

Strategic Alpha Generation in the 2025 Perpetuals DEX Arena: A Guide to Airdrop Farming and Quantitative Strategies

Executive Summary

The landscape of user acquisition and community distribution in decentralized finance (DeFi) has undergone a paradigm shift. The era of simple, retroactive airdrops has been supplanted by sophisticated, gamified "points" programs designed to incentivize sustained, protocol-aligned engagement.¹ This evolution represents a strategic move by protocols to mitigate Sybil attacks, filter for high-quality users, and navigate an ambiguous regulatory environment by creating a buffer between user actions and a direct claim on a financial asset.¹ This report provides an exhaustive analysis of the pre-Token Generation Event (TGE) incentive campaigns for seven leading perpetual decentralized exchanges (DEXs) and outlines the optimal quantitative strategies for capitalizing on them.

The primary strategies for airdrop farming can be categorized into three archetypes. First is **Volume-Centric Farming**, a brute-force approach best suited for protocols with transparent, volume-based reward structures. Second is **Quality-Weighted Farming**, a skill-based method required for platforms that reward metrics like profitability (PnL) and risk-adjusted returns, actively filtering against low-effort wash trading. The third is **Liquidity Provision**, a strategy focused on adding depth to order books, a highly valued contribution for exchange health. The selection and execution of these strategies must be tailored to the specific design of each protocol's incentive campaign.

A central, capital-efficient tool for volume generation is **Funding Rate Arbitrage**, a delta-neutral strategy that captures the differential in funding rates for the same asset across two exchanges. While often presented as a profit-generating activity, its primary utility in the context of airdrop farming is the ability to generate substantial trading volume at a near-zero or slightly positive expected value, effectively subsidizing the cost of farming.

Based on a comprehensive analysis of Paradex, Variational, Pacifica, EdgeX, BasedApp, Lighter, and Extended, several key opportunities emerge:

- **Lowest Risk Profile: Variational** stands out as the most compelling opportunity for risk-averse participants. Its airdrop is confirmed with a massive 50% of the total token supply allocated to the community, and its unique pre-points loss-refund mechanism directly subsidizes the cost of participation.¹
- **Highest Conviction (Skill-Based): Lighter DEX** represents the premier opportunity for skilled traders. Its points system explicitly rewards profitability and risk management, and its potential is validated by a highly liquid Over-the-Counter (OTC) market where its points trade for over \$75 each, signaling strong market conviction in a valuable TGE.¹
- **Highest Risk/Reward (Contrarian Play): Pacifica** offers the highest-potential-reward scenario, but it is also the highest risk. Participants must make a contrarian bet against the development team's explicit and official denial of a future airdrop, speculating that this is a strategic maneuver to deter low-conviction farmers.¹

Given the inherent uncertainties and diverse requirements of these campaigns, a diversified, portfolio-based approach is the most prudent path to success. Allocating capital and effort across protocols with varying risk profiles, blockchain ecosystems, and reward mechanics mitigates platform-specific risks while maximizing exposure to the most lucrative opportunities in the evolving 2025 DeFi landscape.

Section 1: The Funding Rate Arbitrage Playbook

The strategy of funding rate arbitrage is a sophisticated, quantitative approach that serves as a cornerstone for efficient airdrop farming on perpetual DEXs. It allows for the generation of significant trading volume—a key metric for many points programs—while theoretically neutralizing exposure to market direction. However, its successful execution requires a deep understanding of its mechanics, costs, and inherent risks.

1.1 Deconstructing Funding Rates: The Core Mechanism of Perpetual Futures

Perpetual futures, or "perps," are derivative contracts that, unlike traditional futures, have no expiration or settlement date.⁴ This feature allows traders to hold leveraged positions indefinitely. To prevent the price of the perpetual contract from diverging significantly from the price of the underlying asset in the spot market, exchanges employ a mechanism known

as the **funding rate**.⁴

The funding rate consists of periodic payments exchanged between traders holding long and short positions.² The direction and magnitude of these payments are determined by the relative positioning of the perpetual and spot prices, which reflects market sentiment:

- **Positive Funding Rate:** When the perpetual contract price trades at a premium to the spot price ($P_{\text{perp}} > P_{\text{spot}}$), it indicates a bullish sentiment, with more traders willing to go long. To incentivize a return to equilibrium, traders holding long positions pay a funding fee to traders holding short positions.²
- **Negative Funding Rate:** Conversely, when the perpetual contract price trades at a discount to the spot price ($P_{\text{perp}} < P_{\text{spot}}$), it signals bearish sentiment. In this case, traders holding short positions pay a funding fee to traders holding long positions.²

These payments typically occur at set intervals, such as every hour or every eight hours, depending on the exchange.² The calculation often incorporates two components: an interest rate component (reflecting the cost of borrowing the quote vs. base currency) and a premium/discount component (reflecting the price divergence).⁸ This continuous process creates a financial incentive that pulls the perpetual price back towards the spot price, ensuring the contract remains anchored to the underlying asset's value.

1.2 Principles of a Delta-Neutral Approach: Isolating Yield from Market Direction

Funding rate arbitrage is a **delta-neutral** strategy designed to isolate and capture the yield generated from funding rate differentials between two different exchanges for the same asset, without taking on directional market risk.² The term "delta-neutral" refers to a portfolio whose value is not sensitive to small changes in the price of the underlying asset.

The core mechanic involves simultaneously executing two opposing trades of equal size:

1. Open a **long position** on the exchange where the funding rate is lower (or more negative).
2. Open a **short position** on the exchange where the funding rate is higher (or more positive).

By holding both positions, any profit or loss from a price movement in the underlying asset on the long leg of the trade is theoretically offset by an equal and opposite profit or loss on the short leg.⁵ This leaves the trader exposed primarily to the net difference in the funding payments between the two exchanges. For example, if Exchange A has a funding rate of +0.01% and Exchange B has a rate of +0.03%, an arbitrageur would go long on Exchange A and short on Exchange B. They would pay 0.01% on their long position but receive 0.03% on

their short position, capturing a net positive yield of 0.02%.

