrum,

**Darius T:** Which are to create more blocks based, demand more activity. As we've gone, multicane that would have made. Arbitrum.

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Darius T: I,

**Darius T:** In the first round. When we looked at we did the Mass we said, Okay, for our proposal to go through, this is a limited resource. We should cut our art. And I can't remember exactly what our initial ask was. But we cut it significantly so that we thought it would go through in the first one. Gains had a much larger ask, and didn't cut. and in the end, I think realistically we made it through because we cut relative to our games, it asked for now because the step guys and did games ended up getting them much larger ass They got a pretty large ask right? And they didn't cut a significantly as we did Alex. I'm pretty sure.

**Darius T:** It was kind of one of those things where the game was just kind of weighted wrong in my opinion. at that point, where you started to change engagement and we didn't wait to do the experiment after, I'm not saying an anti-game thing. I just remember because sort of similar protocols and ended up being sort of adverse aerial between the communities. There wasn't any time left to breed, people were talking about. Step and then step extension and stiff bridge. And then what are we going to do? it just

became a bit clogged. which was a little bit frustrating. and then, it's tough because as a project you have to

**Darius T:** Come in and kind of manage what's happening with Darren. what was a rep meant to be a relatively isolated. Simple thing became three, four programs. You had to keep an eye on to make sure that you didn't fall behind on this anything.

**Darius T:** so, that was that and then obviously we executed, in terms of the execution, I saw a lot of it was pretty fair, the Darius for reporting. I thought that was a fair requirement. We actually did some work with Chaos Labs. We ended up being one of the protocols. They asked to do an analysis On top of what we'd reported to the doubt, which, we were happy to help whether it was interesting data for us that came back.

**Darius T:** So I think the actual execution and all of that was good, I think if I was personally redesigning, I wonder if I would have done more of a top-down prioritization from the Dow level. It was never really clear to me. What the Dow was trying to optimize for in terms of what these incentives would achieve. Because, as a vertex, we saw the weird one where We could optimize for tbl, we could optimize for volume. We cannot optimize for a couple of different things we could optimize for bringing on more native assets, whatever, and most of the protocols, I think have some variety in them,

Darius T: And I wonder if it would be better if there was one generalized rubric for certain things that the Dow wants to improve, we want more volume. So we'll put up across all perp taxes, some incentives for volume all we want, more tbr, we'll put up Incentives for TV, algor growth or whatever it is. And in each protocol has it within them to sort of run their own programs or campaigns to try and help capture some of that and then they just get rewarded. On a kind of fair basis, like you comparing apples for apples. Because in this case was very hard to to what games in school did different things. We all trying to achieve different things, I think it's pretty successful as far as we can make it it's just hard. When there's not a common yardstick to compare with

**Darius T:** so, That would be the other thing.

Darius T: I think then looking forward, it would be

Darius T: how do we? make this as efficient of process as possible, because

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**Darius T:** especially with the initial step, it was very stressful trying to get it through the forums. And getting enough support to get the votes through etc. Which I think is the other thing that having more of a open and benchmarks. Almost competition. Would make easier the protocols wouldn't spend time going in lobbying delegates and trying to get that point across. And the forums which can be quite contentious and hard to so carry a reasonable argument. and it would be great to just, Have the results. Be the proof type of thing. Because that way sort of saves everyone time and makes everything work better.

**Darius T:** But yeah, as I said, we were pretty big beneficiaries and yeah, it was great to be involved but they're definitely was some things that could have been improved on in my opinion.

**Darius T**: Then, you know how many questions?

**Krzysztof Urbański**: Okay, I will start with questions so I'm wondering from your perspective as a protocol, from your perspective, what was the result of the step program in general? Did you then grow your business to grow your protocol Little girl consistently?

Darius T: Yeah.

Krzysztof Urbański: And it was a sticky growth. how do you see the results?

