

VRTX Tokenomics

Defining the utility of the VRTX token and the voVRTX sub-type within the Vertex ecosystem.



Overview

The native and cryptographically-secure, fungible protocol token of Vertex Protocol (ticker symbol – **VRTX**), is a transferable representation of attributed utility functions specified in the protocol code of the Vertex Protocol. VRTX functions as a utility token within the Vertex ecosystem, while affording users several advantages.

The utility of VRTX orients around providing an incentive structure that encourages long-term participation in the health and development of the ecosystem.

Within the scope of its primary objectives, the VRTX token rewards different levels of commitment to the protocol under the consideration that net-positive contributions to the protracted growth of the DEX outweigh any perceived benefits resulting from short-term perspectives.

Primarily, the VRTX token intends to operate as an incentive for the Vertex community to mediate the mutually beneficial relationship among Vertex's contributors. Users of the Vertex protocol and/or VRTX holders who did not actively participate, contribute to the network, or engage in transactions will not receive additional VRTX rewards. These rewards are allocated based on user activity, efforts, and transaction volume within Vertex Protocol.

The utility of VRTX within the scope of the DEX includes:

1. **Staking** VRTX as means to contribute to the safety of the Vertex ecosystem.
2. **Rewarding** variable levels of contributions and commitments to the protocol over the long-term. Rewards are designed to incentivize ongoing participation by contributors who either transact or trade on the protocol, perform off-chain marketing, or provide referral activities.

Staked VRTX is required to participate in the protocol's incentive program as both an indicator of a user's commitment and assurance of standards. Beyond this requirement, staking VRTX generates a user score, known as **voVRTX**, that also plays a significant role in incentivizing security and long-term commitment to the protocol.

For a tutorial on how to stake VRTX, please refer to the documentation section [here](#).

A variety of incentive mechanisms will be introduced to allow active participants to earn VRTX token rewards. These incentive mechanisms for earning additional VRTX token rewards will complement the VRTX reward and utility mechanics detailed further below in this section.

i Future VRTX token utility features and reward mechanisms not contained within the current VRTX Tokenomics will be announced once they are finalised. The guiding principle is to reward all users for their efforts in supporting and promoting the ecosystem.

The voVRTX Boost: Rewarding Protocol Contributions

Users that stake **VRTX** also generate the **voVRTX** token score – a non-transferable sub-type of the VRTX token with an explicit role. Primarily, voVRTX is an incentive lever that mediates a multiplier effect on incentives for VRTX stakers -- proportional to the amount of time their VRTX is staked.

Users can view voVRTX as analogous to a **"User Score,"** where the amount generated increases proportionally to the longer duration a user's sub-account consistently stakes VRTX.

Users that stake VRTX longer than others display more dedication to the long-term success and security of the protocol by means of the opportunity cost in the potential utilization of that capital elsewhere.

voVRTX boosting is primarily intended to achieve several goals:

- **Encourage long-term staking of VRTX.**
- **Increase active user participation in the protocol.**
- **Benefit Vertex contributors with long-term perspectives.**

The multiplier effect generated by an increased voVRTX score can increase the amount of rewards and incentives over the long term.

For example, the boosting mechanism can increase users' interest and motivation to participate or contribute to the ecosystem, chiefly by elevating proportional claims to missions and rewards.

Boost ranges from **1X** to **2.5X** and will be calculated as displayed in the graphic below.

$$voVRTX = vrtxStaked * (1 + 1.5 * \min(1, \frac{Deposited}{183 \text{ Days}}))$$
$$Boost \text{ for Share of Incentive and Rewards} = \min(2.5, 1 + 1.5 * \frac{voVRTX_i}{Total \text{ voVRTX in Pool}})$$

voVRTX Boost Calculations

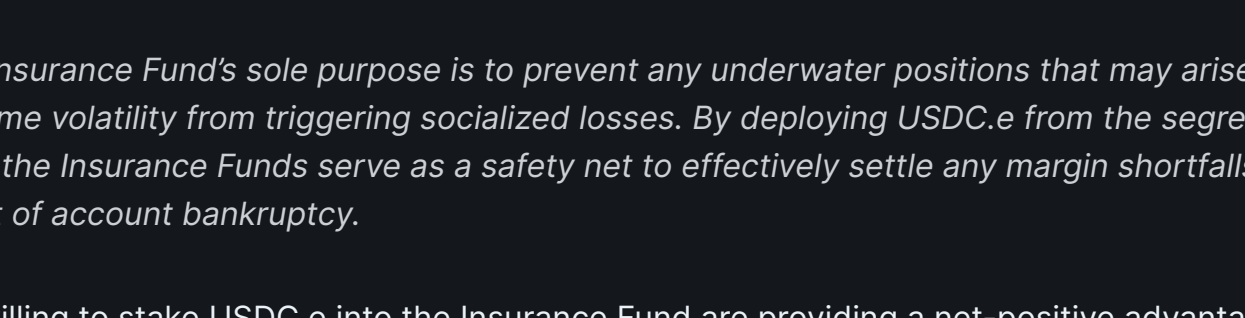
Generating voVRTX is also not strictly correlated to the duration that VRTX is staked on Vertex either.