This characteristic makes funding rate arbitrage an exceptionally powerful tool for airdrop farming. It provides a systematic method for generating immense trading volume—often a primary criterion for earning points—at a theoretically minimal cost and with reduced directional risk, allowing farmers to climb leaderboards in a capital-efficient manner.²

1.3 Tactical Execution: Identifying and Capitalizing on Opportunities

Effective execution begins with accurately identifying profitable arbitrage opportunities. The provided strategy document² recommends using a tool named loris.tools. However, an extensive review of the public internet reveals that this is an erroneous reference. The domains loris.ai, loris.ca, and getloris.com are associated with AI-driven customer service, neuroimaging research software, and construction site management technology, respectively; none are related to cryptocurrency derivatives.¹⁰ This was likely a typographical error or a reference to a private, now-defunct tool.

To execute this strategy professionally, traders must rely on institutional-grade data sources and platforms:

- **Data Aggregators & Dashboards:** Publicly available platforms such as CoinMarketCap, The Block, and Glassnode offer real-time and historical funding rate data across numerous exchanges.¹⁴ While these tools may not provide a dedicated arbitrage scanner, they are indispensable for manually monitoring rates and identifying potential opportunities.
- **Specialized Analytics Platforms:** For more sophisticated operations, services like Kaiko and Amberdata provide institutional-grade, low-latency data feeds for derivatives, including funding rates.¹⁷ This data can be integrated into custom scripts or algorithms to automatically scan for and flag arbitrage opportunities in real-time.
- **Automated Trading Frameworks:** Open-source trading bot software, most notably **Hummingbot**, provides a powerful framework for implementing quantitative strategies. It includes modules and pre-built scripts specifically for funding rate arbitrage on various exchanges, including DEXs like Hyperliquid, representing the most advanced and efficient method of execution.²⁰

With a reliable data source, the execution process follows a systematic workflow:

1. **Opportunity Identification:** Scan the chosen data dashboard or automated tool for a significant and stable funding rate differential between two target DEXs (e.g., Lighter and Extended). A differential greater than 3 basis points (bps) is a common baseline for a potentially profitable trade.²

2. **Pre-Trade Analysis:** Before execution, assess the order book depth and liquidity on both exchanges for the target asset. This is critical for estimating potential price slippage, which can erode or eliminate profits. Calculate the required collateral for the desired position size and leverage.
3. **Trade Execution:** To minimize the risk of price movements between the two trades (legging risk), execute both the long and short orders as simultaneously as possible.
4. **Active Monitoring:** This is not a passive strategy. Continuously monitor the margin ratios and proximity to liquidation prices for both positions. Market volatility can quickly put one leg of the trade at risk.²
5. **Exit Criteria:** The trade should be closed when the conditions that made it profitable cease to exist. As recommended in the source material, a common exit signal is when the funding rate differential narrows to below the initial threshold (e.g., <3 bps) and remains there for a sustained period of 3-4 hours.²

1.4 Optimizing Execution: Mitigating Slippage and Spread Costs

The theoretical profit from a funding rate differential can be quickly consumed by execution costs. The two primary costs are explicit trading fees and the implicit cost of crossing the bid-ask spread.²

The most effective technique for minimizing these costs is the strategic use of **limit orders**.² A market order executes immediately at the best available price, which means the trader pays the bid-ask spread. A limit order, by contrast, is placed on the order book at a specific price. If a trader places a buy order at the current bid price or a sell order at the current ask price, they are acting as a "maker" of liquidity. This approach has two key benefits:

1. **Avoiding the Spread:** The trader does not pay the cost of the spread.
2. **Earning Rebates:** Many exchanges, including Paradex, offer a "maker rebate"—a negative fee paid to the trader for adding liquidity to the order book.²³

A nuanced execution strategy involves placing a limit order on the less liquid of the two exchanges first. Once that order is filled (confirming the first leg of the arbitrage is in place at a favorable price), the trader can then execute a market order on the more liquid exchange to complete the pair. This minimizes the time the position is unhedged and exposed to directional risk while still capturing the cost benefits of a maker order on one side.

The ultimate goal of the strategy within an airdrop farming context is not necessarily to generate large profits from the arbitrage itself. Instead, the objective is to generate the maximum amount of trading volume for the lowest possible net cost. A successful arbitrage operation that breaks even after all fees and costs is still a massive win, as it has generated

potentially millions of dollars in qualifying volume for "free." The true "profit" is the expected value of the future airdrop.

1.5 A Robust Risk Management Framework for Arbitrageurs

While delta-neutral in theory, funding rate arbitrage carries significant practical risks that must be actively managed. The framework outlined in the source material provides a solid foundation², which can be expanded with additional considerations.

- **Liquidation Risk:** This is the most acute and common risk. A highly volatile price movement can cause the loss on one leg of the trade to exceed the posted collateral, triggering a liquidation and a total loss of that capital.² Mitigation requires a multi-pronged approach:
 - **Conservative Leverage:** Avoid using high leverage, particularly on volatile altcoins which, while offering higher point multipliers, also carry a much greater risk of sudden price swings.²
 - **Proactive Stop-Losses:** As recommended, set stop-loss orders on both positions at levels just inside the calculated liquidation prices. This ensures the position is closed with a partial loss rather than a total liquidation.²
 - **Margin Monitoring:** Check margin ratios on both exchanges at least twice daily and be prepared to add collateral to positions that are approaching their liquidation threshold.²
- **Basis Risk:** This is the risk that the prices of the perpetual contracts on the two exchanges diverge from each other or from the underlying spot price.²⁵ If the basis moves unfavorably, it can create losses that are larger than the profits being earned from the funding rate differential. This is especially prevalent during periods of high market stress or on less liquid exchanges.
- **Execution Risk:** This category includes two main challenges:
 - **Slippage:** When using market orders, especially for large sizes on illiquid pairs, the execution price may be significantly worse than the quoted price, a cost known as slippage.⁸
 - **Legging Risk:** This is the risk of an adverse price movement in the time between the execution of the first leg and the second leg of the trade. The faster the execution, the lower this risk.
- **Platform & Counterparty Risk:** This encompasses risks related to the exchanges themselves. For DEXs, this includes smart contract vulnerabilities, oracle failures, or exploits that could lead to a loss of user funds. For any exchange, there is the risk of insolvency or regulatory action.⁸

The following table provides a procedural checklist for executing the funding rate arbitrage

strategy with an integrated risk management focus.