**Darius T:** So, I think with us the stickiness probably came with trading firm into integrations. So we're kind of optimized for hfts come and trade through the fact that the incentives lowered the cost of execution. So much meant that And for those guys, it kind of paid for them to do the work of the integration. If you like where at the same time they're actually paying trading for years and Putting flow through vertex, which ultimately ended up being blogspace demand and volume on arbitrum.

**Darius T:** And those firms are extremely sticky. So once they do an integration, they just trade with you forever type of thing. And I think on the retail side, it introduced us to a lot of people. I think the nature of on chain retailers, they tend to flow from thing to things. So,

**Darius T:** It's hard to say how sticky that was. but you can see that on the tvl side, we gave some pretty small slice of incentives to Alexa to help promote TBR growth with them. And their TVL growth was pretty large and actually contributed to us getting a lot of tvl on vertex and that's been extremely sticky. So, we don't know, whether they're still Standish should have checked before we did this call today, but, we were sort of second largest borrowland platform on Arbitrum.

**Darius T:** Centives, we were giving to Alexia which brought a lot of dollar demand. And at the time the market was very busy and sort of suited our trading model, so that was really good. So yeah, I was kind of mixed success. I think there were benefits and we did see, people come in, because of that,

**Krzysztof Urbański**: And I will give you Joe a voice in a minute but I'm looking right now into the dark boat from open book clubs on the vertex, step results. And what it shows is that there was a very significant TVL growth after the step the video grew from around 25 million to around 100 million. Just after the step. However, we are looking, maybe I will share the screen. to just show you that. Mmm.

Darius T: Yeah.

**Krzysztof Urbański**: Okay, I guess You can see it's right now. So what I'm looking to those results then I What I interpret is that after step the TVL group significantly. However for some reason daily active users who are going down from the state onwards, And the volume. at first, it went up and strike state app for quite some time, but now it's back at the level it was before.

**Krzysztof Urbański**: I don't fully understand what the fee here means. So do you have any comment on those charts? can you give us some more background of What are we seeing here? How do you this data?

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**Darius T:** So I mean, the TVL pretty much matches what I said, Tbl came in and was sticky. And I think that was kind of sustained. I think as I said, daily the very active users have stayed but The. Super retail retail like that Spike. You see is also around when we did our TGE. So The baseline's probably around this, 400 500 user mark. Which you can see was pretty strong on his The other thing that's worth noting with

the step is the value of it Marketedly as of decline. So although we got a 50% extension in arbor amounts on the strip bridge,

**Darius T:** The actual value of the stiff bridge was less than 20% of what we got on the original. Just because the change in our token and then if you go down sorry let's scroll down and sorry, I was gonna look at the volume and the

**Darius T:** I think you see the same stories like Told through the volume also Genuinely Jared, December January was, very busy.

# Krzysztof Urbański:

**Darius T:** So we got a double booster volume in these months. So the incentive started and it was very busy, and there was lots going on and our token, rally price a lot. So This was sort of a rocket charger moment and I would say the volume sustained pretty well.

**Darius T:** In my opinion and then volumes generally just kind of came off after about March April. If you look across the derivative space, generally just there's some, General decay in an amount of flow that was happening.

**Krzysztof Urbański**: And you mentioned that this TVL growth is mostly from some enterprise deals that you were able to make because of strip. Is it correct?

Darius T: Yeah, it's sort of related, right? Because the

**Darius T:** In the original step proposal. we carved out an amount to incentivize Alexia to put Tbl on us. So that side pocket of our tokens, help, drag a decent amount dollars, And then that dollars then rehypothecated as people deposited Rap, Btc and East and ended up borrowing out more dollars and it just sort of cycled through. So that helped drive the TV out to higher height prices went up.

**Krzysztof Urbański**: Okay, makes sense. And one, last question that I have is that when I'm looking into the reward, recipients, it's pretty, outstanding that Two biggest recipients collected, of total step that you received.

Darius T: Yep.

**Krzysztof Urbański:** Do you have any insights into who they are why they collect half of them? What do they provide you? So that they were worth Seven hundred and six hundred roughly in step forwards.

