StellaSwap Incentive Program

Short Description: A continuation of our liquidity incentive program on Polkadot to maintain and deepen market liquidity for the ecosystem, covering our pools as well as working with key partners as distribution points.

Summary

Deep liquidity is the cornerstone of a vibrant ecosystem. The continuation of Polkadot's liquidity incentive campaign on StellaSwap is vital in ensuring that we can effectively attract and retain users, projects and usecases to further grow the ecosystem.

As one the leading DEXs on Polkadot, we strongly believe that we can continue to spearhead ecosystem growth. Our track record from the first liquidity incentive campaign highlights the net benefits for the ecosystem and we believe that a continuation would allow us to maintain the market depth we've established and hopefully break new ground.

We have outlined a comprehensive proposal that will explicate the program in further detail.

- **Primary Goal:** Maintain and Grow DeFi Activity (active users, transactions, TVL) on Polkadot
- **Project Description:** StellaSwap is a highly-efficient, V4 CL-AMM DEX powered by VE 3,3+ to facilitate the most optimal price discovery for assets on Polkadot
- **Requested DOT Grant Amount:** 1M DOT
- **Use of Grant:** The ecosystem grant will be used to maintain & grow the market depth of strategic & native assets for widespread utility across the Polkadot ecosystem.
- **Motivation for Grant Amount:** Liquidity depth is a necessary requirement for a robust and efficient marketplace that powers the ecosystem. StellaSwap accounts for the highest trading volume in Polkadot - standing at a cumulative volume of over $2.2 Billion - and DOT grants will foster much deeper liquidity for users and help accelerate the DeFi flywheel effect by increasing network activity and exposure.

Project Overview

StellaSwap is a highly-efficient, V4 CL-AMM DEX powered by VE 3,3+ to facilitate the most optimal price discovery for assets on Polkadot. As an integrated DeFi gateway, users can tap on a comprehensive list of features that simplifies their DeFi experience. As an EVM-DEX with a comprehensive selection of native assets, StellaSwap is the most optimal venue for users to be exposed to Polkadot projects and utilities. Users can engage in trading, liquidity provisioning, cross-chain swaps, DOT LSDs and a whole host of things.

We’re proud to be the DEX on Polkadot that have surpassed over $2.2B in trading volume! At its peak, StellaSwap accumulated over $140M in TVL and had an average daily volume of around $3-$5M. We have pioneered several novel mechanisms such as our Initial Liquidity Offering (ILO) to foster capital inflows towards Moonbeam, 1-click cross-chain swaps that has made value-transfers across chains easier, and we’ve launched the first concentrated liquidity AMM called Pulsar, which is the most capital efficient AMM to date.

As recipients of Moonbeam’s previous grant program as well as Polkadot’s 1M DOT incentives, StellaSwap has had extensive experience in managing grants to ensure effective allocation for the optimization of key growth metrics.

Achievements

Here are our notable achievements as well as our key contributions towards the greater Polkadot ecosystem during our 1M DOT incentive campaign;

1. Proven Track Record
    a. The first DEX on Polkadot that has amassed more than **$2.2B** in cumulative trading volume
    b. Daily volumes, averaging between **$1M - $5M** daily
    c. **High liquidity utilization rates** on Polkadot, with the top farms being utilized at a range of 50% - excess of 100% (of TVL)
    d. **Efficiency rates of 9X - 20X** over other DEXs; much less TVL required to achieve the same slippage/market depth
    e. **Low-slippage trading** with much lower TVL requirements; $50K in DOT <> GLMR yields only 0.7% of *price impact*
    f. Natural point of onboarding for users via EVM environment
    g. Worked with an extensive list of projects in terms of integration and asset listing, supporting **over 42 pools**

2. Major Infrastructure Launches

    We’ve launched major innovations to our DEXs that promote sustainability, greater efficiency and security. Our proven efficiency will ensure that every dollar in grants will lead to much deeper market depth with sustainability.