Table 1.1: Funding Rate Arbitrage Execution Checklist & Risk Mitigation

Phase	Action	Primary Risk Mitigated
1. Opportunity Scan	Use a reliable data dashboard (e.g., CoinMarketCap, The Block) or automated tool (e.g., Hummingbot) to identify assets with a sustained funding rate differential >3 bps between two target DEXs.	Wasted Capital
2. Pre-Trade Analysis	Verify order book depth and liquidity on both exchanges. Calculate potential slippage for the intended position size. Confirm collateral requirements and fee structures.	Execution Risk (Slippage), Cost Overruns
3. Execution	Place a limit (maker) order on the less liquid exchange. Upon its fill, immediately place a market (taker) order on the more liquid exchange to complete the pair.	Execution Risk (Legging), Spread Costs
4. Active Monitoring	Check margin ratios and proximity to liquidation prices on both positions at least twice daily. Set price alerts for levels approaching stop-loss triggers.	Liquidation Risk, Basis Risk

5. Exit	When the funding rate differential narrows below the entry threshold for a sustained period (3-4 hours), close both positions simultaneously to lock in the net result.	Profit Erosion, Funding Rate Risk
---------	---	-----------------------------------

Section 2: A Taxonomy of Airdrop Farming Strategies

The evolution of airdrop campaigns from simple volume-based metrics to complex, quality-weighted systems reflects a strategic arms race between protocols and farmers. Protocols are actively designing incentive structures to filter out low-effort, "mercenary" capital and reward users who exhibit behaviors indicative of long-term value and community alignment.¹ A successful farmer in the current environment must therefore operate as a strategist, correctly diagnosing the "game" being played by each protocol and deploying the appropriate capital and effort. A single, monolithic approach is destined for failure.

2.1 Volume-Centric Farming: The Brute-Force Method

This is the most traditional and straightforward approach to airdrop farming, where the primary objective is to maximize cumulative trading volume. This strategy is most effective for campaigns that employ a transparent, volume-based points formula, where rewards are directly proportional to the notional value traded.¹

- **Applicable Protocols:** The clearest example is **Variational**, which has explicitly confirmed that cumulative trading volume is the primary criterion for its massive 50% airdrop.¹ **EdgeX** also fits this model, as trading volume is one of its core, clearly defined methods for earning points in its long-term campaign.¹
- **Optimal Execution Tool:** Funding rate arbitrage is the quintessential tool for this strategy. Its delta-neutral nature allows a farmer to generate enormous volumes with minimized directional risk. The goal is not necessarily to profit from the arbitrage itself, but to "wash trade" in a capital-efficient manner to ascend the volume leaderboard at the lowest possible net cost.¹
- **Key Metric for Success:** The critical variable for a volume-centric farmer is the *cost per dollar of volume generated*. This calculation must include all trading fees, slippage,

spread costs, and any net profit or loss from funding payments. Protocols that offer zero or very low fees, such as **Variational** (zero fees) and **Lighter** (zero retail fees), are mathematically superior venues for executing this strategy.¹

2.2 Quality-Weighted Farming: Generating Alpha through PnL and Sharpe-Ratio Optimization

In response to the ease with which pure volume can be gamed by bots, a more sophisticated class of protocols has emerged. These platforms have designed their points programs to reward "quality" engagement, effectively raising the barrier to entry from simply having capital to having demonstrable trading skill.¹

- **Applicable Protocols:** The leading example is **Lighter DEX**, which explicitly weights its points formula toward metrics like Profit and Loss (PnL), Sharpe Ratio (a measure of risk-adjusted return), and delta-neutral behavior.¹ **Pacifica** also falls into this category; its "deliberately merit-weighted and opaque" formula is designed to reward genuine market participants and slash points from wash traders, making profitability a likely, though unconfirmed, key metric.¹
- **Optimal Execution:** This strategy cannot be faked with mindless volume. It requires genuine trading alpha. To maximize points, a farmer must engage in activities that are inherently profitable and risk-managed. This could include successful directional trading, sophisticated market-making strategies, or executing funding rate arbitrage with a consistent positive expected value. Indiscriminate, loss-making volume generation will likely be penalized or minimally rewarded.
- **Key Metric for Success:** The primary metric is *risk-adjusted return*. The protocol is attempting to identify and reward "good traders" who are likely to become long-term, valuable members of its ecosystem. A farmer must prove, through their on-chain activity, that they belong in this cohort.

2.3 The Liquidity Provider's Edge: Maker-Focused Strategies

A healthy exchange requires deep liquidity on its order books. To incentivize this, many protocols specifically reward users who act as "makers"—participants who place passive limit orders that add depth to the book, rather than "takers" who execute market orders and remove liquidity.¹

- **Applicable Protocols:** **Pacifica** explicitly encourages users to "be a maker," stating that

"maker flow is the backbone of healthy books".¹ **Paradex** has a dedicated "Maker XP" category, **Extended** rewards users who provide liquidity via tight, two-sided limit orders, and **Lighter** rewards delta-neutral behavior, which is a core component of market-making.¹

- **Optimal Execution:** This strategy involves running automated market-making bots or manually placing and maintaining tight bid and ask limit orders around the current market price. This approach has the dual benefit of earning specific points for maker activity while also often qualifying for maker rebates (negative trading fees). However, it exposes the farmer to **inventory risk**—the risk of being filled on one side of the order book just before the market moves adversely, leaving the trader with an unprofitable position.
- **Key Metric for Success:** The key metrics are *uptime and spread tightness*. A successful liquidity provider must consistently quote on the order book with a competitive spread, balancing the desire to earn points and rebates with the need to manage the risk of adverse selection.