**Darius T:** There. Yeah, so I like so sad. At the beginning, with the change to volume based incentives. Hft ended up being The kind of people that come after that because you lowering the average price for them to execute, So we had a 75% discount effectively on our trading for you. So it was about a half of basis point for them to trade which pretty much the cheapest, execution rate they get anywhere. so, They were executing against our accordity, both to hedge and arbitrum. I

**Darius T:** I think the Chaos labs report even says something similar, We're so broadly. What they'd seen on other venues.

**Krzysztof Urbański:** And do you know, what exactly the day did those two biggest traders? what value did they bring to you as a protocol? was it worth having, Just curious.

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Darius T: I mean. Yeah.

**Krzysztof Urbański:** I don't know that I'm just trying to understand if this long tail was similarly or less valuable than those two.

**Darius T:** So I mean, obviously, this is directly correlated with the fees that were paid. So you could say, there's a direct correlation of the amount of dollars that they bring in some protocol. but then also

Darius T: Often with these firms, they have a mixture of things. Some of them are doing pure arbitr. in

**Darius T**: Centives centralized exchanges, even small centralized exchanges. Depending on the size of the firm. They just looking for different ways to get cheaper execution. So if you can be part of that execution start, What you getting is just flow is kind of a guarantee flow, And that guaranteed flow is just a mix of the things you get. So if all you had was those float, if you didn't have any of those smaller slices that were on the pie chart, Is terrible for your business, because the quality of flow going through your order. Book becomes just very negative. so guys tend to be very knowledgeable and aggressive, But if you have a plan tends to be more positive because what you see is just more turnover at the top of your book, more action going through.

**Darius T:** It's better for market. Makers is better for the protocol.

Krzysztof Urbański: Okay, thank you so much. I will not disruption Joe, you have your hand raised.

**Disruption Joe:** Yeah, two questions. One of them was you mentioned that if the Dow had given clear objectives That would have been helpful and you mentioned almost turning it into a game. Let us hit those objectives that would have been one thing that would have been helpful.

**Darius T:** I would more hypothesizing that, that might be a better way to structure fusion programs.

**Disruption Joe:** Yeah, yeah. So you're hypothesis that would be helpful. Another hypothesis was that if you could have used strategies like the bonding or pol strategy, that if that was allowed. So that was kind of freedom or autonomy to the way you approach a strategy. They both seem like good things but a way I could have That helped me understand things through the thought experiment is of these two good things which one would be more helpful or how might you think about that the clear doubt directives or More autonomy and how you implement towards any given directive.

Darius T: And it's a great question. So candidly For having more autonomy is better,...

**Disruption Joe:** Yeah.

**Darius T:** if the Dow says to us, we want to achieve that give me the very specific way that would be best for vertex to do that. And of course, that's better for me, right? But when I try and...

**Disruption Joe:** Right.

Darius T: put myself in the

**Darius T:** in the other side of the debate, I guess I can see that. for the dial, you're trying to run is a thing where you don't see too much capture from the larger, protocols. Right. in this process,

**Disruption Joe:** that makes sense. It sounds almost like what you're saying is I'd like all the autonomy from the downside. There's probably a counter metric, similar to the idea of bank loans, but not more fraud, kind of idea that we would need to put in place.

**Darius T:** And, Look like dealing with a vertex or a GMX or something. Is I guess very different dealing with? A new project that's come in and needs a little bit more. where a small amount of cash can be very impactful.

Disruption Joe: Yeah.

**Darius T:** There's almost kind of a blended approach, I guess it's not either, or I was sort of trying to think of it as two layers where It would be nice for say a vertex with GMX, have a framework but we can come and say Look we know that Darren's trying to optimize for Tvl. Here's a smart thing. We think we can do with the Dow to help make this s\*\*\* work better. But then, at the same time, the down might say, Okay? We're gonna optimize for Tvl, and we've come up with this, Competition rubric where we're going to allocate tokens up to a certain amount.

