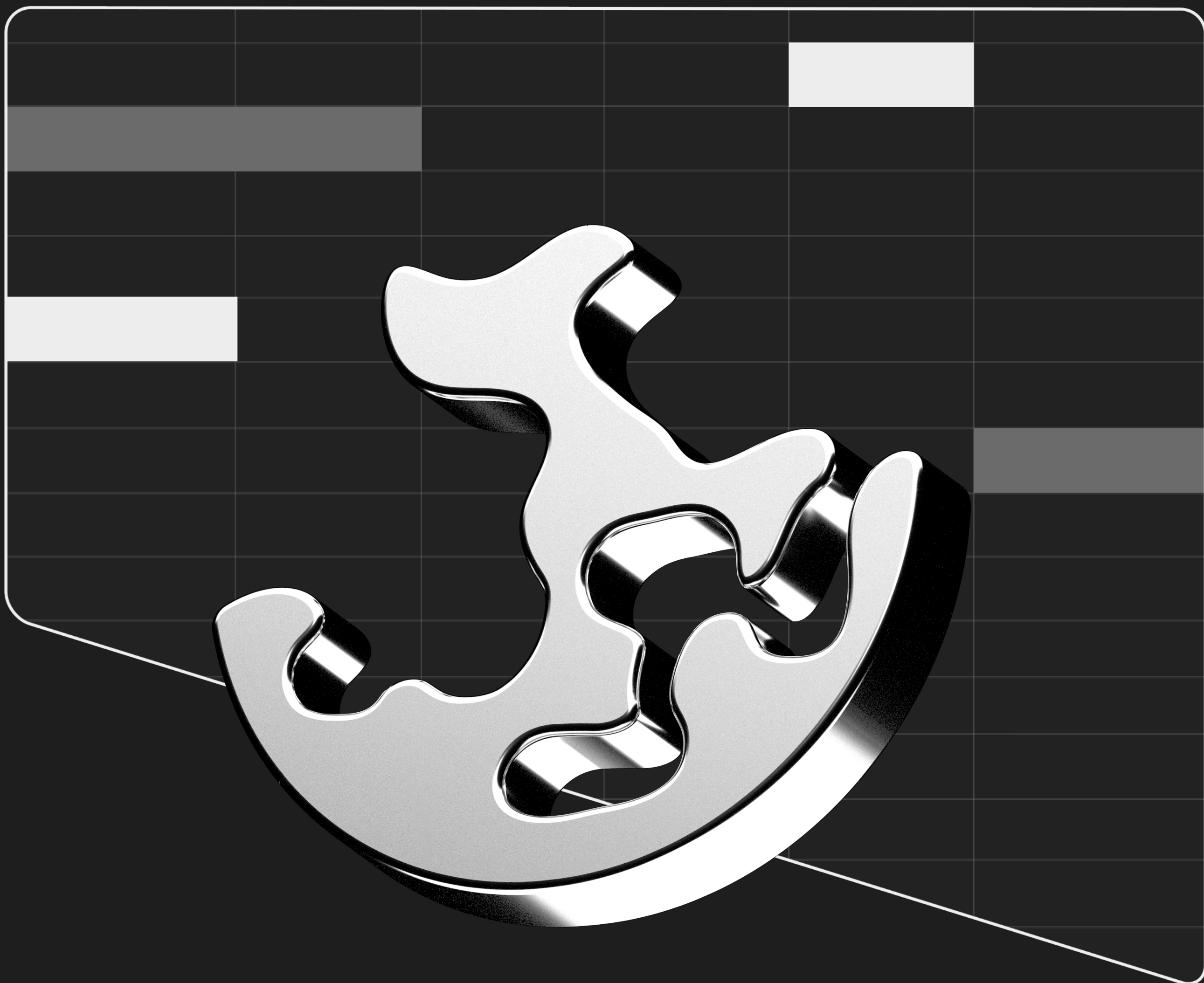
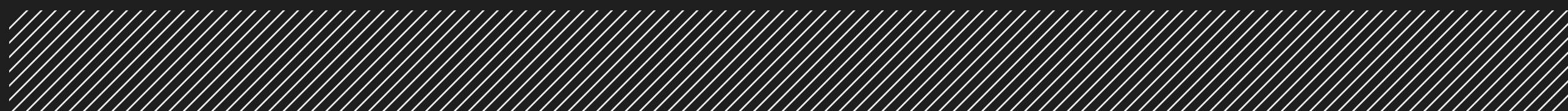




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Owning or Renting Liquidity?

A Study of Incentives and POL for Sustainable Models



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Executive Summary	3	Case Study 4 - SafeDAO + GnosisDAO Joint Treasury - SAFE Liquidity Provision	53
Why Liquidity Matters		Strategic Context	
Case Studies		Pool Positions activity and results	
Cross-Case Lessons		Financial Results	
A Mix as a Model?		Key Lessons	
		Conclusion	
Introduction	9		
		Lessons, Takeaways and Strategic Insights	64
Case Study 1: Stimulating EURE activity on Gnosis via the AAVE V3 market	10	Strategy and Vision	
Strategic Context		Utility is Key	
Event Chronology		Ecosystem Context	
Strategy and Market Dynamic: Analytical Review		Design, Calibration, and Exit Strategy	
Strategic Lessons and Forward Outlook		Active Management and Timing	
		Cost Trade-offs: POL vs Incentives	
Case Study 2 - Gho Deployment on AAVE V3's Arbitrum market	26	Measurement and KPIs	
Strategic Context for GHO Expansion		Mixing POL, Incentives, and Utility	
Event Chronology of GHO on Arbitrum			
Analysis and Lessons Learned		Conclusion	70
Conclusion			
Case Study 3 - bCSPX Incentive Program on Gnosis	41		
Strategic Context			
Event Chronology of bCSPX on Gnosis			
Performance Analysis			
Key Lessons and Forward Outlook			

Executive Summary

Why Liquidity Matters

Liquidity is the lifeblood of decentralised finance. Without reliable market depth, tokens cannot function as mediums of exchange, collateral, or governance assets. Shallow liquidity leads to volatility, weak adoption, and the risk of sudden breakdowns in user confidence. For protocols and DAOs, ensuring liquidity is therefore not just a technical challenge but a strategic priority: it determines whether a token remains viable within the broader DeFi ecosystem.

The options available to treasuries are limited but consequential. On one side, Protocol-Owned Liquidity (POL) guarantees depth by committing treasury assets directly into pools. On the other, incentive programmes attract external providers by subsidising yields. Both approaches are widely used, but each comes with trade-offs. POL ties up treasury resources and exposes them to impermanent loss or opportunity costs. Incentives mobilise external capital quickly, but at the price of permanent outflows and the risk of attracting mercenary actors who withdraw as soon as yields decline. Increasingly, some protocols have turned to blended approaches, combining POL with incentives to seed markets and then crowd in external participation.

This report examines four case studies that illustrate these dynamics in practice: EURE's activity on Gnosis via the Aave V3 market, GHO's deployment on Aave V3's Arbitrum market, the bCSPX incentive programme on Gnosis, and the joint SAFE liquidity provision by SafeDAO and GnosisDAO. Together, they provide a window into how different strategies succeed or fail, and under what conditions liquidity support can transition from temporary subsidy to sustainable adoption.