    a. **V4 (Plugins) Architecture**: Migrated to V4 stack powered by a concentrated liquidity engine core and reinforced with a custom plugins network for increased security, higher efficiency and greater adaptability via plugins.

b. **Vote-Escrow 3,3 Model**: The first DEX on Polkadot on VE 3,3 model that democratizes emissions distribution via the community, aligning all stakeholders for sustainability and efficacy
c. **Single-Asset Deposits**: DeFi abstraction with single-asset LP staking with automated rebalancing on our V4 pools.
d. **stGLMR Launch**: Launched another flagship LSD, stGLMR for greater product diversity.

3. Major Partnerships
   a. **Circle Alliance**: The 1st project on Polkadot joining Circle Alliance, a network and spearheading native USDC stablecoin growth in DeFi.
   b. **OKX DeFi Campaign(s)**: Our pools have been integrated into OKX DeFi, one of the leading exchanges in DeFi
   c. **Beefy & Ichi ALM Integrations**: Integrated with major DeFi protocols for greater composability and ecosystem exposure to their wide user base
   d. Ecosystem Projects

Traction & Vision of Success

This section will amalgamate the traction that StellaSwap has generated thus far, and the various metrics that will be used to measure success.

1. Efficiency

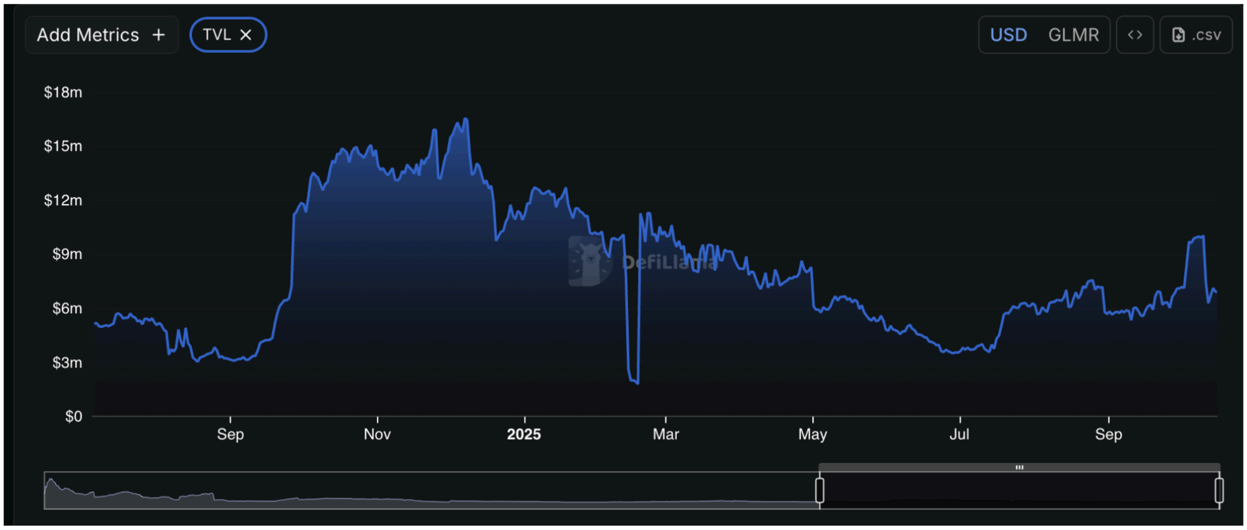
   Our transition towards V4 in 2025 was an important step in greater AMM efficiency, building on top of our V3 architecture the year before. Beyond the efficiency gains of our concentrated liquidity engine (which yielded an efficiency factor of 9X-20X), a migration to V4 contributed to greater gas optimizations for transactions on StellaSwap. This means lower fees overall.

   Our V4 offers lower gas costs in large swaps, tick-crossing swaps, and high-volume transactions. Additionally, our modular architecture provides ongoing optimizations without requiring liquidity migration.