For example, a user's voVRTX, which generally represents the user's contributions and associated incentives earned, would increase concurrently with other net-positive contributions to the protocol, including but not limited to:

- **Level of Activity**
- **Length of Commitment**
- **Insurance Fund Staking**



voVRTX User Score



Insurance Fund Staking: The [Vertex Insurance Fund](#) provides one of the last safeguards of the exchange's solvency by covering any potential shortfalls with a segregated pool of USDC.e.

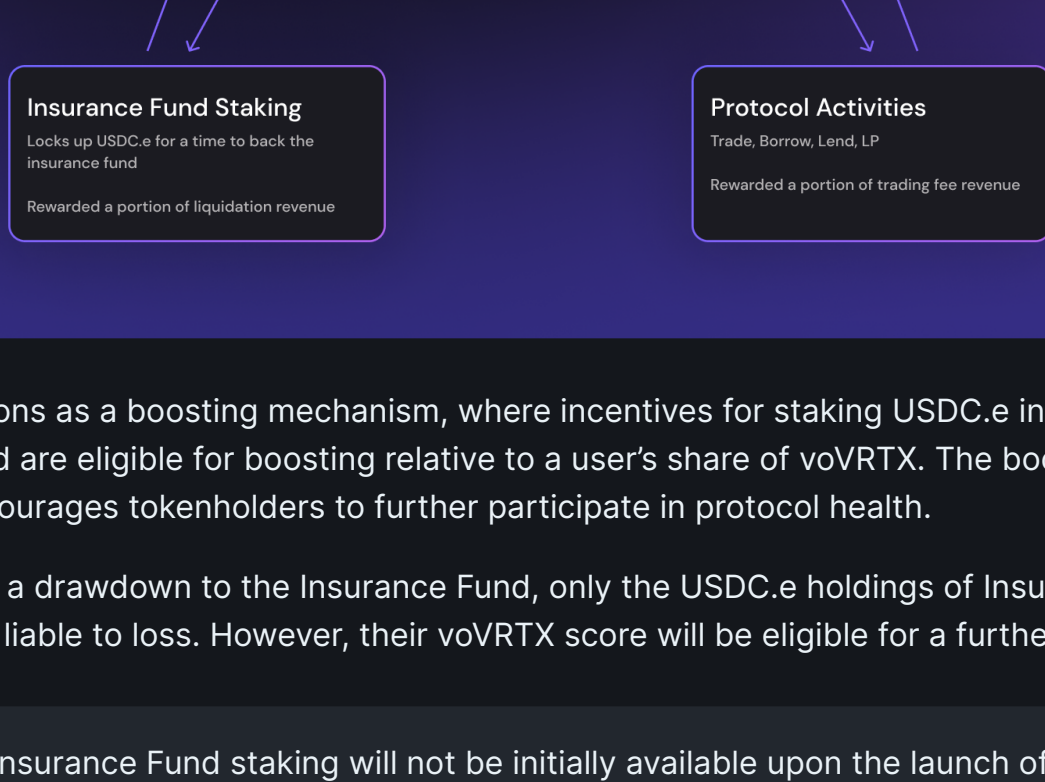
The Insurance Fund's sole purpose is to prevent any underwater positions that may arise amidst extreme volatility from triggering socialized losses. By deploying USDC.e from the segregated pool, the Insurance Funds serve as a safety net to effectively settle any margin shortfalls in the event of account bankruptcy.

Users willing to stake USDC.e into the Insurance Fund are providing a net-positive advantage to the health of Vertex Protocol. Staking USDC.e to the Insurance Fund augments the capital base of the segregated USDC.e pool, rendering the Insurance Fund more robust to any potential situation where USDC.e needs to cover the losses of underwater positions.

The explicit risks associated with Insurance Fund staking are twofold:

1. **Opportunity Cost of Capital:** Insurance Fund Stakers are subject to a minimum lockup duration of 3 weeks.
2. **Staked Capital Risk:** Up to 100% of holdings will be eligible for liquidation in the event the Insurance Fund is drained as a last resort before socialization of losses triggers across open positions.