Case Studies

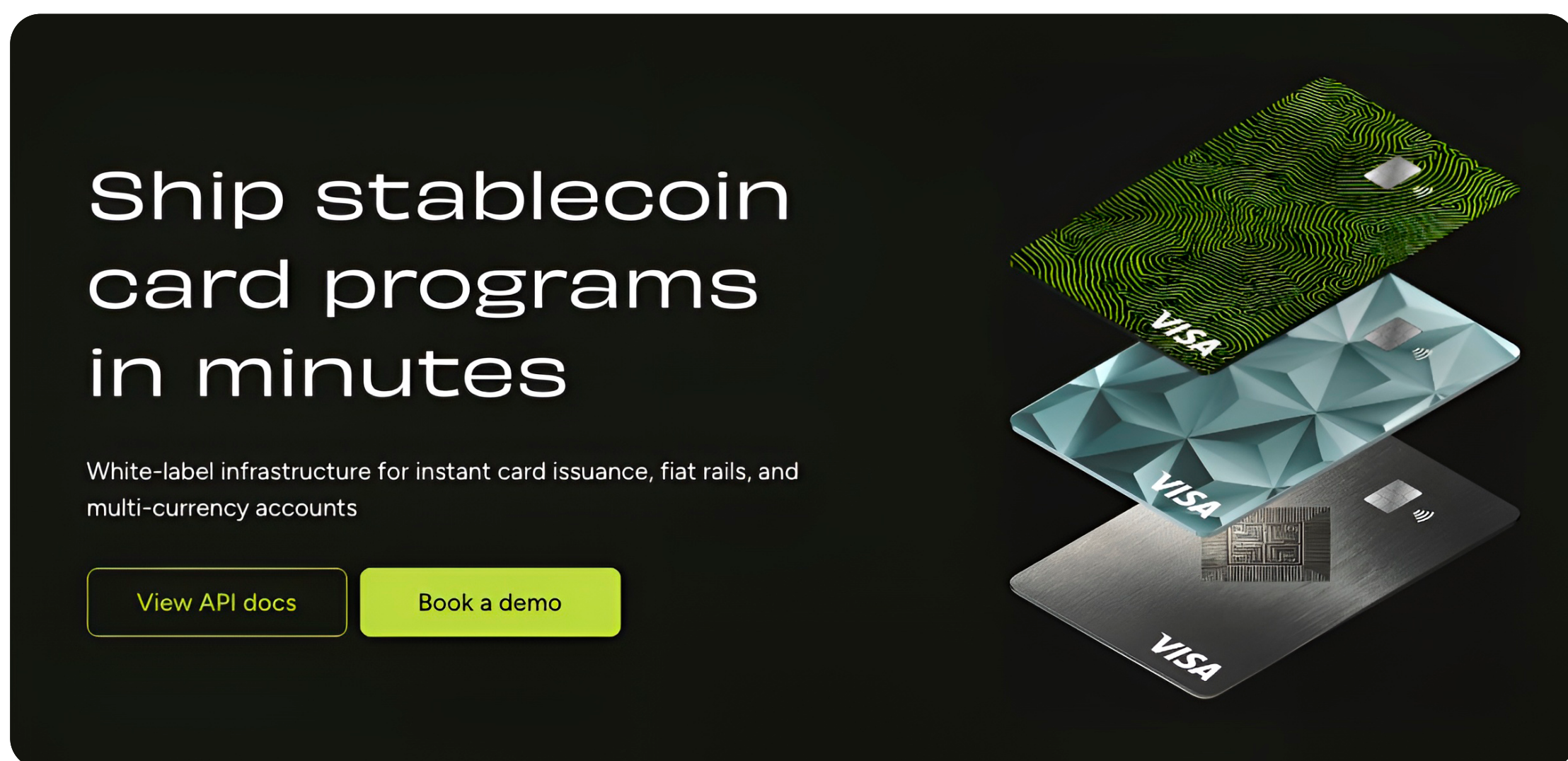
EURE on Gnosis

Among the four case studies, EURE represents the clearest example of liquidity support evolving from subsidy to sustainability. The programme unfolded over more than a year, beginning with Protocol-Owned Liquidity that seeded an Aave pool and secured stable conditions for borrowing and trading. This foundation ensured that Gnosis Pay, an accompanying payment rail integrating EURE for debit transactions, could expand without the risk of sudden volatility or liquidity gaps undermining adoption.

Once stable liquidity was in place, incentives were layered on top. Cashback linked to card payments created a direct channel to retail usage, while liquidity mining rewards drew in external providers to deepen the pool. Because POL was already stabilising the market, these incentives could focus on driving traffic and growth rather than plugging structural gaps.

The decisive factor was utility. Gnosis Pay transforms EURE from a pool-based token into a settlement medium for everyday payments. As transaction volumes expanded, external capital increasingly supported the pool, enabling POL to be withdrawn gradually without destabilising the market. The steady presence of POL throughout this process proved essential, providing continuity while adoption took place.

In a nutshell, the EURE programme succeeded because three elements were present simultaneously: POL provided stability, incentives accelerated adoption, and utility converted activity into retention. Crucially, the duration of the programme gave this cycle time to mature, turning what began as a subsidy into a self-sustaining market.



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Source: [Gnosis Pay](#)

GHO on Arbitrum

The case of GHO, pegged stablecoin on Arbitrum shows the risks of incentives without considering utility. Substantial rewards were deployed to attract borrowing, and headline metrics initially suggested success as liquidity deepened quickly. Yet much of this activity was driven by looping strategies, where users borrowed GHO only to recycle it back into farm rewards. This behaviour concentrated liquidity in a handful of wallets and inflated growth figures without building genuine adoption.

Governance interventions were largely reactive. Caps on supply and borrowing parameters were adjusted only once utilisation ceilings had already been hit. Without meaningful integration into payments, derivatives, or structured products, GHO lacked the utility that might have converted subsidised liquidity into real usage. When incentives began to decline and attention shifted elsewhere, capital exited, exposing the fragility of the model.