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**Disruption Joe:** And then if there was also any desire to inspire smaller protocols or new original protocols or anything, that should have been a separate objective function with a separate allocation separate context and...

Darius T: Right. Yeah,...

**Disruption Joe:** that could have clarified.

Darius T: exactly. Can do branches or...

**Disruption Joe:** The problem. Right.

**Darius T:** if doing open thing is You can almost cap it in such a way that it's open. Anyone can get some of these rewards but Big, protocols are still going to get a large amount of support to the end of doing, most of the size and the volume and everything. But the smaller ones sort of disproportionately are benefited because they're not going to get capped out, and they don't have to have someone lobbying in the Dow trying to Run interference on the forum because all that stuff takes a lot of time. we have a relatively large team but if you're like a three man Operation. Dealing with that businesses.

**Disruption Joe:** Right.

Darius T: It's very cumbersome.

Disruption Joe: Thanks for all this feedback, the candid feedback is Super important. I appreciate it.

**Darius T:** No, that's yeah, Caesar. So your question I think capture it like these larger institutions stick around. Once they integrate, they just trade kind of forever.

Darius T: Hey, Christopher.

**Krzysztof Urbański**: Yeah, and one more question because like it did, I understand correctly? That what you suggested at the very beginning was you would like to do would be to decrease to subsidize The fees in your protocol with the incentives.

**Darius T:** So the way that we structured the original thing was we just kind of tried to put our best foot forward to kind of Meet the Dow halfway. So the way we structured it was we'd cut our fees to drive volume. and then the Dow would give us whatever we cost them fees, they give us that as a long-term loan in our tokens that we then could use to so create pol. Basically, we'd give loans to market makers to create look quality on us.

**Krzysztof Urbański:** Okay, that makes more sense.

**Darius T:** And I don't think that's something we'd want to do. given where we've progressed as a team but at the time that was where I thinking, I'm doing this, I thought was a pretty good win the way we were trying to structure. They just didn't fit within a remed what this dip allow for about time.

Krzysztof Urbański: And why do you say that right now? You wouldn't do that.

Darius T: And because we found alternate ways of doing the same thing.

Krzysztof Urbański: Okay. Okay, Alex.

Alex Lumley: Yeah, I was gonna ask you a couple clarifying questions. So you mentioned how sticky these traders tend to be? Once they've done the integration, if you play out, just putting on your arbors from hat for a moment. Why is that so important for opportunity to get those traders to be on vertex? Is it? Because once they're on Arbitrum, I

**Darius T:** so they tend to be the traders who They have a large multiplier effect to them, right? Because these are guys that do a lot of arbitru.

Alex Lumley: yep.

**Darius T:** And then they'll be able to transfer dollars in between the two accounts to keep everything in balance and very quickly That creates two transactions for everyone, Every arbitrum, I

**Darius T:** You want these guys in your ecosystem? Make all the pricing more, rational the general off sequence of fees? Yes, they are aggressive and they will trade it like slim margins, But what they're doing is they're keeping pricing rational and tight and overall it creates more liquidity.

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Alex Lumley: And it almost kind of sounds like what you're saying is that for those people, if the sticky item is the thing that keeps them somewhere is integrations and if they're sort of some network effects, they're integrations. if they have more integrations as arbitrum incentives, could have been not to just get them, not to make the reward high enough where they actually want to integrate, but actually pay for their integrations across multiple protocols and get them to come in as a different thought experiment.