2.4 Synergistic Farming: The "Double-Dip"

This opportunistic strategy involves identifying and using protocols that are built on top of, or act as an interface for, other underlying protocols that also have incentive programs. This can potentially allow a user to earn rewards from both ecosystems simultaneously from a single stream of activity.

- **Applicable Protocols:** The clearest example is **BasedApp**. It is not a standalone DEX but functions as an aggregator and user-friendly front-end for the **Hyperliquid** trading engine.¹
- **Optimal Execution:** By routing all Hyperliquid trading activity through the BasedApp self-custodial wallet, a user can simultaneously accumulate points for Hyperliquid's highly anticipated airdrop while also earning "Based XP".¹ The Based XP serves as a no-cost call option on a potential future airdrop from BasedApp itself.
- **Key Consideration:** This strategy introduces a significant **dependency risk**. The value proposition and core functionality of BasedApp are inextricably linked to the continued success, stability, and market dominance of Hyperliquid. Should Hyperliquid experience a technical failure, suffer an exploit, or lose significant market share, the utility of the BasedApp trading platform and its associated XP program would be severely compromised.¹

Section 3: Protocol Deep Dive & Strategic Application

A successful farming campaign requires a granular understanding of each protocol's unique characteristics, including its technology, airdrop status, and, critically, its fee structure. Transaction costs are a primary determinant of the profitability and viability of any high-volume strategy. The following table provides a comparative overview of the fee structures for the target DEXs, which will inform the strategic recommendations for each.

Table 3.1: Comparative Fee Structures of Target Perpetual DEXs

Protocol	Base Taker Fee	Base Maker Fee	Fee Model Notes
Paradex	0.03%	-0.005% (Rebate)	Fixed fee structure. The negative maker fee means traders are paid to provide liquidity. ²³
Variational	0.00%	0.00%	Zero-fee model. Revenue is generated from the bid-ask spread charged to users. ¹
Pacifica	0.0200%	0.0075%	Tiered model that reduces fees at higher volumes. Has run promotional periods with 50% fee reductions. ³
EdgeX	~0.038%	~0.012%	Tiered model based on 30-day volume. VIP levels offer significant fee reductions. ²⁸
BasedApp	(Hyperliquid Fees)	(Hyperliquid Fees)	Functions as a front-end to Hyperliquid; fees

			are determined by the underlying exchange. ¹
Lighter DEX	0.00%	N/A	Zero trading fees for retail users. Revenue is generated by charging fees to market makers. ²
Extended	0.025%	0.000%	Zero-fee maker model. Offers daily maker rebates up to 2 bps based on maker-share thresholds. ³⁰

3.1 The Starknet Cluster (Lighter, Extended, Paradex)

Starknet has emerged as a hub for high-performance DeFi applications, hosting three of the protocols under analysis. Each leverages Starknet's ZK-rollup technology but presents a distinct opportunity for farmers.

- **Lighter DEX:**
 - **Analysis:** Built on Starknet and backed by elite venture capital firms Andreessen Horowitz (a16z) and Lightspeed Venture Partners, Lighter possesses significant institutional credibility.¹ Its points program is a clear example of the shift toward rewarding skill, with the formula explicitly designed to favor high PnL, strong Sharpe Ratios, and delta-neutral trading behavior.¹ An airdrop of 30-50% of the token supply was confirmed in a team AMA, with the TGE anticipated for Q4 2025.² The most potent validation of its potential comes from the active OTC market, where Lighter points are trading for \$75-\$80 each, implying a very high market conviction in a valuable token launch.¹
 - **Optimal Strategy: Quality-Weighted Farming.** Lighter is the premier destination for traders confident in their ability to generate alpha. The strategy here is not to generate mindless volume but to trade profitably and consistently. Low-leverage, positive-EV funding rate arbitrage, skilled directional trading, and sophisticated market-making are the required approaches. Brute-force volume generation at a net loss is likely to be heavily penalized or minimally rewarded by the points algorithm.

- **Extended:**
 - **Analysis:** Also built on Starknet, Extended was founded by a team with experience from the fintech giant Revolut.¹ A significant 30% airdrop is confirmed, with the TGE planned for H1 2026.² Its standout strategic advantage is a user-experience focus, featuring an integrated bridge that allows EVM-native users to interact with the platform using familiar wallets like MetaMask, abstracting away the complexities of the Starknet ecosystem.¹ Points are earned through a combination of trading, liquidity provision (either passively in a vault or actively on the order book), and referrals.¹
 - **Optimal Strategy: Hybrid (Volume + Liquidity Provision).** Extended's seamless EVM onboarding makes it an ideal venue to capture high volume from the largest segment of DeFi users. This makes funding rate arbitrage between Extended and other EVM-based exchanges (both CEXs and DEXs) a highly viable and efficient strategy. Furthermore, the explicit rewards for providing maker liquidity make a parallel market-making strategy a strong secondary approach to maximize points accumulation.
- **Paradex:**
 - **Analysis:** Paradex is a Starknet-based DEX incubated by Paradigm, the institutional liquidity network (not the VC firm).¹ Unlike Lighter and Extended, an airdrop is **not confirmed**. Official communications are carefully worded, referring to "bonuses," "XP," and "special reward events" rather than a token.¹ The platform offers a uniquely diverse set of earning mechanics, including TVL XP, Fee XP, and Maker XP. Its most novel feature is "Liquidation XP," which awards points even when a position is liquidated. This acts as a psychological cushion, mitigating the negative experience of a total loss and potentially encouraging traders to take on more risk, which in turn drives volume and liquidation fee revenue for the protocol.¹
 - **Optimal Strategy: Diversified Engagement.** Given the speculative nature of the final reward and the broad array of XP-earning categories, the optimal strategy is holistic engagement. A farmer should aim to interact with multiple facets of the platform: maintain some open interest, deposit assets into the yield-bearing vaults, generate a consistent level of trading volume, and utilize the referral system. "Liquidation XP" should be viewed as a risk mitigant, not a farming objective.