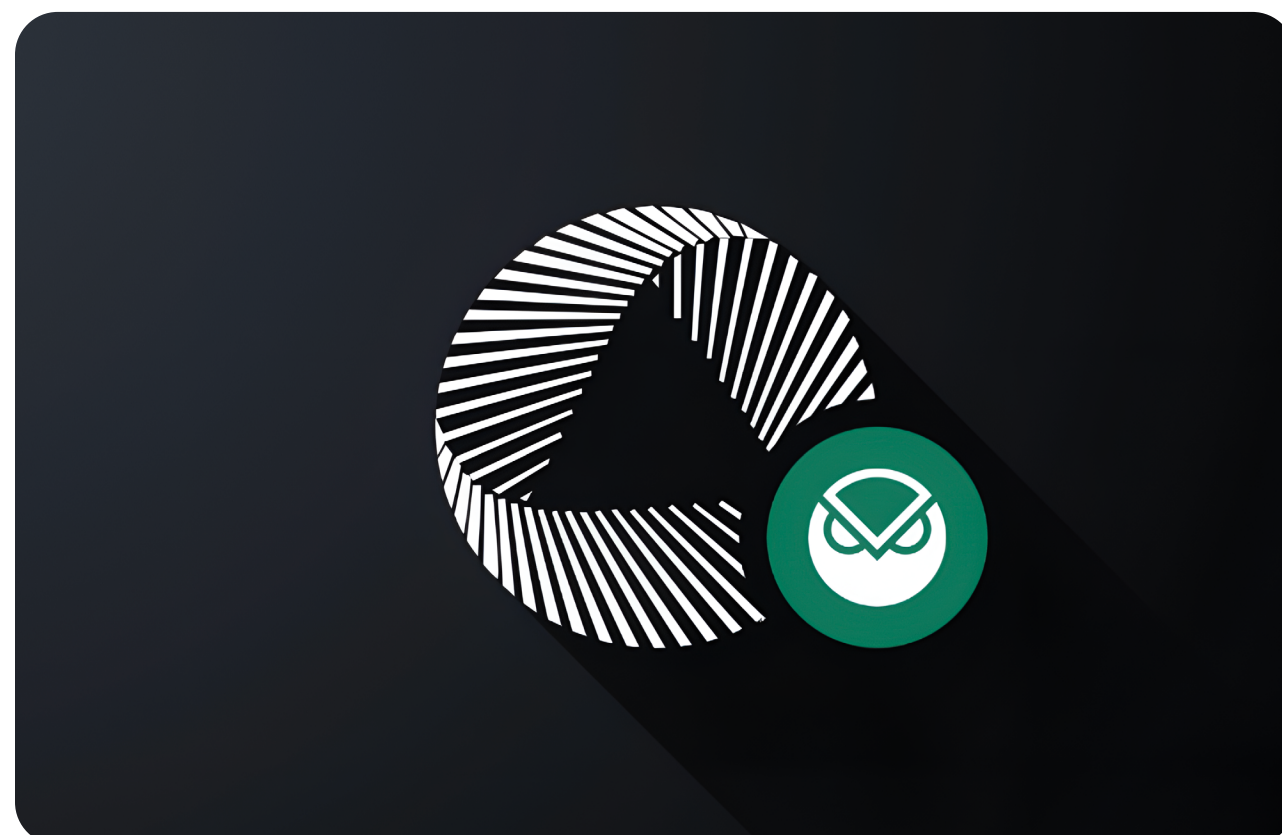
The GHO Case study demonstrates that incentives alone, even at scale, cannot guarantee sustainability. Without utility to anchor demand, liquidity may appear strong but can vanish as quickly as it arrived.



Source: avara.xyz

bCSPX on Gnosis

The case of bCSPX on Gnosis highlights both the potential of incentives and the limits of adoption without deeper utility. Substantial rewards bootstrapped liquidity, with TVL climbing to nearly \$6 million and positioning bCSPX among the leading assets on the chain. At first glance this suggested success, yet most of the depth came from a few large LPs. When two of these participants withdrew, TVL collapsed from millions to under \$1 million even before incentives fully ended.



Source: back.fi

The underlying issue was utility. Beyond serving as a vehicle for equity exposure, bCSPX struggled to integrate into DeFi markets despite some notable attempts. A proposal to add the token to Aave never progressed to a vote, while strategies launched on PWN attracted little activity. Without portfolio use cases, lending markets, or structured products, adoption and retention remained low.

Additionally, Backed Finance's strategic shift toward the xStocks Alliance introduced further uncertainty, leading stakeholders and Gnosis to reconsider bCSPX's role and the possibility of migrating it.

The bCSPX case shows that incentives can attract liquidity and generate early momentum, but without meaningful integration into a broader ecosystem, retention remains limited.

SAFE Liquidity Provisioning

SAFE offers a different angle by illustrating the costs and limits of relying solely on POL. Through the joint treasury, POL was deployed to secure depth and maintain continuous trading access. This guaranteed liquidity without the need for incentives, creating stability and functioning as a form of infrastructure.

However, the approach came at a price. As SAFE depreciated heavily against ETH, POL positions suffered significant impermanent loss. While alternative pool compositions or calibration strategies could have reduced exposure, the structural cost of liquidity provision fell directly on the treasury. Moreover, because the token still lacks utility from integrations beyond SafeDAO's own governance, liquidity provision has not yet translated into sustained external demand.

The SAFE case study underlines that POL, when deployed in isolation, functions primarily as an operational cost. It guarantees liquidity, but without utility or incentives, it cannot be replaced.



Source: reports.kpk.io

Cross-Case Lessons

Taken together, the four case studies underline that liquidity provision is not just a mechanical act of adding capital, but a strategic decision that must be guided by vision, anchored in utility, and supported by effective governance.

Strategy and Vision

Liquidity must be deployed with purpose. Narrow, pool-level interventions may create short-term depth, but without a broader adoption strategy they struggle to generate lasting impact. EURE succeeded because its liquidity provisioning was embedded within a vision of supporting payments via Gnosis Pay. By contrast, GHO illustrated the limits of treating liquidity as an isolated metric: in both cases, incentives inflated participation but failed to translate into durable adoption and solid liquidity infrastructure.

Utility is Key

Liquidity becomes meaningful only when users have a reason to hold and use the token. EURE's integration into everyday transactions gave the token a role beyond its pool, ensuring that liquidity served genuine demand. GHO lacked equivalent avenues, leaving it vulnerable to farming loops, while bCSPX suffered from the absence of a RWA ecosystem that could make the token more than just exposure to stocks. SAFE, as a governance token, highlighted the difficulty of generating external demand without functions that extend beyond governance rights.

Ecosystem Context

Liquidity strategies succeed when they are aligned with the surrounding ecosystem. EURE benefited from integration with Gnosis Pay and lending markets, which reinforced adoption. bCSPX lacked this support despite clear attempts to stimulate DeFi activity through Aave and PWN. In the case of SAFE, limited use cases and the DAO's own approach to token utility constrained growth. Together, these cases underline that collaboration across actors and stakeholders is a critical element of sustainable liquidity.

Rather than simply bootstrapping a pool and waiting for other protocols to participate, coordinated action offers a stronger path. Joint initiatives create the conditions for liquidity to embed itself in broader usage, while isolated efforts are far less likely to prove resilient.

Design and Calibration

The structure of liquidity initiatives matters as much as the resources committed. In the case of EURE, farming strategies were limited because rewards were tied to real-world payments and capped. The treasury complemented this with a proactive POL approach designed to anticipate behaviours. GHO took a different path: looping strategies were possible, rewards accrued without caps, and governance intervened only after problems had surfaced. For bCSPX, the main risk lay in concentration, with a handful of large LPs effectively determining the pool's fate. SAFE illustrated another dimension, where the calibration of pool composition and parameters directly shaped treasury outcomes.

The lesson is clear: design and calibration cannot be treated as afterthoughts. They determine whether liquidity initiatives foster adoption or leave systems fragile once incentives are withdrawn.

Active Management and Timing

Effective liquidity provision depends as much on governance and timing as on the resources committed. EURE on Gnosis demonstrated how proactive, rules-based adjustments (like adding or withdrawing POL in line with utilisation) can stabilise markets and build trust. GHO on Arbitrum, by contrast, highlighted the risks of reactive governance, where parameters were adjusted only after imbalances had emerged, leaving the pool vulnerable to mercenary capital.

The lesson is that liquidity strategies need a clear framework from the start. Whether through triggers, proactive adjustments, concentration limits, or other mechanisms, the aim is to align incentives or liquidity provisioning with resilience. Without such structures, treasuries risk wasting resources and ceding control to short-term actors.

Cost Trade-offs: POL vs Incentives

Liquidity provisioning and incentives always carry a cost, but the form differs across models. POL alone secures infrastructure, as SAFE showed, but exposes treasuries to impermanent loss and opportunity costs. Incentives alone mobilise external capital, yet GHO and bCSPX revealed their fragility: activity driven by loops or a handful of LPs vanished once rewards end. POL combined with incentives, as in EURE, created a more durable outcome: POL stabilised the pool, incentives drove growth, and utility converted adoption into retention.