**Darius T**: yeah, maybe I think there's both a cost and an opportunity cost, so, I think at that time There were other incentives programs running in other ecosystems. So whilst it may have felt

Darius T: Kind of weird. There's probably a bit of a non-economic factor Where you competing with other actors or maybe they weren't totally rational Which I think is where part of some of the initial step logic came from, was to be big quick to catch up with the optimism because then you've got to capture both, protocols and users, that you might lose on a long-term basis. And actually long term that it doesn't necessarily mean that's a logical. you are competing and you do want to get those guys and you want to make sure you have them. so, I don't think it's as simple as translating one from the other, but being aware of that dynamic is important. Who think you can say Okay look there's a buying point here, how do we make it valuable people to integrate and do stuff and put capital up review returns because,

**Darius T:** you see though, geometrics a great example of this, Once people have capital in their pools, see some returns coming from it, they see the benefit. There's some stickiness I'm sure some people laughed after incentives dropped but I'm sure they catch them. This is saurabh a similar version with us When people have done the API integration, they start trading, they see a benefit. as integrated, they see part of their liquidity, stack is operating there. They just keep trading them. They might trade less because if you're incentives for are trading still and they are doing stuff within the ecosystem because it's just additional profit for them.

**Disruption Joe:** I'm that with the big traders, one of the things I've noticed is we in the ecosystem and this comes off the center of a little bit. But in our granting programs and incentive programs in general, The people who are interested in making the world a better place. Redone grants, givers. Are not in touch with the, institutional Trader, DJ and slim margins person. You were just talking about and the infrastructure that would matter to them. Do you think there are ways that we could have used stimp incentives,...

Darius T: Yeah.

**Disruption Joe:** better or maybe just a different program on related? What I'm looking for? Is any ideas? You might have on how we might actually

**Disruption Joe:** Leverage that knowledge and understand. You what? We could build open source, infrastructure wise, that might provide a better and better unique experience on arbitrum incentives.

#### Darius T:

**Darius T:** Just another good question. I might say something that Please take this in the spirit is intended, because anyone, that's on this, call obviously, cares enough to be on this call. Right. But what I was going to say was Creating firms a kind of. They often like the bogeyman. Right. When a discussion between people involved in governance and things like that comes up. They're not always seen as welcome participants. But in truth, if you look a lot on chain activity, they are a huge component of. It comes from institutional players.

Darius T: I think the Dow has a huge. Balance sheet.

**Darius T:** And I definitely think there are better ways to leverage that balance sheet, then just giving it away. If you look at, other ecosystems, they'll do things where I'm talking some of the older systems like diner coins, but if you look at something like ripple, they are very active like trading team that trade, their balance sheet for them, they go out, they borrow dollars, they do things where they lend it out to get things going. and, like Arbitrum in.

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**Darius T:** As long as you have a clear mattress, you can use that balance sheet and you can go and leverage some of these very powerful players. you're going Use the foundation make agreements with them. Do stuff like this sort of thing where I'm saying. Vertex, take a loan and give it to market matrix. You create liquidity on birthdays. That same approaches very possible with people just across the ecosystem, you can say to some very reputable firms. Look, we'll give you a slug of balance sheet go and create good liquidity. on GMX on vertex, go and help interest rates be more efficient. Go in Arbitrum. I

**Disruption Joe:** Winter mute put up a proposal to give 250 million. To the foundation after the back of launching Arbitrum. I

**Disruption Joe:** yeah, give 250 million. Would you have been pretty in support of that? What factors? Would you think about in terms of supporting a proposal like that? Because obviously, the Dow couldn't do something with the necessary transparency. So they'd really have to Delegate authority and give the appropriations to the proper entity.

**Darius T:** Yeah, I think most doubts have a foundation for a reason. And tend to empower them a lot more than the arbitrum.

Darius T: I,

**Darius T:** Things done. in terms of one-to-one, business arrangements, and my commercial observation would be that. the foundation is really the entity that probably should be doing that kind of thing in my opinion. with direction from the Dow, I think of the Dow was able to light on a core set of principles, Here are the things that the Dow wants to optimize and give some very clear mattress but high level And then give the foundation some freedoms going to execute. Yeah, and it makes sense to me.

