

Sushiswap vampire attack

- ▶ 28 Aug 2020: Sushiswap launches, “forked” (copied open-source!) uniswap code
- ▶ Same functionality as UNI - but **pays liquidity providers!**
 - ▶ New SUSHI token paid to uni LPs who “stake” tokens with Sushi, has governance rights, and gets revenue from SUSHI trade fees
- ▶ Then, a “migration contract” converts Uni LP tokens into Sushiswap LP tokens
- ▶ **\$150mil** migrated within hours! Stole over 50% of Uniswap’s liquidity!

The Uniswap Airdrop

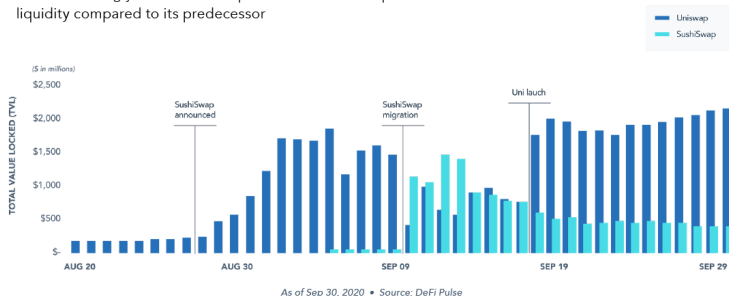
- ▶ In response, on **September 16, 2020**, Uniswap announces launch of governance token, UNI. 60% tokens reserved for “community” (users)
- ▶ 15% of total supply distributed retroactively to Uniswap users!
- ▶ Min. airdrop **400UNI**, worth over \$1000 USD!
- ▶ 45% reserved for future user incentives

Sushiswap and Uniswap



Total Value Locked in Uniswap vs. SushiSwap

After a seemingly successful "Vampire attack" SushiSwap has failed to retain liquidity compared to its predecessor



Source

Sushiswap and Uniswap

- ▶ Moral of Sushi/Uni saga?



- ▶ If you don't release a token, we'll clone you and add a token, and beat you
- ▶ These 2 were early examples of “yield farming/emissions” (Sushi) and “retroactive airdrops” (UNI). Rest of lecture goes into each of these in detail. . .

The Airdrop Sybil Wars

- ▶ UNI airdrop was a surprise! But soon started a trend...
- ▶ Airdrops are often not directly proportional to usage (why?)

The Airdrop Sybil Wars

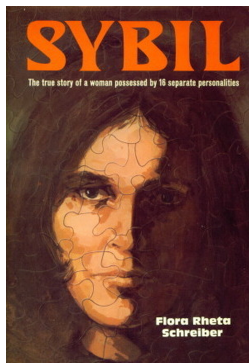
- ▶ UNI airdrop was a surprise! But soon started a trend...
- ▶ Airdrops are often not directly proportional to usage (why?)
 - ▶ Want token distribution to be more “democratic”, not too much whale control

The Airdrop Sybil Wars

- ▶ UNI airdrop was a surprise! But soon started a trend...
- ▶ Airdrops are often not directly proportional to usage (why?)
 - ▶ Want token distribution to be more “democratic”, not too much whale control
- ▶ But if they give you one airdrop per wallet...

The Airdrop Sybil Wars

- ▶ UNI airdrop was a surprise! But soon started a trend...
- ▶ Airdrops are often not directly proportional to usage (why?)
 - ▶ Want token distribution to be more “democratic”, not too much whale control
- ▶ But if they give you one airdrop per wallet... Make more wallets!
- ▶ Referred to as a **Sybil attack**



The Airdrop Sybil Arms Race

- ▶ Started an “arms race” between sybils attackers and airdroppers
- ▶ **Paraswap**, an AMM aggregator protocol, airdropped a token to only 1.5% of users, applying **bespoke filters to screen out airdrop hunters**
- ▶ **Hop protocol**, an ETH L2 exchange, even **paid people with tokens to help find Sybil attackers!**
- ▶ Other regulatory barriers also: **dYdX**, a derivatives protocol, did a huge airdrop (Over \$50k USD some users!), but **filtered out US IP addresses**
- ▶ Most airdrop projects have many anti-Sybil criteria now...
- ▶ Long list of airdrops not mentioned: COMP, ENS, OP,
- ▶ NFT airdrops: BAYC, Azuki, and others



Governance responsibility, community



Emissions/Yield Farming/Liquidity Mining

- ▶ Besides retroactive airdrops, projects also commit to printing token rewards for their users, like Sushiswap
- ▶ “Yield farming” sometimes refers to these
- ▶ For AMMs, “liquidity mining”
 - ▶ “Mine” governance tokens, not through PoW, but by providing liquidity, LP-ing, an AMM

Yield farming

- ▶ **Compound finance**, a lending protocol, distributes tokens to lenders in Feb 2020 (earlier than Sushi!)
- ▶ Other early liquidity incentives projects: **Synthetix** (derivatives), **Yam finance**, **balancer** (AMM), and many others
- ▶ Mainly, lending or AMM protocols, incentivizing deposits/LP-ing through emissions

Tokenomics

- ▶ How many tokens will there be?
 - ▶ Fixed or flexibly supply?
- ▶ Will more be printed (BTC, ETH)? Or bought-and-burned (ETH, MKR)?
 - ▶ My theory about buy-and-burn...
- ▶ Who gets the tokens? How to get the tokens?
 - ▶ Insiders? (Investors, workers, advisors...)
 - ▶ Community? (LPers, lenders, users, game players, community/governance contributors...)
- ▶ When can people sell the tokens?
 - ▶ Lockup periods common for team, to prevent “rugging” (dump all tokens and leave project)
 - ▶ “Community” portion generally distributed slowly over time
- ▶ What do tokens do?
 - ▶ Cash flow rights?
 - ▶ Governance rights?
 - ▶ “Community membership” rights?