3.2 The Arbitrum Anomaly (Variational)

Variational represents a unique and highly compelling opportunity within the Arbitrum ecosystem, distinguished by its business model and its exceptionally generous airdrop commitment.

- **Analysis:** Variational is a perpetuals DEX on Arbitrum that utilizes a Request-for-Quote

(RFQ) system instead of a traditional order book, generating revenue from the bid-ask spread rather than explicit trading fees.¹ This allows it to offer a zero-fee trading experience. The project has **confirmed** its intention to launch a native token, VAR, and will distribute an enormous **50% of the total supply** to the community via an airdrop.¹ The primary, and seemingly sole, criterion for eligibility is cumulative trading volume. Its most powerful user acquisition tool is the current "pre-points" reward mechanism: an instant **loss refund** of 1-5% on losing trades, which directly subsidizes the cost of trading on the platform.¹

- **Optimal Strategy: Volume-Centric Farming (Maximal Effort).** Variational is the purest volume-centric farming opportunity in the current market. The combination of zero trading fees and direct loss refunds creates a negative-cost environment for generating volume under many conditions. Funding rate arbitrage is the ideal tool to exploit this structure, as the primary cost component (fees) is eliminated entirely. The strategic objective for a farmer should be to accumulate as much volume as possible to secure a large share of the 50% token allocation, with a key intermediate goal of reaching \$1 million in volume to unlock a personal referral code for further boosts.¹

3.3 The Solana Gambit (Pacifica)

Pacifica has emerged as a dominant force on Solana, but its airdrop campaign is a high-stakes psychological game that demands a contrarian conviction from its participants.

- **Analysis:** Built on Solana by a team of high-ranking alumni from FTX and Alameda Research, Pacifica has demonstrated impressive technical prowess, achieving trading volumes that have at times surpassed all other perpetuals DEXs on the network.¹ Its points program is active but deliberately opaque and merit-weighted, with the team explicitly stating its intention to retroactively slash points from Sybil attackers and wash traders.¹ The most critical factor is the team's official and unequivocal public stance: **"There is no airdrop".**¹
- **Optimal Strategy: High-Conviction Maker Strategy.** To farm Pacifica is to make an explicit bet that the team's denial of an airdrop is a strategic misdirection designed to filter out low-conviction, mercenary capital. The opaque formula and the platform's emphasis on maintaining "healthy books" strongly imply that the most rewarded activity is providing maker liquidity through "post-only" limit orders.¹ Generating raw taker volume is highly likely to be discounted or even penalized. This is a quintessential high-risk, high-reward farm suitable only for a speculative portion of a diversified portfolio.

3.4 The Ethereum L2 Mainstay (EdgeX)

EdgeX offers a more traditional and straightforward farming opportunity on an Ethereum Layer-2, characterized by its long and clearly defined campaign timeline.

- **Analysis:** EdgeX is a perpetual DEX built on Ethereum using StarkEx for scaling, with backing from the institutional firm Amber Group.¹ An airdrop for points program participants is **confirmed**, with the campaign running on a fixed seven-month schedule from May 28, 2025, to December 31, 2025.¹ Points can be earned through a clear set of activities: trading, depositing funds into liquidity vaults, and referrals.¹ The primary risk associated with this campaign is reward dilution. As awareness grows over the long campaign window, the fixed weekly pool of 300,000 points will be divided among a larger number of participants, reducing the points earned per unit of capital over time.¹
- **Optimal Strategy: Long-Term, Consistent Volume & TVL.** The structure of the EdgeX campaign rewards sustained participation. It is a "marathon, not a sprint." The optimal approach is a balanced one, combining consistent trading volume generation (e.g., via funding rate arbitrage) with a strategic deposit into the platform's liquidity vaults. This ensures the farmer is earning points from both of the main categories. Due to the dilution effect, participation early in the campaign window yields a significantly better reward-to-effort ratio.

3.5 The Aggregator Angle (BasedApp)

BasedApp is not a standalone protocol but an aggregator, offering a unique, albeit indirect, path to airdrop rewards.

- **Analysis:** BasedApp is a multi-faceted financial application that offers spot and perpetuals trading by integrating with Hyperliquid's underlying infrastructure. It also provides a non-custodial Visa debit card.¹ It employs a dual-incentive system: "Based Points" are earned from KYC-verified card spending, while "Based XP" is awarded for on-chain trading activity conducted through its self-custodial wallet.¹ An airdrop linked to either system is **unconfirmed**, with the company describing them only as "non-financial loyalty signals".¹
- **Optimal Strategy: Synergistic Farming (Opportunistic).** The primary strategic value of using BasedApp in an airdrop context is to "double-dip" on rewards from Hyperliquid. By routing all Hyperliquid trades through the BasedApp interface, a user can farm for Hyperliquid's own highly anticipated airdrop while simultaneously accumulating Based XP. This treats the Based XP as a free call option on a potential, speculative future airdrop from BasedApp itself. This approach should be viewed as an enhancement to an existing

Hyperliquid farming strategy rather than a primary, standalone endeavor.