**Disruption Joe:** Thank you.

**Krzysztof Urbański:** Okay, I think we are. Thank you very much. Is if anybody else have any other questions, feel free to jump on right now or on the chat. and I would like to ask conflicts are up. Do you want to present something right now? Because we have just 15 minutes left. if you want to speak right now, it's great. If you need more time, we should to the next time. However,

Coin Flip: But what I think, why do we use the 25-10 minutes? But we don't actually have a presentation. I think we received a request to perform this. Call. So we weren't really coming to present anything but happy to actually really enjoyed, hearing curious, let's feedback. I mean, Darius and I have had a chance to cats up on occasion and, we end up all facing very similar issues and I think maybe I'm just gonna extend out on a few points that he mentioned and then we're happy to be doing a deeper dive on gmx's activity. Maybe is set on some subsequent call.

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Krzysztof Urbański: So let's just like that.

**Coin Flip:** two things, I think one was that Can you make sort of being active in the doubt? We did have a bit of a benefit in the sense that I think we had some sense of what we felt the Dow wanted to achieve. So we kind of were able to tailor our proposal knowing our own requirements but also I think having a good

sense of what the Dow wanted to achieve in terms of activating sort of defi activity across protocols working together, something that ended up becoming say part of the rubric and el tip eventually TVL activity and with those sort of metrics in mind, we were able to sort of train our program around that. one really interesting part of I think our program which I will also say probably was less successful but I think still work in the second phase and that bridge was what we kept as sort of our grants budget in the first round.

Krzysztof Urbański: I'm afraid conflict will last you. Or is?

**Uhthred Of Bebbenburg:** What is your meeting?

Krzysztof Urbański: Deposit, I betrayed against you.

**Coin Flip:** The time that we spent to really support those protocols to then themselves, come back to the Dow as part of L tip and subsequent programs and be able to present themselves as, contributing members of the ARBITRUM. Ince.

**Coin Flip:** Was starting to bear fruit. Protocols knew that they could start coming directly to the Dow. The ones that we had worked with, also, we directed that way. It kind of reduced a bit of that load on us, which was, I guess in some ways helpful to us, because as GMX, over time, we had to spend a lot of time really driving that integration process, but doing a lot of hand-holding encouraging people to Presence of these programs. I think helped move some of that order the down. And I think that was a positive.

**Coin Flip:** I also do think that I'm gonna give a really weird take here. But a lot of the activity that we've talked about where, for example,

**Coin Flip:** No sorry. Somebody's got some background noise there.

Coin Flip: So, if I take an example and I think Darius made a reference that, those large traders, they come, and now that they've integrated vertex, they're trading on vertex, they're capital is effectively down bridged into arbitrum incentive.

**Coin Flip:** The activity that we all collectively did on the purp space and also that nature of arbitrum incentives to Extend it even a dislike contributed to a growth of not an orbit's chain but an example of something like a Hyperliquid who is usually an arbitrum ince. It's sort of provides a nice liquidity layer for others, tell to leverage onto. So that, I think something that will keep watching. So, do I think that way it's helping along the Dow and Arbitrum

**Coin Flip:** And I think the answer I sort of came back with was I somehow feel the GMX would have probably ended up in a very similar state by the end of the cycle. Although maybe we would have done more expansion, elsewhere outside of Arbitrum. I,

00:50:00

Coin Flip: That's my five minutes. Happy to take questions or...

Disruption Joe: They flip Did you talk to you any other protocols...

Coin Flip: they continue to dialogue.

**Disruption Joe:** who also maybe had that opportunity cost consideration and other founders who were expressing that they spent their time focused on arbitrum.