There is no single superior model. What matters is how liquidity is understood: either as a cost borne by the protocol, or as an external activity driven by users. Factors such as overall strategy, ecosystem integration, and token utility determine which approach fits best.

Measurement and KPIs

In all case studies, standard KPIs such as TVL and number of holders showed growth. However, closer analysis revealed a more complex reality, with issues like wallet concentration, looping strategies, weak usage, or limited volume.

This points to an important lesson: classic metrics alone cannot capture the full picture. A broader KPI framework is needed to reflect the true state of liquidity and to guide the incentive and POL strategies with efficiency.

A Mix as a Model?

There is no single correct model for liquidity provision strategies. Each approach produces different costs and outcomes, and the right choice depends on how a protocol defines the role of liquidity and the purpose of the tokens involved. POL secures infrastructure but exposes treasuries, incentives can ignite growth but often attract mercenary capital. Combinations can succeed, but only when tied to real utility and sustained over time.

The central lesson is that liquidity must be deployed with a clear purpose and embedded in a broader strategy. Adoption requires more than TVL: it demands integration into ecosystems, calibrated growth designs, proactive decision-making processes, and above all, utility and features that give users a reason to stay.

The EURE case study provides the clearest benchmark to date. By combining POL, incentives, and genuine utility over an extended horizon, it turned temporary support into durable market adoption. It shows that liquidity strategies can evolve from subsidy to sustainability. Future initiatives would do well to measure themselves against this baseline.

Introduction

Liquidity is the foundation of any functional market in decentralised finance. Without sufficient depth, tokens cannot serve as mediums of exchange, collateral, or governance assets. Thin liquidity leads to volatility, weak user confidence, and barriers to adoption. For treasuries and DAOs, bootstrapping liquidity is one of the most critical and costly challenges they have to face to ensure growth.

Protocols typically turn to two main tools: Protocol-Owned Liquidity (POL), where the treasury commits assets directly into pools, and incentives, where external providers are rewarded for supplying capital. Both approaches can secure liquidity, but each comes with trade-offs such as impermanent loss, opportunity cost or mercenary capital.

This report analyses four case studies that illustrate different approaches: EURE's activity on Gnosis via the Aave V3 market, GHO's deployment on Aave V3's Arbitrum market, the bCSPX incentive programme on Gnosis, and the joint SAFE liquidity provision by SafeDAO and GnosisDAO. Each adopted a distinct strategy, ranging from POL-heavy designs to incentive-driven programmes, and each produced different outcomes. Examining these cases in detail allows the report to identify the strengths and weaknesses of each model and extract the broader lessons they offer.

The objective is not to prescribe a single best solution, but to distil the key takeaways that can lead to best practices. Strategy, utility, ecosystem alignment, design, and cost management all emerge as decisive factors. Together, the findings provide a framework for treasuries and protocols seeking to move beyond temporary subsidies and toward liquidity strategies that can support durable, long-term adoption.



CASE STUDY 1

Stimulating EURE activity on Gnosis via the AAVE V3 market

Strategic Context

This case examines the deployment of Monerium’s EURE stablecoin on Aave V3’s Gnosis market. EURE is a central asset in the Gnosis ecosystem, not only as a DeFi instrument but also as the settlement layer for Gnosis Pay, which connects onchain balances to everyday debit card payments. Through this integration, users can spend EURE directly at merchants worldwide, giving the asset a real-world utility that most stablecoins still lack.

To sustain the growth of Gnosis Pay, deep liquidity and trade efficiency were crucial. Hence, kpk led a liquidity bootstrapping programme built on Protocol Owned Liquidity and targeted incentives. This design provided durable market depth while still attracting external participation.

The case is especially relevant because it shows how the combination of POL, incentives, and a live payment use case can move a euro stablecoin from fragile adoption toward a more sustainable growth path.

The section unfolds in three parts: first, a chronology of events and liquidity shifts, second, an in-depth analysis of utilisation, incentives, and the key role of Gnosis Pay, and third, key takeaways on how this mix of strategies shaped EURE’s trajectory on Gnosis.

Event Chronology

The development of EURE on Aave V3’s Gnosis market can be traced through a sequence of liquidity injections, incentive programmes, and targeted withdrawals that gradually reshaped the market’s dynamics.

PHASE 1	SEEDING STAGE
7 November 2023	Aave V3 EURE Market on Gnosis Chain Deployed 250k EURE seeded from Gnosis Treasury
23 November 2023	Further 150k EURE seeded from Gnosis Treasury
20 March 2024	Further 250k EURE seeded from Gnosis Treasury
27 March 2024	Further 206k EURE seeded from Gnosis Treasury
9 April 2024	Further 550k EURE seeded from Gnosis Treasury
11 April 2024	Further 624.3k EURE seeded from Gnosis Treasury
16 April 2024	Further 722.9k EURE seeded from Gnosis Treasury

The first phase centred on seeding liquidity from the GnosisDAO Treasury, beginning with the deployment of the EURE market on 7 November 2023. At launch, 250,000 EURE were committed. This was followed by a series of additional tranches: 150,000 EURE on 23 November 2023, 250,000 EURE on 20 March 2024, 206,000 EURE on 27 March 2024, 550,000 EURE on 9 April 2024, 624,300 EURE on 11 April 2024, and finally 722,900 EURE on 16 April 2024. By mid-April 2024, total seeding reached approximately 2.75 million EURE, providing the initial market depth required for both DeFi integrations and the parallel development of Gnosis Pay.

PHASE 2	CASHBACK STARTS
26 August 2024	Cashback program (10,000 GNO) starts according to GIP-110
19 December 2024	Further 960k EURE seeded from Gnosis Treasury
20 March 2025	Withdrew seeded 200k EURE from market
15 April 2025	Aave Merit Liquidity Mining Program begins with 84k EURE at max 6% fixed APR. 59k EURE provided by Gnosis, matched with 25k EURE from Aave.

A second phase began in August 2024 with the launch of the Gnosis Pay cashback programme. Five tiers of rewards were introduced, offering between 1% and 4% cashback depending on the GNO balance held in Gnosis Pay, with an additional 1 percentage point awarded to OG NFT holders. Rewards were calculated on the minimum GNO balance during each week and airdropped seven days after transactions were settled. While not directly tied to the Aave market, this programme was a turning point: it linked EURE liquidity to everyday merchant payments, signalling a shift from purely financial incentives toward real-world adoption. The programme was funded with a 10,000 GNO budget.

On 19 December 2024, 960,000 EURE were seeded into the market, raising total participation to 3.71 million EURE. This was followed in March 2025 by the first withdrawal of 200,000 EURE, signalling the start of a gradual reduction in protocol-owned capital as a test of whether external liquidity could sustain the market.

In April 2025, direct incentives were introduced into the Aave pool via the MERIT programme. With a budget of 84,000 EURE, 59,000 EURE funded by Gnosis and 25,000 EURE by the Aave DAO, the campaign aimed to maintain a 6% APR on EURE borrow positions for three months.

PHASE 3	kpk LIQUIDITY WITHDRAWAL
24 April 2025	Withdrew seeded 1m EURE from market
27 May 2025	Withdrew seeded 1m EURE from market
16 June 2025	Withdrew all remaining seeded capital from market

In continuation of an earlier 250k withdrawal, kpk began a phased exit not long after the incentive programme started. This took place in three stages, 1 million, another 1 million, and the remaining balance, resulting in a full exit and leaving exogenous capital to play the role of liquidity provision.