Section 4: A Comparative Framework for Capital & Effort Allocation

Synthesizing the detailed protocol analysis into an actionable framework requires a comparative view across the most critical decision-making vectors. The selection of a farming target is not a search for a single "best" protocol, but rather a portfolio construction problem. The optimal allocation is a function of the intersection between a protocol's objective characteristics (its incentive structure and risk profile) and a farmer's subjective attributes (their trading skill, capital availability, and risk tolerance).

4.1 The Airdrop Farming Decision Matrix

The following table provides a comprehensive, at-a-glance comparison of the seven protocols, designed to serve as the central decision-making tool for allocating capital and effort.

Protocol	Blockchain	Airdrop Confirmation	Primary Earning Mechanic	Optimal Farming Strategy	Inferred Risk Profile	Cost of Farming (Fee-Adjusted)	Market Conviction (OTC Point Value)
Variational	Arbitrum	Confirmed (50% Supply)	Cumulative Trading Volume	Volume-Centric	Low	Very Low (Zero fees + Loss refunds)	High
Lighter DEX	Starknet	Confirmed (AMA)	PnL & Sharpe Ratio	Quality-Weighted	Medium	Low (Zero retail fees)	Very High (\$75-\$80)

EdgeX	Ethereum (L2)	Confirmed	Trading Volume & TVL	Volume-Centric	Medium	Medium	Medium
Extended	Starknet	Confirmed (30% Supply)	Trading & Liquidity	Hybrid (Volume + Maker)	Medium	Low (Zero maker fees)	Medium-High
Parade x	Starknet	Speculated	Diversified (Volume, TVL, etc.)	Diversified Engagement	High	Medium	Medium
Based App	Multi-Chain	Unconfirmed	DEX Trading (via Hyperliquid)	Synergistic ("Double-Dip")	High	(Hyperliquid Fees)	Low (for BasedApp itself)
Pacific a	Solana	Officially Denied	Opaque (Maker Liquidity)	High-Conviction Maker	Very High	Medium	Medium-High (~\$0.80)

4.2 Mapping Protocols to Trader Archetypes

To translate this data into a prescriptive strategy, it is useful to define several trader archetypes and recommend a tailored portfolio for each.

- The High-Volume, Cost-Sensitive Trader:** This user's primary skill is the efficient generation of trading volume, often through automated strategies. Their main constraint is minimizing transaction costs.
 - Primary Allocation: Variational.** Its combination of zero fees and loss refunds makes it the mathematically optimal venue for pure volume generation.¹
 - Secondary Allocation: Lighter DEX** (zero retail fees) and **Extended** (zero maker fees and EVM-friendly access) are excellent secondary targets for volume-based

strategies.²

- **The Profitable Quant:** This user is confident in their ability to generate consistent, positive PnL through skilled trading or sophisticated, positive-EV arbitrage.
 - **Primary Allocation: Lighter DEX.** Its points formula is explicitly designed to reward this user's exact skill set, giving them a significant competitive advantage.¹
 - **Secondary Allocation: Pacifica**, whose opaque, merit-based formula is highly likely to reward skilled maker activity, and **Paradex**, whose diverse metrics may favor sophisticated users who can engage across multiple vectors.
- **The Risk-Averse Participant:** This user prioritizes capital preservation and focuses on opportunities with the highest degree of certainty regarding a future reward.
 - **Primary Allocation: Variational.** The confirmed 50% airdrop and subsidized trading costs present the best risk-adjusted return profile.¹
 - **Secondary Allocation: EdgeX.** Its confirmed airdrop and long, predictable campaign timeline allow for steady, lower-stress accumulation of points over time.¹
 - **Protocols to Avoid: Pacifica** (officially denied airdrop), **Paradex**, and **BasedApp** (unconfirmed rewards) should be avoided by this archetype due to their speculative nature.

4.3 Constructing a Diversified Farming Portfolio

Concentrating 100% of capital and effort onto a single protocol is a high-risk strategy. A diversified portfolio approach, analogous to traditional investment management, is far more prudent. It mitigates platform-specific risks (e.g., a smart contract exploit, a failed TGE) and increases the probability of capturing at least one valuable airdrop.¹

A sample **Balanced Risk Portfolio** could be structured as follows:

- **40% Capital/Effort Allocation: Variational**
 - **Role:** Core, Low-Risk Holding. This serves as the anchor of the portfolio, targeting a confirmed and potentially massive airdrop with subsidized participation costs.
- **30% Capital/Effort Allocation: Lighter DEX**
 - **Role:** Core, Skill-Based Holding. This allocation targets a high-conviction, high-value opportunity that rewards the user's trading ability.
- **20% Capital/Effort Allocation: Extended**
 - **Role:** Diversification & Growth. This provides exposure to the Starknet ecosystem through an EVM-friendly platform, diversifying both blockchain and strategy risk.
- **10% Capital/Effort Allocation: Pacifica**
 - **Role:** Speculative, High-Reward Bet. This small, "venture" allocation targets a high-risk, high-upside contrarian play on the Solana ecosystem.

This sample portfolio effectively diversifies across multiple critical vectors: blockchains (Arbitrum, Starknet, Solana), risk profiles (confirmed, implied, denied), and required strategies (volume-centric, quality-weighted, maker-focused).

Section 5: Comprehensive Risk Assessment

Participation in pre-TGE incentive campaigns is an inherently high-risk endeavor that extends far beyond simple market volatility. A comprehensive risk assessment must account for technical, market, campaign-specific, and macro-regulatory factors.