2. TVL

   On this aspect, our TVL metric for the duration of the 1M DOT campaign didn't live up to expectations due to the following reason;

1. **Systemic Market Downturn**: DOT price went from a high of over $10 at the end of last year to $3+ this month, severely affecting APRs as the major contributor of our yields was from DOT price. This resulted in much lower trajectory of TVL accrual as our TVL is coupled with DOT price.



2. **V4 Pool Migration**: Our migration from V3 to V4 early this year naturally led to some capital flight due to the friction of migration; i.e. requiring users to unstake from existing V3 pools to new V4 pools. Going forward, there is no need for any migration as our V4 architecture is built with adaptability, so any configuration can be implemented easily.

3. **Cross-Chain 6M Downtime (External):** For a period of 6 months, cross-chain swaps - which was the most popular and low-friction way for capital inflows to Polkadot from other ecosystems - went down to our V4 migration. It required a major push for Squid to integrate us due to low ecosystem metrics.

However, we believe that our current infrastructure - VE 3,3+, V4, Single-Asset Deposits - is built to scale for greater distribution and most importantly, increased efficacy of grants. In addition, working with key partners for greater distribution like OKX has helped in greater ecosystem exposure.

It is inevitable that TVL is regarded as one of the strongest indicators of popularity and health of any ecosystem. The higher the TVL, the stronger the ecosystem as it is more trusted and reliable. TVL will continue to be an important - but not defining - metric of evaluation. A high TVL relative to a low Volume means lower capital efficiency, as the bulk of capital isn't utilized for trading. Additionally, TVL is quoted in USD, and is affected by numerous macro factors that may affect TVL targets which are beyond our control. Systemic shocks, volatility of bluechips and network effects can all affect our TVL targets.

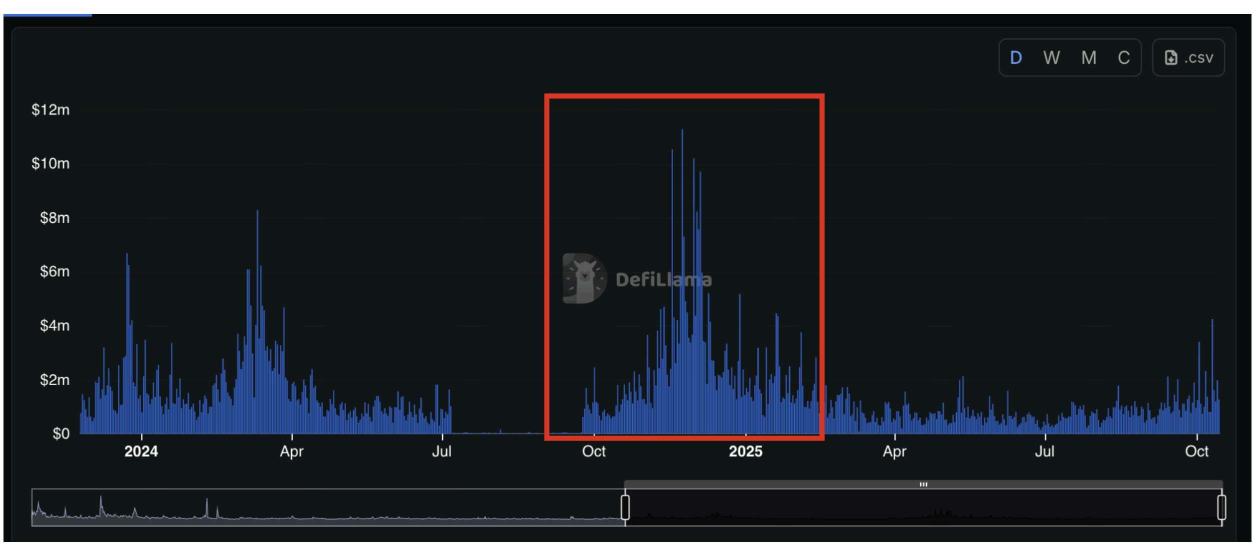
For instance, StelaSwap's liquidity utilization rates (Daily volume / TVL) are the highest in Polkadot, with the top farms reaching utilization rates of between 50% - over 100%. The average utilization rates for other standard DEXs usually ranges between 5%-20%.

