## Authors

Frax Core Team

## Summary 2.1

This proposal seeks to implement the upgrading of FXS, the Frax North Star Hardfork, the Tail Emission Plan, and the Flox Capacitor Boost. The proposal includes:

- Renaming of the original FRAX token to: Legacy Frax Dollar.
- Renaming of FXS to FRAX: will unify branding efforts and reduce confusion.
- Renaming of veFXS to veFRAX: in line with the other renamings.
- North Star Hardfork: FRAX (prev. FXS) will become the gas token on Fraxtal, replacing frxETH. It will also facilitate setting up ETH2-like validators in a future update later. This will provide even more utility for the FRAX (prev. FXS) token.
- Tail Emission Plan: Introduces 8% yearly FRAX (prev. FXS) emissions, dropping 1% a year to a floor of 3% in 5 years. These will be directed to FXTL point conversions, community discretionary, DAO discretionary, and team retention.
- Flox Capacitor (floxCAP) Boost: A new boosting system designed so users can boost their FXTL conversion rate by locking FRAX (prev. FXS) into a special FRAX staking contract with a fixed 90 day cooldown for withdrawal. veFRAX balances will also qualify for the floxCAP boost.
- FXTL Conversion: Every week, ~2% of a user's FXTL will be converted to FRAX. Conversion rate depends on the user's floxCAP. Total sum of all FRAX released for conversions subject to tail emission plan.

## Background and Motivation

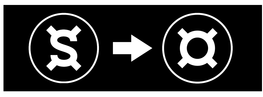
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## Proposal Details

1. Renaming of tokens & multi-chain strategy

   While we realize these rebrandings might initially cause minor confusion, in the interest of branding and frxUSD expansion efforts, we propose that:

   1. "Legacy" FRAX (the original stablecoin) will be renamed to Legacy Frax Dollar
   2. The current FRAX logo will replace the FXS logo:

   (the FXS logo will not be used anywhere going forward)

   3. FXS will be renamed to FRAX. FRAX will continue to govern emissions, revenue-sharing, gauge emissions, and protocol incentives, reinforcing Frax's decentralized economic model.
   4. veFXS will be renamed to veFRAX
   5. Full Usability of Legacy Tokens: The FXS token (now renamed to FRAX) will remain fully usable across the Frax ecosystem and supported protocols and chains, ensuring continuity for all existing integrations and holders. FXS can upgrade 1 to 1 to FRAX on Fraxtal chain at any time.
   6. Multi-Chain Strategy Based on OFT Standard: FRAX will continue its multi-chain expansion and will be aligned with the LayerZero OFT standard. This currently includes Arbitrum, Avalanche, Base, Blast, BSC, Fraxtal, Ink, Metis, Mode, Optimism, Polygon, Polygon-zkEVM, Sei, Sonic, and X-Layer. Future chains include Move, Solana, and TON.

2. North Star Hardfork

   1. FRAX (prev. FXS) will become the gas token for Fraxtal, replacing frxETH.

   2. The current FRAX (prev. FXS) contract will change to a WETH-like gas wrapper contract called wFRAX.

   3. Any holders of FXS ERC20s will receive 1:1 wFRAX ERC20 tokens. They can choose to unwrap it for FRAX gas or keep it as an ERC20. Thus, users who hold FXS on Fraxtal will not need to do any action to upgrade their token, the token upgrade will be done for them in the North Star Hardfork.

   4. wfrxETH will become frxETH and will be changed to a normal ERC20. wfrxETH holders will receive 1:1 of frxETH ERC20 tokens.

   5. Because of gas handling / payable-ness in smart contracts, EOAs & Safes will be treated differently than LP/DeFi contracts as follows:
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   6. Additional misc system contract changes will be made to facilitate an ETH2-like validator system in the future, where instead of ETH, FRAX (prev. FXS) would be staked.