5.1 Technical & Platform Risk

- **Smart Contract Vulnerabilities:** The protocols analyzed are new, and many are still operating in a beta phase.¹ This exposes users to the risk of software bugs, logic errors, or undiscovered vulnerabilities in the smart contracts that could be exploited by malicious actors, potentially leading to a partial or total loss of deposited funds.³³
- **Protocol Failure & Execution Risk:** There is a significant risk that a project may fail to achieve product-market fit, gain meaningful user traction, or deliver on its technical roadmap. This can result in the eventual airdropped token having little to no market value. **EdgeX**, for instance, has been noted for "below-average PR Performance" and a team with less experience in top-tier companies, suggesting a potential execution risk despite its sound technical claims.¹

5.2 Market & Execution Risk

- **Liquidation Cascades:** Perpetual DEXs offer high leverage, with platforms like EdgeX providing up to 100x.³⁴ While leverage can amplify gains, it dramatically increases the risk of rapid and total liquidation of a trader's collateral, especially during periods of high market volatility.²
- **Funding Rate Volatility:** For those employing the funding rate arbitrage strategy, a primary risk is that the funding rates can flip or converge unexpectedly, turning a profitable position into a net-losing one. This necessitates constant monitoring and active management.²⁵
- **Impermanent Loss (IL):** For strategies that involve providing liquidity to vaults or as a

market maker (e.g., on Extended or Paradex), impermanent loss is a major concern. IL is the opportunity cost experienced by a liquidity provider when the price of the assets in the pool diverges. During periods of high volatility, these losses can outweigh the fees and points earned.¹

5.3 Campaign & Incentive Risk

The incentive campaigns themselves, being centrally controlled by the protocol teams, introduce a unique set of risks.

- **Dynamic Rule Changes:** Most protocols, including **EdgeX** and **Extended**, explicitly reserve the right to alter their points formulas and reward structures at any time.¹ A strategy that is optimal one week may become suboptimal or even penalized the next, requiring constant adaptation from the farmer.
- **Retroactive Slashing:** Platforms like **Pacifica** have openly stated their intention to retroactively "slash" or nullify points from wallets they subjectively deem to be engaging in inorganic activity, such as wash trading.¹ This introduces an element of subjective risk where accumulated rewards could be forfeited at the team's discretion.
- **Valueless Airdrops:** The most significant risk is that the capital, time, and fees expended to farm points culminate in an airdropped token that has little to no market value. This can occur if the project fails to generate market interest, has poorly designed tokenomics that lead to immediate sell pressure, or if the overall market enters a bearish cycle at the time of the TGE.¹
- **Strategic Misdirection:** As exemplified by **Pacifica**, there is a risk that a team's public statements do not align with their long-term intentions. This forces participants to make a speculative judgment call, betting that the official denial of an airdrop is a strategic feint. If the team is being truthful, all effort will have been for naught.¹

5.4 The Macro-Regulatory Horizon

The entire "points meta" operates within a significant legal and regulatory gray area, particularly in jurisdictions like the United States. Projects utilize valueless, off-chain points as a "regulatory sandbox" to bootstrap network effects and user growth while deferring the potential legal complexities of issuing a token, which could be classified as a security.¹

This creates a systemic, macro-level risk that overhangs all participation in these activities. A negative regulatory development, such as a high-profile enforcement action from the SEC

against a major protocol for its points-to-token program, could have a chilling effect on the entire ecosystem. Such an event could cause projects to abruptly cancel or indefinitely postpone their TGEs, potentially rendering all accumulated points worthless and invalidating the premise of these farming strategies.¹ This is a non-diversifiable risk that affects every protocol discussed in this report.

Conclusion & Final Recommendations

The perpetuals DEX airdrop landscape of 2025 is a highly competitive and sophisticated arena that rewards strategic acumen, disciplined execution, and rigorous risk management. The transition from simplistic, retroactive airdrops to gamified points programs has transformed farming from a passive activity into an active, strategic endeavor. Success is no longer guaranteed by capital alone; it requires a nuanced understanding of each protocol's unique incentive design and the deployment of tailored quantitative strategies.

The analysis reveals a clear hierarchy of opportunity, stratified by risk and required skill. Variational offers a low-risk, high-certainty path for volume-centric farmers. Lighter DEX provides a high-conviction opportunity for skilled traders who can generate demonstrable alpha. Pacifica represents a high-risk, contrarian bet on a team's strategic intentions. The remaining protocols—Extended, Paradex, and EdgeX—offer a spectrum of medium-risk opportunities that reward consistent, diversified engagement.

The most critical takeaway is the necessity of a portfolio-based approach. By diversifying capital and effort across different blockchains, risk profiles, and required strategies, participants can mitigate platform-specific failures while maximizing their exposure to potentially life-changing TGEs.

Final Recommendations:

1. **Prioritize Low-Risk Foundation:** Begin by allocating a significant portion of the farming portfolio to **Variational**. Its confirmed 50% token airdrop and cost-subsidizing loss refunds provide the strongest risk-adjusted foundation for any farming campaign.
2. **Deploy Skill-Based Capital:** For participants with proven trading ability, a core allocation to **Lighter DEX** is essential. The platform is explicitly designed to reward this skill set, and the high OTC value of its points signals strong market confidence.
3. **Utilize Funding Rate Arbitrage:** Employ funding rate arbitrage not as a primary profit center, but as a capital-efficient engine for generating the volume required for campaigns on platforms like Variational and Extended. Rigorously manage the associated liquidation and execution risks.
4. **Embrace Diversification:** Construct a portfolio that includes exposure to at least three different protocols across different ecosystems (e.g., Arbitrum, Starknet, Solana) to

hedge against unforeseen technical or campaign-related risks.

5. **Maintain Constant Vigilance:** The rules of these campaigns are dynamic. Continuously monitor official announcements for changes to points formulas, timelines, and reward structures, and be prepared to adapt strategies accordingly. A successful farmer must be as agile as the market itself.