We're confident that we can reach the TVL goal as outlined in the *Use of Grants* section.

3. Volume

Greater volume indicates greater user activity on the chain, and is perhaps one of the most important metrics to optimize for a DEX.

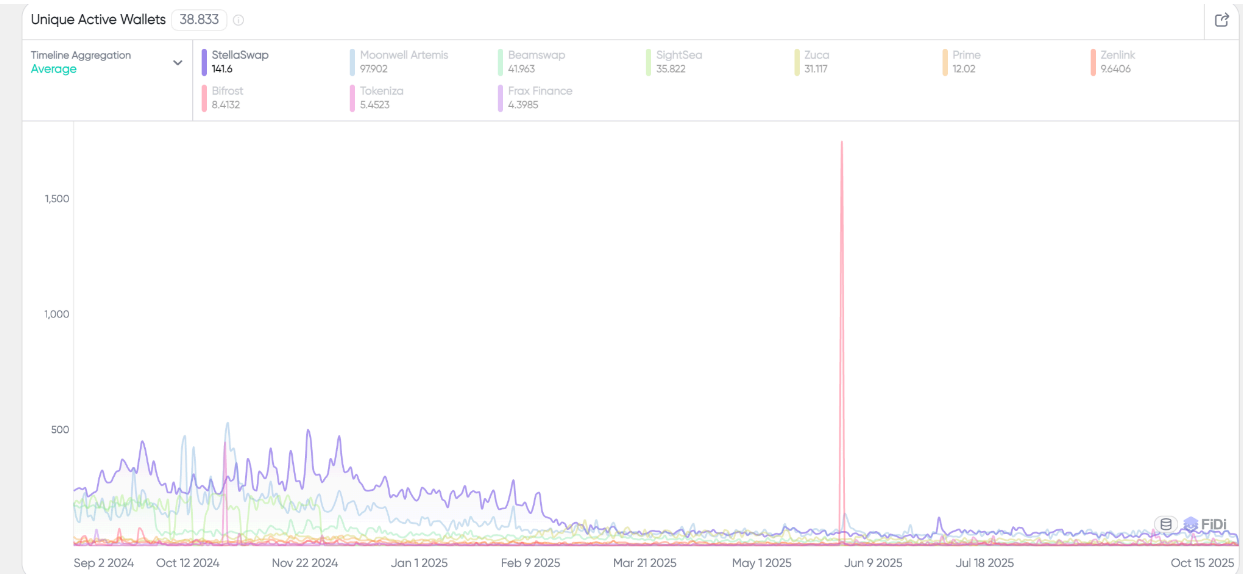
We were successful in attracting volume to the ecosystem as StellaSwap became the **first DEX in all of Polkadot to surpass $2B in cumulative trading volume** in 2025. We're currently averaging $1M - $5M a day in trading volume, and with ecosystem grants, we seek to double it given deeper market depths would usually set the base for greater volumes.