PHASE 4 (CURRENT)	INCENTIVES EXTENSION
15 July 2025	Aave Merit Liquidity Mining Program ends
22 July 2025	Aave MASlv EURE Program begins with 177k EURE at max 6% fixed APR. 170k EURE provided by Gnosis, with 6k from Aave and renaming budget of previous rounds
5 September 2025	Cashback Program extended (2,000 GNO) according to GIP-133

The MERIT incentives officially ended on 15 July 2025, but were quickly succeeded by a new initiative, the MASlv Programme, which ran from 22 July to 7 October 2025. The MASlv programme launched with a maximum budget of 177,000 EURE, maintaining a fixed 6% APR on EURE borrowing. Of this, 170,000 EURE was provided by Gnosis, 6,000 EURE by Aave, with the remainder carried over from previous rounds. This expansion reinforced the commitment to stabilise EURE borrowing costs and support sustained demand even as kpk exited its role as primary liquidity provider.

Finally, on 9 September 2025, the Gnosis Card cashback was renewed with a fresh budget of 2,000 GNO, further consolidating EURE's role as the settlement layer for retail payments.

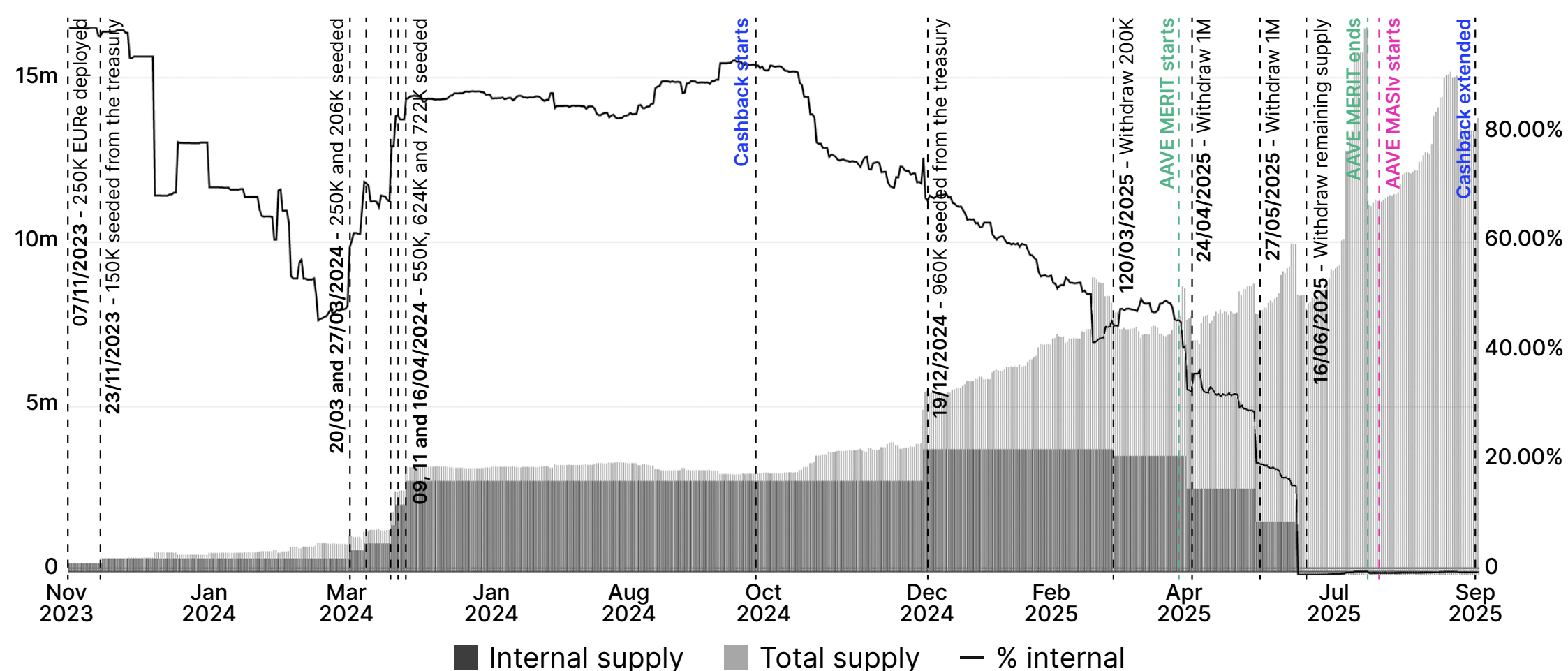
Each of the four milestones, initial seeding, incentive periods, liquidity withdrawal, and renewed incentives, shaped the liquidity profile and adoption path of EURE. In the following analysis, we will assess how these interventions influenced utilisation, the balance between organic and gamified activity, and long-term retention prospects anchored in Gnosis Pay.

Strategy and Market Dynamics: Analytical Review

This section provides an in-depth analysis of EURE's trajectory on Aave V3's Gnosis market. It examines the behaviour of the market, the influence of incentive programmes, and the broader strategy designed by kpk. The objective is to assess both the strengths and weaknesses of this approach, drawing out the key lessons that emerge from EURE's deployment.

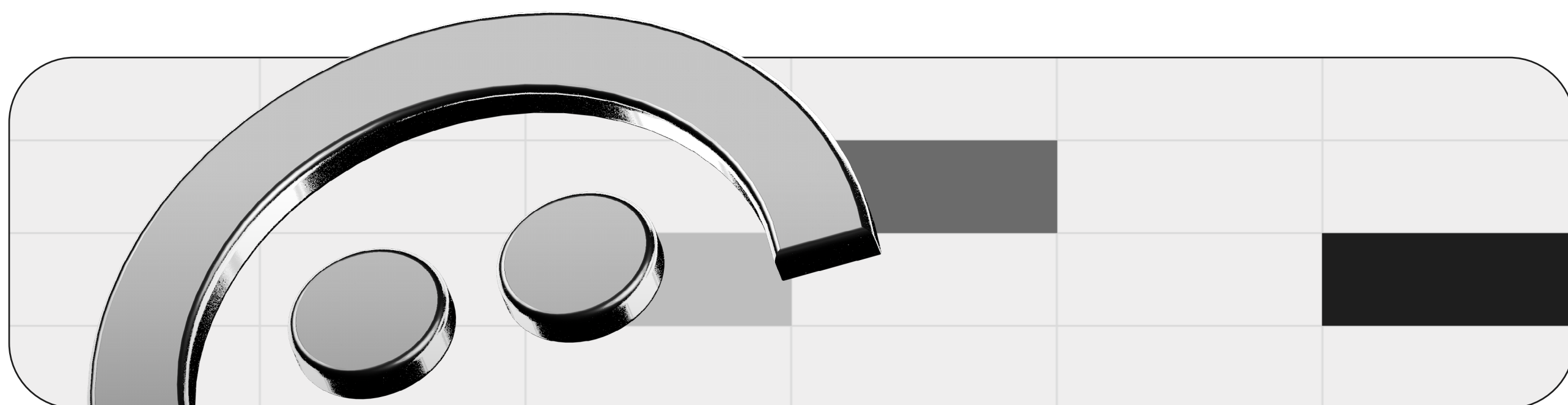
As a reference point, the chart below illustrates the evolution of supply on the Aave market, with annotations marking each of the critical events described in the chronology. This visual benchmark allows the subsequent analysis to be directly linked to the timing of interventions and their observed market effects.