Insurance Fund Stakers are also eligible to receive a percentage of the protocol's liquidation revenue, which manifests as yield calculated pro-rata relative to the amount of staked capital supplementing the Insurance Fund.



voVRTX functions as a boosting mechanism, where incentives for staking USDC.e into the Insurance Fund are eligible for boosting relative to a user's share of voVRTX. The boost to incentives encourages tokenholders to further participate in protocol health.

In the event of a drawdown to the Insurance Fund, only the USDC.e holdings of Insurance Fund stakers will be liable to loss. However, their voVRTX score will be eligible for a further boost.

i **NOTE:** Insurance Fund staking will not be initially available upon the launch of the VRTX token on November 20th, 2023. Insurance Fund staking is tentatively planned to go live in Q2 2024. More updates on the launch of Insurance Fund staking for users will be published at a later date.

Protocol Rewards

Vertex, like any exchange venue, derives its primary revenue source from [trading fees](#). Denominated in basis points (BPs), a percentage of the notional position size when filled, trading fee revenue scales proportional to the demand for trading on a given exchange venue.

Over extended durations, users demonstrating a long-term commitment to the protocol through various contributions and efforts to participate in the ecosystem (measured based by their voVRTX score) are eligible to receive rewards – derived from a percentage of the protocol revenue.

Up to 50% of all trading fee revenue generated by Vertex in a single epoch, excluding sequencer fees, will be allocated to the Protocol Treasury and used as rewards. Rewards are subsequently disbursed to users based on their long-term participation and commitment to the protocol.

i The specific percentage of trading fee revenue allocated to the Protocol Treasury and used as rewards will be determined on an epoch-by-epoch basis to reflect the changing needs of the protocol.

Official VRTX Token Contract Addresses

The token contract addresses for VRTX on Ethereum and Arbitrum are contained in the hyperlinks below.

- **Ethereum:** <https://etherscan.io/token/0xbbee07B3e8121227AfCFe1E2B82772246226128e>
- **Arbitrum:** <https://arbiscan.io/token/0x95146881b86B3ee99e63705eC87AfE29Fcc044D9>

Addendum -- Updates to VRTX Tokenomics

For a primer on the motivations and considerations for the updated VRTX Tokenomics compared to the original draft from 2022, please refer to the section [here](#).

By using the Vertex Protocol of holding the VRTX token, users acknowledge that they have read, understand, and accept the risks described in both the Vertex [Statement of Risk](#) and [Terms of Use](#).

i **VRTX** does not in any way represent any shareholding, ownership, participation, right, title, or interest in Vertex Protocol or any of its affiliates, or any other company, enterprise or undertaking, nor will VRTX entitle token holders to any promise of fees, dividends, revenue, profits or investment returns, and are not intended to constitute securities in any jurisdiction.

VRTX may only be utilised on the Vertex Protocol, and ownership of the same carries no rights, express or implied, other than the right to use VRTX as a means to enable usage of and interaction within the Vertex protocol. The secondary market pricing of VRTX is not dependent on the effort of the Vertex team, and there is no token functionality or scheme designed to control or manipulate such secondary pricing.

VRTX is designed to be utilised, and it is highlighted that VRTX:

(A) does not have any tangible or physical manifestation, and does not have any intrinsic value (nor does any person make any representation or give any commitment as to its value);

(B) is non-refundable and cannot be exchanged for cash (or its equivalent value in any other digital asset) or any payment obligation by Vertex Protocol or any of its affiliates;

(C) does not represent or confer on the token holder any right of any form with respect to Vertex Protocol or any of its affiliates, or their revenues or assets, including without limitation any right to receive future dividends, revenue, shares, ownership right or stake, share or security, any voting, distribution, redemption, liquidation, proprietary (including all forms of intellectual property or licence rights), right to receive accounts, financial statements or other financial data, the right to requisition or participate in shareholder meetings, the right to nominate a director, or other financial or legal rights or equivalent rights, or intellectual property rights or any other form of participation in or relating to Vertex Protocol or any of its affiliates;

(D) is not intended to represent any rights under a contract for differences or under any other contract the purpose or intended purpose of which is to secure a profit or avoid a loss;

(E) is not intended to be a representation of money (including electronic money), payment instrument, security, commodity, bond, debt instrument, unit in a collective investment or managed investment scheme or any other kind of financial instrument or investment;

(F) is not a loan to Vertex Protocol or any of its affiliates, is not intended to represent a debt owed by Vertex Protocol or any of its affiliates, and there is no expectation of profit nor interest payment;

(G) and does not provide the token holder with any ownership or other interest in Vertex Protocol or any of its affiliates. Notwithstanding VRTX distribution or payment, users have no economic or legal right over or beneficial interest in the assets of Vertex Protocol or any of its affiliates.