Coin Flip: I feel pretty comfortable saying it's like yes and while I'm not gonna say, individual conversations the fact that after these incentive programs have sort of been tapering down. Everybody has now been now going ahead with their multitan. Expansions probably shows that, there was a certain aspect of people holding back. I mean, we got an entire protocols where it's debatable that we're even on our program now who are kind of og's of the space as well. and again, nothing wrong necessarily with these protocols also going multicane, I definitely think though that arbitrum incentives starting point, we should also then hopefully find ways to keep benefiting from that. And to use an example, I mean there's protocols and started and other ecosystems that come to term as well. which is part of again, find ways to

Coin Flip: Leverage that going forward. But yes, I mean, do I think that the fact that stiff bridge was probably less impactful and step and that, right now there is a lull and not a good sense of where we're going, It's gonna move attention elsewhere. I definitely think I'm not saying that as a basis that's like we should rush and do something. If anything I would actually make in another point, which is that took quite a while to come up and actually I can say a lot of people including ourselves spent a lot of time thinking about how we can most effectively deliver on step. We're stiff bridge. Just the way it came up and I was involved with it but it happens. So relatively quickly that I feel like we weren't able to optimize as well for us different being as about impactful as maybe it could have been to use an example.

Coin Flip: there are parts of our development road, not that we have on Jmx that we're rolling out over the next two, three months. I really wish I would have had the resources that I had to put into the market over the last few months available. Now in the coming months and I think I probably would have been able to deliver a lot more for both the next, but also arbitrum And that's the sort of thing knowing that you have a partner knowing that you have funding in place to support the activities. It makes a lot easier because you're not then trying to aim for tiny windows.

# Krzysztof Urbański: .

**Tnorm:** Yeah, I'm A lot of good points. I'm actually kind of interested in this idea that Protocols on arbitrum incentives aren't necessarily a long-term solution. I'm curious. What conditions? Make Arbitrum incentives could be done. Not focus solely on protocols but really, unlike the defy infrastructure that we're not thinking about

Coin Flip: No. Absolutely. So I mean if I use an example and this is going back to let's say the start of the dowel we're even Time periods. I mean, in my active conversations, with often labs, the items that I would be constantly begging for. And saying, Can you invest to find a way to unlock this? We're not really in central and the warranted sensors. Anyways, It really was more infrastructure. So when we talk about, and Darius can probably speak to this as well. When you have people who are doing sex to decks arbitru, Coin's could move in and out of Binance onto Arbitrum.

Coin Flip: I mean and it took us forever. I mean, most people involved in Arbitrum. I

# 00:55:00

**Darius T:** Yeah, I was just gonna reinforce what coin flip side. So I guess from our side We had the opposite experience, in some ways to a coin, flip's describing where we were a later arrival on Arbitrum. I

**Darius T:** As we've gone, what you see with them is just the Varying degrees of integrations and infrastructure is definitely a lot less and it does definitely The addressable market in those ecosystems for us as a project, right? And so taking it back to Arbitrum.

**Darius T:** Just the higher velocity of money. You'll see through the ecosystem and that just is, what makes all these things work? so yeah, I totally grew coin. Flip says an hour experiences. We've gone to other ecosystems as much stuff.

Coin Flip: I...

Tnorm: All...

Coin Flip: just using example.

Tnorm: before I Go ahead.

Coin Flip: about our universe more example because I thought it's old enough, I can give it

Coin Flip: That was literally what I say a fraction of a percent of all the money that we spent on these incentive programs. There's a deal that I'd so work through. We were all working through with bitco. We're getting, quote unquote. Native wbtc wasn't perfect, but it was a huge progress. It was, people doing it. But the fact that there was nobody in arbitrum incentives was honestly post ap 1.1 s\*\* scared. Didn't want to do anything like to me. We lost wonderful opportunities. Which again do require that sort of Gordon. It's not really downward. It is stuff that somebody has to be so focused on that. I mean, I think they would be best served by taking up and saying Darius, what are the three infrastructure, a little hidden things that nobody's thinking of that will unlock, more volume for you will make it easier. Those are the pieces that are not sexy, they are not incentives. They're not big headlines. But those actually

**Coin Flip:** All don't you put those along with incentives and you're really good a huge unlock. And I think again, not to know, just sort of pontificate too much. But the fact that the Dow we couldn't even figure out how to spend some marketing money around these incentive programs, where we spent million tens of millions of dollars. It's is honestly shameful like that is, it's poor on all of us.