AAVE V3 (GNOSIS) EURE MARKET: TIME SERIES OF INTERNAL v EXTERNAL SUPPLY

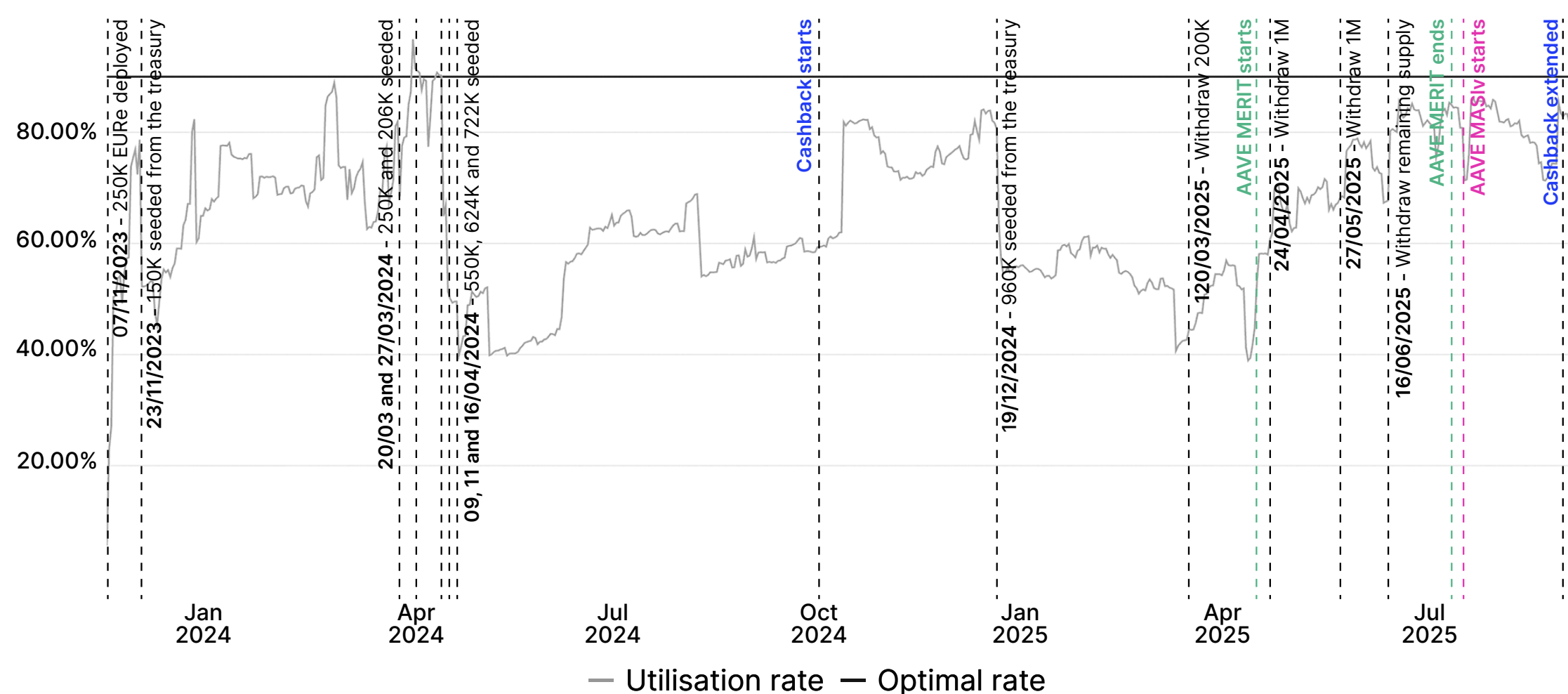
Source: dune.com

Utilisation Rate and POL as a Signal

The timing of EURE's liquidity injections and withdrawals was not arbitrary but guided by a set of quantitative and qualitative factors, in particular the utilisation rate. This metric provided a direct signal of market balance and became a central parameter in kpk's strategy for managing Protocol-Owned Liquidity. In practice, kpk used a threshold of around 80/90% utilisation as a trigger for action.



AAVE V3 (GNOSIS) EUR MARKET: UTILISATION RATE

Source: dune.com

After the initial seeding phase in late November 2023, utilisation rates began to climb, a clear signal of early adoption. However, stability was lacking. Spikes and sharp swings revealed that the market remained shallow, where even modest changes in supply or borrowing produced outsized effects. This volatility made the market less predictable and therefore less reliable for participants.

When utilisation approached the 80% threshold in April 2024, kpk intervened by deploying additional capital. The aim was not only to follow growing demand but also to provide greater depth so the market could absorb volatility more effectively. By increasing supply at this stage, kpk sought to smooth out fluctuations and bring more predictability to borrowing conditions, laying the groundwork for a healthier and more stable environment.

Between April and December 2024, no further adjustments were made. Supply during this period was sufficient to absorb activity, while adding more liquidity would have lowered yields and discouraged the entry of exogenous capital. Equally, withdrawing liquidity was deemed premature, particularly in view of the upcoming cashback programme, which was expected to boost demand.

It was only once utilisation again approached the 80% mark in December 2024 that kpk added a final tranche of liquidity. This decision was also influenced by the share of POL in the market, which remained high at 70–75% of total supply. In practice, this meant the pool was still predominantly composed of kpk's own liquidity, with external participation only beginning to take shape. With the market still in its bootstrapping stage, removing liquidity too early would have risked destabilisation.

The dynamic shifted after this last round of seeding. Utilisation began to decline, which at first glance might suggest a loss of interest. In reality, this movement reflected a more positive development: GnosisDAO's share of

supply was also falling, signalling that exogenous capital was stepping in to replace Protocol-Owned Liquidity. Over time, external deposits surpassed POL, a clear indication that the market was maturing and no longer dependent on treasury seeding for stability.

At this point, kpk initiated progressive withdrawals, steadily reducing its position to zero. Importantly, the utilisation rate continued to rise and eventually stabilised around the 80% level, widely regarded as healthy for lending markets.

This evolution demonstrates how POL, guided by utilisation signals, can serve as a temporary stabiliser during bootstrapping but gradually cede control to external capital once the market reaches maturity.