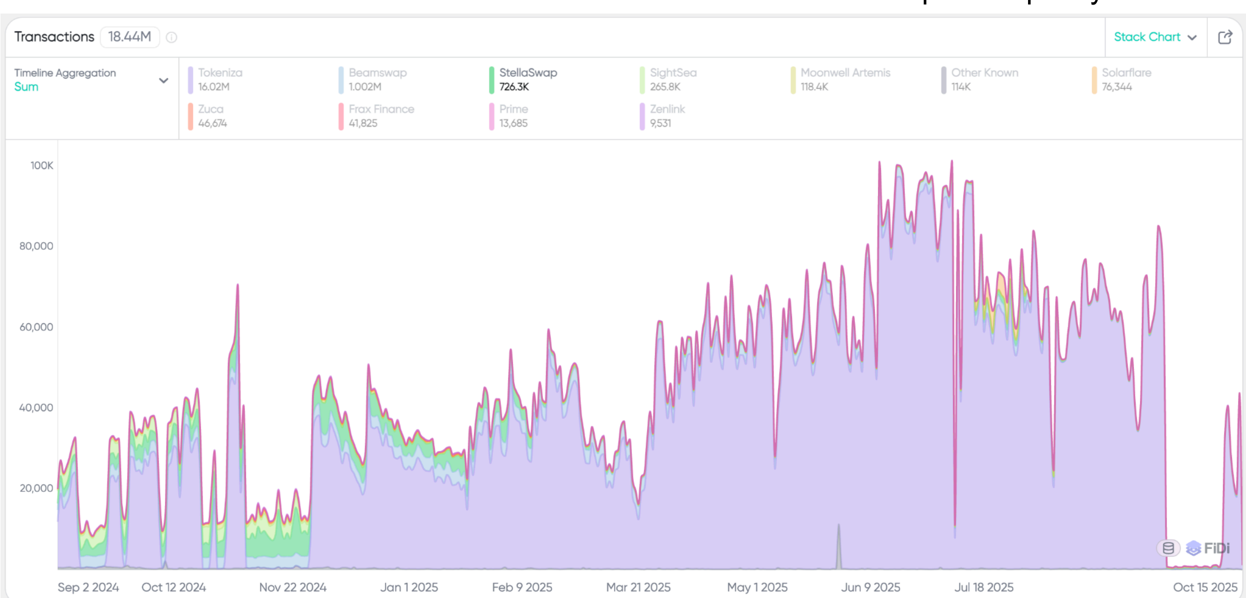
Theres is an obvious spike in overall volumes at the last quarter of 2024 and early 2025 which resulted in us surpassing $2 Billion in volumes. This is a huge achievement that highlights grant efficiency usage that benefits the ecosystem.

4. Users

Metrics highlighting user count and interactions on StellaSwap saw an uptick at the start of our 1M DOT campaign, as captured from data from Fidi below;



There is also a consistent increase of transactions on StellaSwap in the past year:



More granular onchain data is currently being worked on as Dune Analytics has stopped tracking our pools due to our recent migration from V3 > V4. We expect to have a comprehensive view of granular data with analytics providers like Dune and Fidi in the coming weeks.

Use of Grants

It must be emphasized that the totality of the grants will be used to incentivize farms to build baseline liquidity. Under no circumstances would any of the grants be used for development or any other purposes beyond incentivizing the farms, which goes to LP stakers.

<u>Details of Incentives Program</u>

- Duration: 12 Months
- Incentives: DOT & STELLA
- Ask: 1M DOT
- Target TVL: $20M
- Distribution: Vote Escrow Pools & Partner Aggregator Protocols

All liquidity incentives, in the form of DOT & STELLA, will be distributed to users that provide liquidity in our V4 pools, either directly or via strategic aggregator protocols. What's different for our proposed campaign extension would be a focus on two main things;

1. Decentralized emissions via Vote Escrow for effective distribution
2. Partnering with strategic protocols with a strong userbase for max reach

In order to fully optimize grant distribution, we'll review the performance of each pool on a monthly basis and react accordingly to ensure that the grants are used effectively.

<u>Vote Escrow Distribution</u>

In the path towards decentralization, StellaSwap has evolved towards democratizing its key function towards the community: Emissions Distribution. Our VE 3,3+ model aligns users in the DOT ecosystem with protocol performance, mitigating a key issue previously of pure LP reward farming: mercenary behaviour.