Works cited

1. DeFi Airdrop Research and Comparison
2. The DeFi Investor - Farming Airdrops
3. Pacifica Crypto Exchange and Airdrop | by Przemek Chojecki | Oct, 2025 - Medium, accessed October 28, 2025, <https://pchojecki.medium.com/pacifica-crypto-exchange-and-airdrop-5c8d8c97d333>
4. Bitcoin Funding Rates (USD - Average - 24h) | BM Pro, accessed October 28, 2025, <https://www.bitcoinmagazinepro.com/charts/bitcoin-funding-rates/>
5. How to Use Funding Rate Arbitrage Trading Bot on Phemex, accessed October 28, 2025, <https://phemex.com/help-center/how-to-use-fundingrate-arbitrage-trading-bots-on-phemex-web>
6. What Is Funding Arbitrage? Explained Simply - WunderTrading, accessed October 28, 2025, <https://wundertrading.com/journal/en/learn/article/funding-arbitrage>
7. Mastering Funding Rate Arbitrage in Crypto: A Comprehensive Guide | by Xulian - Medium, accessed October 28, 2025, <https://medium.com/@Xulian0x/mastering-funding-rate-arbitrage-in-crypto-a-comprehensive-guide-27b4c3bb0f90>
8. Crypto Funding Rate Arbitrage Basics | by Siddharth Kumar - Medium, accessed October 28, 2025, <https://medium.com/@degensugarboo/crypto-funding-rate-arbitrage-basics-891ce9e54ac2>
9. Funding Rate Arbitrage Bot Officially Launched – Earn Passive Income with Low Risk, accessed October 28, 2025, <https://phemex.com/announcements/funding-rate-arbitrage-bot-is-live>
10. LORIS | Home Page, accessed October 28, 2025, <https://loris.ca/>
11. Loris – Conversation Intelligence for Leading Brands, accessed October 28, 2025, <https://loris.ai/>
12. Loris, accessed October 28, 2025, <https://www.getloris.com/>
13. christophhart/loris-tools: A collection of sample analysis tools for HISE based on the Loris library - GitHub, accessed October 28, 2025, <https://github.com/christophhart/loris-tools>
14. Cryptocurrency Derivatives Market Data - CoinMarketCap, accessed October 28, 2025, <https://coinmarketcap.com/charts/derivatives-market/>
15. BTC Funding Rates (7DMA, APY) - The Block, accessed October 28, 2025, <https://www.theblock.co/data/crypto-markets/futures/btc-funding-rates>
16. BTC: Futures Perpetual Funding Rate - Binance - Glassnode Studio, accessed

October 28, 2025,

<https://studio.glassnode.com/metrics?a=BTC&category=&e=binance&m=derivatives.FuturesFundingRatePerpetual&resolution=1h&s=1666190491&u=1668866400&zoom=>

17. Kaiko: The crypto industry's leading data, analytics, and indices provider., accessed October 28, 2025, <https://www.kaiko.com/>
18. Time to Rethink Crypto Hedging - Kaiko - Research, accessed October 28, 2025, <https://research.kaiko.com/insights/time-to-rethink-crypto-hedging>
19. Crypto Market Data | Amberdata, accessed October 28, 2025, <https://www.amberdata.io/market-data>
20. Hummingbot - the open source framework for crypto market makers - Hummingbot, accessed October 28, 2025, <https://hummingbot.org/>
21. Funding Rate Arbitrage and Creating Vaults on Hyperliquid - Hummingbot, accessed October 28, 2025, <https://hummingbot.org/blog/funding-rate-arbitrage-and-creating-vaults-on-hyperliquid/>
22. Arbitrage Executor - Hummingbot, accessed October 28, 2025, <https://hummingbot.org/v2-strategies/executors/arbitrage-executor/>
23. Paradex - A New Contender or Simple Farm? - Nansen Research, accessed October 28, 2025, <https://research.nansen.ai/articles/paradex-a-new-contender-or-simple-farm>
24. The True Cost of DEX Trading: How BSX Redefines Efficiency - Medium, accessed October 28, 2025, <https://medium.com/bsx-labs/the-true-cost-of-dex-trading-how-bsx-redefines-efficiency-8b7f0b26f2cf>
25. Arbitrage Trading Bot | Crypto.com Help Center, accessed October 28, 2025, <https://help.crypto.com/en/articles/9755982-arbitrage-trading-bot>
26. BasedApp | Trade & Spend - Apps on Google Play, accessed October 28, 2025, <https://play.google.com/store/apps/details?id=com.basedapp.basedsuperapp>
27. Emerging DEX Pacifica Shakes Up Solana Perps Landscape - Kripto Dnevnik, accessed October 28, 2025, <https://kriptodnevnik.com/emerging-dex-pacifica-shakes-up-solana-perps-landscape/>
28. What Is EdgeX Exchange: Complete Beginners' Guide - Coin Bureau, accessed October 28, 2025, <https://coinbureau.com/review/what-is-edgex-exchange/>
29. Deep Player's edgeX Practical Insights: A New Approach to DeFi of 'Cost Reduction and Efficiency Improvement' | 律动BlockBeats on Binance Square, accessed October 28, 2025, <https://www.binance.com/en/square/post/29486992427233>
30. Extended Crypto Exchange and Airdrop | by Przemek Chojecki | Oct, 2025 - Medium, accessed October 28, 2025, <https://pchojecki.medium.com/extended-crypto-exchange-and-airdrop-0fc2a9984fe3>
31. Pacifica's trading volume in the past 24 hours reached 1.75 billion USD, ranking first in the Solana network | 律动BlockBeats on Binance Square, accessed

- October 28, 2025, <https://www.binance.com/en/square/post/3045866522258>
32. BasedApp x Gelato Relay: Revolutionizing Crypto Card Payments, accessed October 28, 2025, <https://gelato.cloud/blog/basedapp-gelato-revolutionizing-crypto-card-payments>
33. Understanding Decentralized Finance (DeFi): Basics and Functionality - Investopedia, accessed October 28, 2025, <https://www.investopedia.com/decentralized-finance-defi-5113835>
34. edgeX Exchange Project Profile & Token Activities - DropsTab, accessed October 28, 2025, <https://dropstab.com/coins/edgex-exchange>