The Role of Incentives

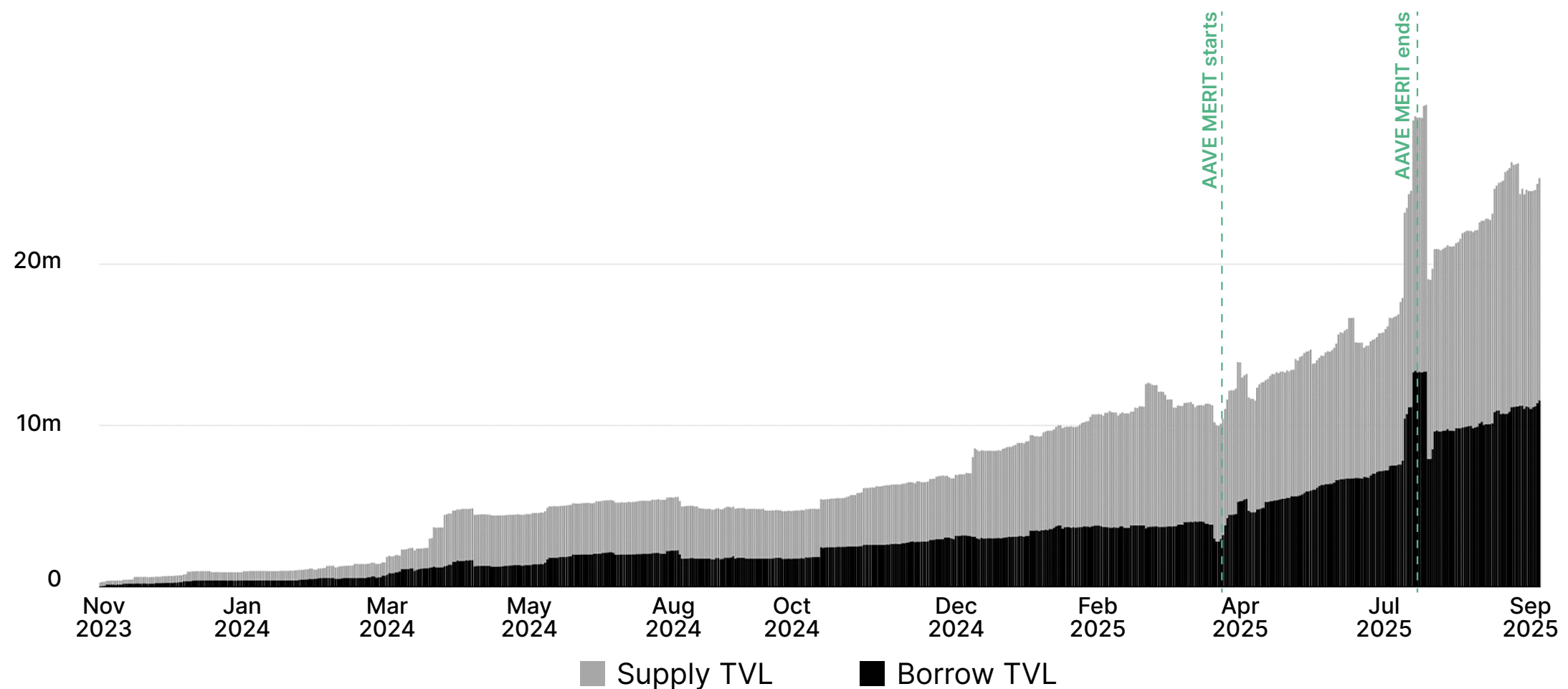
In the pre-cashback era, attracting external supply beyond kpk's capital base proved difficult. At the time, Gnosis Pay, first presented at ETHCC in July 2023, was still in its infancy, averaging only 5,000 transactions per week, with around 900 weekly active users and a total volume of just \$300,000-350,000, far from the multi-million dollar weekly volumes seen today.

The introduction of the cashback programme around August 2024 marked a turning point. Much like the early growth strategies of other card providers such as Crypto.com, the cashback proved highly effective in boosting user conversion. From this moment onward, the amount of exogenous capital in the Aave EURE market began to grow rapidly. As shown in the utilisation rate chart, GnosisDAO's share of supply fell steadily from around 90% to 50%, while utilisation rates continued to climb indicating that the activity was growing.

The second major phase of incentives began in April 2025 with the launch of the MERIT programme. The impact was immediate: activity in the Aave market surged, and, as we will see in a later section, this coincided with a sharp increase in Gnosis Pay usage.

When the MERIT incentives ended on 15 July 2025, supply contracted sharply which is a predictable outcome. Total supply dropped from 16.5 million EURE to 11.0 million EURE, a fall of around 33% (5.5 million). However, a closer look at the data suggests this was largely the effect of short-term, mercenary capital that had entered the market solely to capitalise on the incentives for a very short period of time. If this exceptional movement is removed, the underlying trend appears smoother and more consistent (refer to the trend line).

AAVE V3 (GNOSIS) EURE MARKET: SUPPLY & BORROW TIME SERIES

Source: dune.com

This ongoing momentum was reinforced by the continuity of incentives. The MERIT programme was effectively extended through the MASlv programme (running until mid-October 2025 with a 177k EURE budget), while the cashback programme was renewed on 9 September 2025 with a fresh 2,000 GNO budget and revised tiers.

Taken together, the incentives played a key role in bootstrapping external liquidity and stimulating activity. While they did generate bursts of inorganic behaviour, their overall impact was to foster sustained activity and attract external liquidity to gradually replace the initial POL, which had provided the market's foundational depth.

Organic Activity or Gamified

A recurring question within the community has been whether EURE's growth reflects organic adoption or simply yield-farming behaviour. The concern is familiar: incentives can attract users who optimise for short-term rewards through strategies such as looping, without contributing to durable adoption.

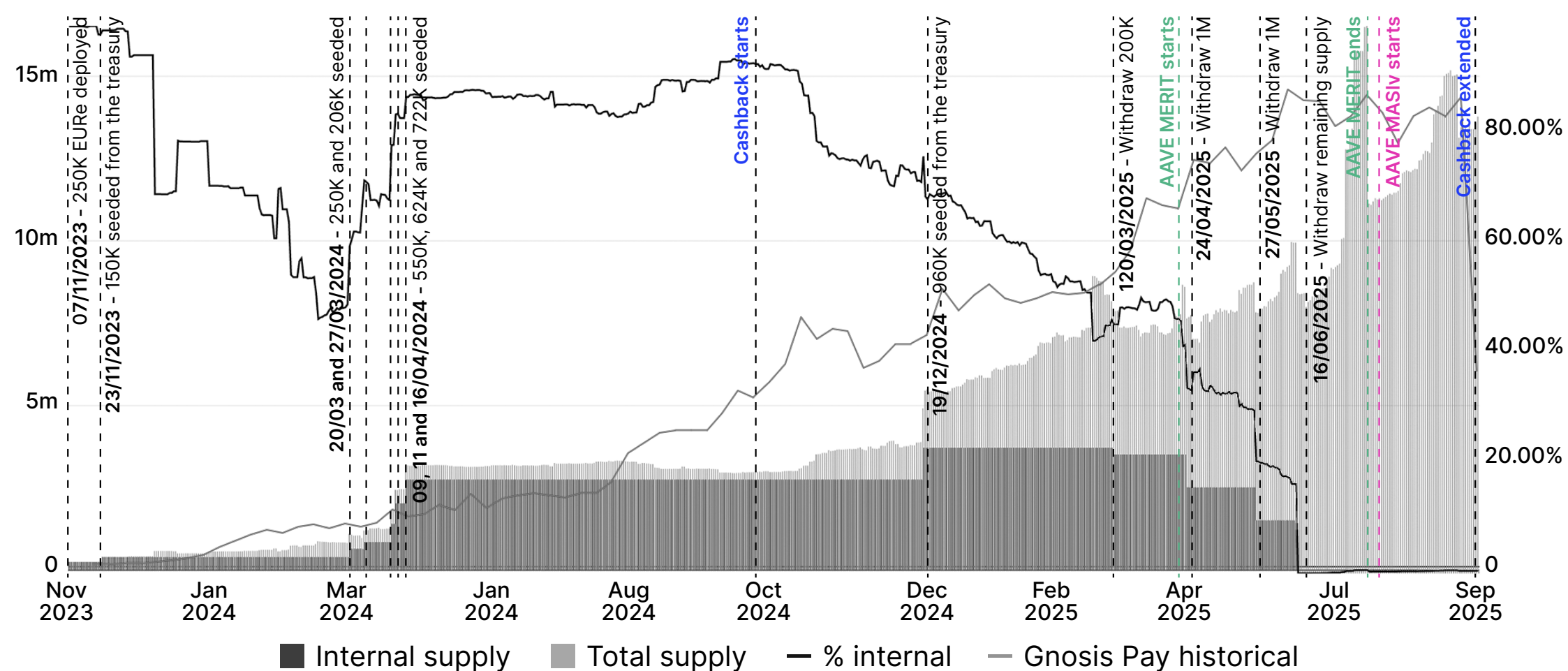
When comparing supply growth with transaction volume on Gnosis Pay, a clear correlation emerges with two distinct phases standing out:

🦊 The first followed the launch of the cashback programme, which boosted weekly transaction volume from around \$350,000 to \$1.3 million over eight months, a 3.7x increase.