With our decentralized VE voting mechanism in place, the bifurcation of function allows for more effective rewards allocation thanks to governance, which entails;

- Farm rewards for LP
- Fee rewards to Voters

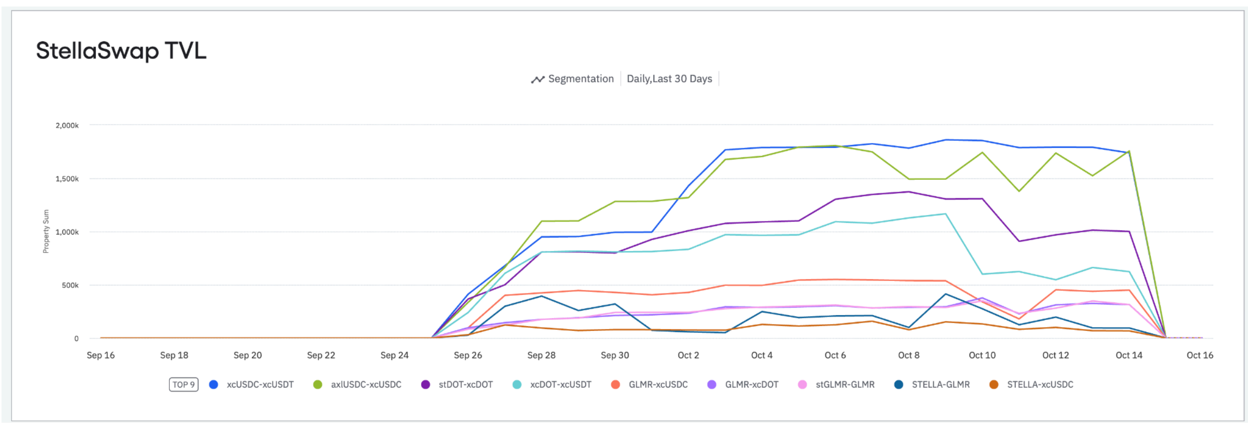
While the shift towards governance is an important aspect that will result in greater reward efficacy in the long-term, we do see potential risks that may result in inefficiencies emanating from "unaligned" stakeholders. However, we've instituted guard rails to mitigate the risks, which include;

- Team allocation on standby voting to ensure there’s no deviation from voting patterns that are out of the ordinary
- “1 hr Buffer” parameter instituted on our VE to disallow any major deviation in voting dynamics at the last minute

With these safeguards in place, we believe that we can effectively transit to a governance-approach in the distribution of rewards in accordance to the performance of the pools, as high-performing pools would naturally be voted for as it generates protocol revenue for Voters.

<u>Partner Aggregators</u>

We’ve had success in integrating with strategic partners to increase our campaign reach across DeFi. We’ve partnered with **OKX DeFi** for a secondary incentive campaign that opens up access to Polkadot from their vast user network. This has resulted in a boost of DeFi activity on StellaSwap;



We will continue to engage with OKX for deeper partnerships that will benefit the Polkadot ecosystem, such as being integrated into their swap aggregator engine, allowing their users to swap into Polkadot-native tokens on the backend.

<u>stDOT Utilization</u>

On our previous 1M DOT incentive campaign, we utilized stDOT as the holding venue for unused DOT incentives to grow the pool so as to extend the campaign runway. This has allowed us to distribute DOT incentives for more than a year, thanks to the additional DOT generated from stDOT.

The current campaign would also follow suit in order to maximize our incentives impact, which could either yield greater incentives for the same time period or extend the campaign.

<u>Project Partner Support</u>

We’re glad to be able to support native DOT projects with our 1M DOT incentive campaign, which is a vital step in ensuring that there’s sufficient liquidity for them to effectively operate. We’ve successfully supported, and will continue to support:

- Snowbridge’s BTC & ETH pools
- Bifrost’s vDOT pool
- Acala’s LDOT pool
- NeuroWeb pool
- Any other active Polkadot pools