**Tnorm:** Yeah, that's very fair. One. Last thread on this kind of strategic asset, that's expanding asset support which I think makes total sense for the entire depot, ecosystem, understanding that as both of you guys have mentioned, the ideal venue for this kind of negotiation is really kind of through a more centralized entity who can make these decisions. the foundation off chain labs, admitting this would be inefficient way for the Dow to help guide market demand via incentives or grants on our side to help guide those conversation. Whether that's free listing incentive, budgets for rep btc or natively minted assets that are on a short list, should those integrations? Be made, Is there a path there or am I going too far down this?

**Tnorm:** This leverage point for the strategic goal.

Coin Flip: Again, I'll say it depends, the more and more you get closer to infrastructure, the more it probably does require. Bespoke conversations. what I do think you to end up and you do need to have some coordinates and have those discussions. and again, large stakeholders, I guess could theoretically do that, that could be protocols, that can be the foundation, but it is a lot easier when it's somebody who can speak for quote unquote arbitrum.

# 01:00:00

Coin Flip: To do it. but sharing that up, for example, there's been a lot of discussion around LSTs and we did support a lot of LST protocols as part of L tip. but it's not like we've ever finally managed to put out that fact that hey, as a Dow, we're gonna put aside this money and we're going to try to figure out. So that in early the first half of next year, we want to drive this incentivization program. If I think about an example just a discussion around step and the process of getting stepping up, probably did as much for getting RWA assets to eventually be supporting arbitrum incentives. Still gone down on top. They done all the investigation on. Hey, Does Arbitrum. I

**Coin Flip:** From what we want to do, they did all of that. and I think that's the sort of thing that, signaling where we want to go, can be really helpful. and right now, I think we're not really signaling or having programmed. So, in the absence of either of them, it might be a lot easier for people to get a text and elsewhere where people are doing a better job of that signaling. At least,

**Krzysztof Urbański:** Okay, we are already past time but I see Jojo raising his hand for some time already JoJo, but please make it quick.

**JoJo:** Yeah. So it feels like and I've been in all this cold rights and even other cool we keep circling back on the fact that the Dell doesn't know what they want to keep within cities. this is the first point I'm gonna just list the point. The second point is the likely eranically, a protocol knows better what they want to do with incentives. we need to find an alignment with these two. I'll just share a quick story. We try to board the hyperlink into a tip I wasn't saurabh called with them with the same. In the end, it was impossible for tourism first, they find the process.

**JoJo:** I'll be complex for them because they were as multin, but second, the structure that we had was wasn't the pizza at the time with the mechanism that they had because basically that I will point system which it's what it is right? And we couldn't find a way to match the mechanism with incentives. So, it's matching the outcome that for a little ones with the problem with the outcome that that wants, is potentially a key to unlock something at the same time. And this is a high level discussion that we're doing the coin flip has been doing

**JoJo:** we likely need to see incentives as a tool in a greater scheme that is tightly infra That is outside But the problem that we have and other stuff in this most tied to specific inference on. and this is just the thing that we keep circling on in the last vehicles. That's my feeling on this.

**Krzysztof Urbański:** Thank you so much. We are already a lot of the hour and I want to be mindful of your prime especially that I need to jump to another coin wall.

**Krzysztof Urbański:** Thank you very much. I think it was a great discussion today. Thank you, Darius didn't take a complete dividing it and we have more staff prepared for next week so please make sure to tune in next week as well. And I will remind you again that if you would like to show you your own perspective,

during this call, if you'd like to show you a protocol or as a member or any other person in the Dow, feel free to reach out to us and we'll make it possible and will help you prepare for that for today. Thank you so much and see you soon.

Darius T: Thanks guys. Cheers.

**Anastassis Oikonomopoulos:** Thanks everyone. As always, I'll be sharing the recording as well as the summary of what was discussed in the forums.

Meeting ended after 01:04:38 👋

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