

OpenBook Token Proposal

OpenBook, a community fork of Serum, is debating what economic model is best for its future. The main debate is around if there should be a new token created, or not. While Dual Finance's stance is that a token is not necessary, we realize there likely will be one created in the future. Therefore, it's worth considering what tokenomic designs can best incentivize developers, liquidity providers & the community.

Full disclosure, Dual Finance's motivation for this proposal is to leverage its token distribution system, specifically Staking Options from which our protocol may extract fees. However, we genuinely believe option based incentives are the future for crypto tokenomics and our protocol helps provide natural liquidity for tokens on the back of this system.

For purposes of this proposal, we will assume a new OPB token is created. This token will govern the OpenBook DAO currently on realms <https://app.realms.today/dao/OPENBOOK> for fees, grants and other governance programs to be approved.

There have been suggestions that SOL be used directly as the OpenBook token to pay & accrue fees to make it a public good for the Solana ecosystem and SOL holders specifically. However, the more organized approach from a governance perspective avoids this and a similar net positive result on SOL can be achieved if the OpenBook DAO holds its reserve assets in SOL, rather than USDC. Launching the OPB token can help grow OpenBook to be a more competitive and adaptable CLOB DEX, and therefore have a greater net benefit for Solana than simply if SOL was used.

Proposal Summary:

- 10B OPB tokens minted to the OpenBook DAO, initially council governed.
- No Token Sale will ever be conducted.
- No unlock schedule. No vesting. No standard token rewards.
- Developer grants & Liquidity Mining programs issued only via Staking Options(SO).
- The Treasury reserve asset is SOL.
- Trading fees accrue to the DAO are used to buy SOL.
- Option exercise payments of USDC are used to buy SOL.
- Buyback using fees & exercise payments are conducted via Downside SO.
- Liquidity Mining OPB SO strikes are a function of total volume traded and/or fees paid.
- Crankers granted OPB SO as a function of gas fees paid.

These are the key token distribution principles that we feel best align OpenBook's participants and provide natural liquidity. Until there is enough OPB circulating from exercise to conduct token based governance, the council would follow these guidelines to distribute tokens or be removed. The specific parameters per deployment may have a significant impact on the net distribution, but are not worth discussing in detail before this high level design has sufficient buy-in from the community.