   7. An example table of the proposed conversions is provided below:
      **EOA/Safe:**

      | Before | After |
      | --- | --- |
      | 1.25 frxETH (gas) ⛽ | 1.25 FRAX (gas) ⛽ |
      | 2 wfrxETH (ERC20) ⚫ | 3.25 frxETH (ERC20) ⚫ |
      | 50 FXS (ERC20) ⚫ | 50 wFRAX (ERC20) ⚫ |
      | 123 CRV (ERC20) ⚫ | 123 CRV (ERC20) ⚫ |

      **Non-safe contracts :**

      | Before | After |
      | --- | --- |
      | 1.25 frxETH (gas) ⛽ | ~1250 FRAX (gas) ⛽ |
      | 2 wfrxETH (ERC20) ⚫ | 2 frxETH (ERC20) ⚫ |
      | 50 FXS (ERC20) ⚫ | 50 wFRAX (ERC20) ⚫ |
      | 123 CRV (ERC20) ⚫ | 123 CRV (ERC20) ⚫ |

3. Upgrade of veFXS to veFRAX & sfrxUSD Rewards
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4. frxUSD Income
   *Due to character limitation for Snapshot proposals please find this section on forum post **here***

5. sfrxUSD Yield and Fees
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6. Clarification of protocol revenue destinations (Revenue Plan)
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7. Establishment of the Tail Emission Plan & Tokenomics

   1. 8% annual FRAX (prev. FXS) emissions. These will drop 1% a year over 5 years to a final floor rate of 3%.

   2. [Year 1] token amount are proposed as follows:
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   3. Details & Comparison:
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   4. FXTL points conversion

      1. Every week, there will be (1 / 52.1429 = ~1.918%) * (3M FRAX allocated for FXTL conversion from tail emission plan) = 57534.2 FRAX available for conversion.

      2. Every week, 1 / 52.1429 = ~1.918% of a user's FXTL point balance will be deducted / burned and automatically converted to claimable FRAX.

      3. The conversion rate depends on each user, depending on their floxCAP balance and veFRAX balance+lock duration (delegation possible). If other users also have a high floxCAP balance, they will all have lesser conversion rates due to competition (e.g. normalization). This is similar to how the current gauge farms work. Specific formula TBD.

      4. The total sum of FRAX converted per week will not exceed 57534.2 tokens. That is why the rates need to be normalized in iii.

      5. For tax / other purposes, users can claim the actual FRAX when they choose. It will not be automatically airdropped into their addresses.

      6. FXTL Points as Primary Incentives on Fraxtal: FXTL points will continue to serve as the main incentive mechanism for expanding the Fraxtal ecosystem, ensuring robust growth and alignment with protocol objectives. Because points are allocated in different amounts for different activities and will be expanded over time to include a growing ecosystem of projects and builders on the Fraxtal chain.

   5. Flox Capacitor (floxCAP) Boost Mechanism:

      1. Lock FRAX (prev.FXS) into a FRAX staking contract to multiply the amount of weekly tokens up for conversion that you would normally be entitled to without the boost. You can withdraw your FRAX from this contract any time based on a fixed cooldown period of 90 days.
      2. In order to receive the boost, you will have to maintain a certain threshold floxCAP balance relative to your entitled FRAX token conversion amount that week, otherwise you will be able to convert your points to the normal baseline amount. If you choose to not stake FRAX for the floxCAP boost, you can still earn tokens at the baseline conversion amount.
      3. The formula for calculating this threshold ratio will be determined at a later time, but is expected to depend on multiple factors, including the total FXTL emitted for all users for that week, as well as the total amount of floxCAP boost held by other users "Cappers." An additional boost will also come from the user's veFRAX balance which can be delegated for ease of use. This boost will have a cliff stake duration of likely around 2 years so only long veFRAX lockers are eligible.
      4. Withdrawing your floxCAP back into FRAX (prev. FXS) will be a fixed staking+cooldown system of 90 days.
      5. floxCAP is non-transferable. floxCap is a balance signifying boosting power of a user's wallet/address.
      6. This system will reward long-term oriented users without imposing exceedingly long locking periods of veFRAX which has more powerful governance+rev share functionality and a FXTL boost. It will also reduce FRAX (prev. FXS) selling from points conversions since getting the best conversion rate requires owning+staking FRAX for at least the next 90 days.

8. Frax Burn Engine (FBE)
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## Voting

- For: Approve the Frax North Star Hardfork, Tail Emission Plan, Flox Capacitor, and FXS Upgrade

- Against: Do nothing.