🦊 The second coincided with the MERIT incentives added on top of cashback, which drove volume further from \$1.3 million to \$2.2 million over just four months, an additional 1.7x increase.

These two stages suggest that the surge of activity in the Aave market was primarily driven by Gnosis Pay, reflecting real usage since users were required to spend their funds through the card. Notably, it was the cashback programme, rather than pool-level incentives, that acted as the first major catalyst, indicating that inorganic behaviour was likely limited.

AAVE V3 (GNOSIS) EURE MARKET: TIME SERIES OF INTERNAL v EXTERNAL SUPPLY



Source: dune.com

As for looping, mitigations were in place, and the strategies available under MERIT were never especially profitable. First, the programme's rules automatically reduced rewards for looping, preventing users from recycling capital to capture outsized yields. Second, the 0.1% borrow APY offered under MERIT required significant commitment and strict eligibility criteria, meaning that most users only accessed standard rates. In practice, borrowing costs were higher for the majority, leaving little room for arbitrage. Even when combined with Gnosis Pay cashback of up to 4% (plus an additional 1% for NFT holders), the spread remained narrow and dependent on actual spending, making looping neither easily scalable nor meaningfully profitable.

MERIT PROGRAM FOR EURE

ACTION	DESCRIPTION	BOOSTER	ADDITIONAL ELIGIBILITY CRITERIA
Borrow EURE	Rewards are distributed using the following formula: $f(\text{EURE vToken Holding} - \text{EURE aToken Holding})$	No boosters	Holding EURE aToken reduces rewards. Strict dilution can be applied against users trying to game the campaign using multiple wallets
Defitions - Actions are the core behaviours that define the base rewards you will have. For “Stake GHO” action: the more and longer you hold sGHO, the more rewards you will have. - Booster are behaviours that can increase your base rewards. - Additional eligibility criteria are behaviours you must follow to be eligible for the campaign.			

Source: apps.aavechan.com

EURE MARKET ON AAVE (SEPT 2025)

GNOSIS ASSETS				
ASSET	TOTAL SUPPLIED	SUPPLY APY	TOTAL BORROWED	BORROW APY, VARIABLE
 Monerium EUR em... EURE	14.08M \$16.48M	4.73%	11.88M \$13.90M	0.11%

Source: apps.aavechan.com

In this light, while some degree of gamified behaviour undoubtedly occurred, the overall pattern points to organic adoption being the dominant force. Cashback served as the foundation for real-world usage, while Aave incentives reinforced liquidity depth and activity. Even if part of the growth was driven by yield optimisation, the structure of the programmes kept net yields modest compared to more aggressive opportunities elsewhere in DeFi, which in turn supported a more organic pattern of growth.

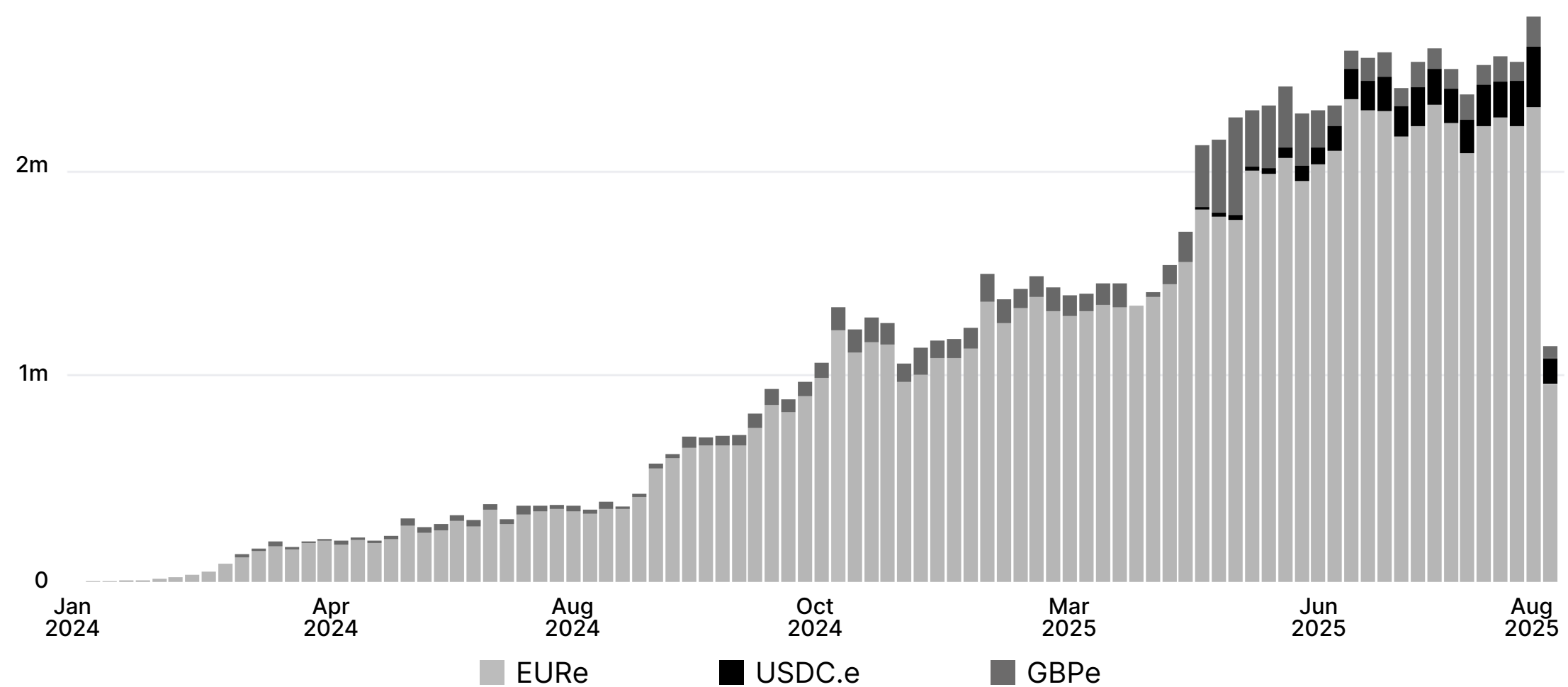
Gnosis Pay, The Key Utility Stimulating Activity

What makes the incentive programme particularly noteworthy is how directly it supported the growth of Gnosis Pay. The previous chart showed a clear correlation between supply in the Aave EURE market and transaction volumes on Gnosis Pay, highlighting the strong link between DeFi liquidity and the real-world use case of payments.

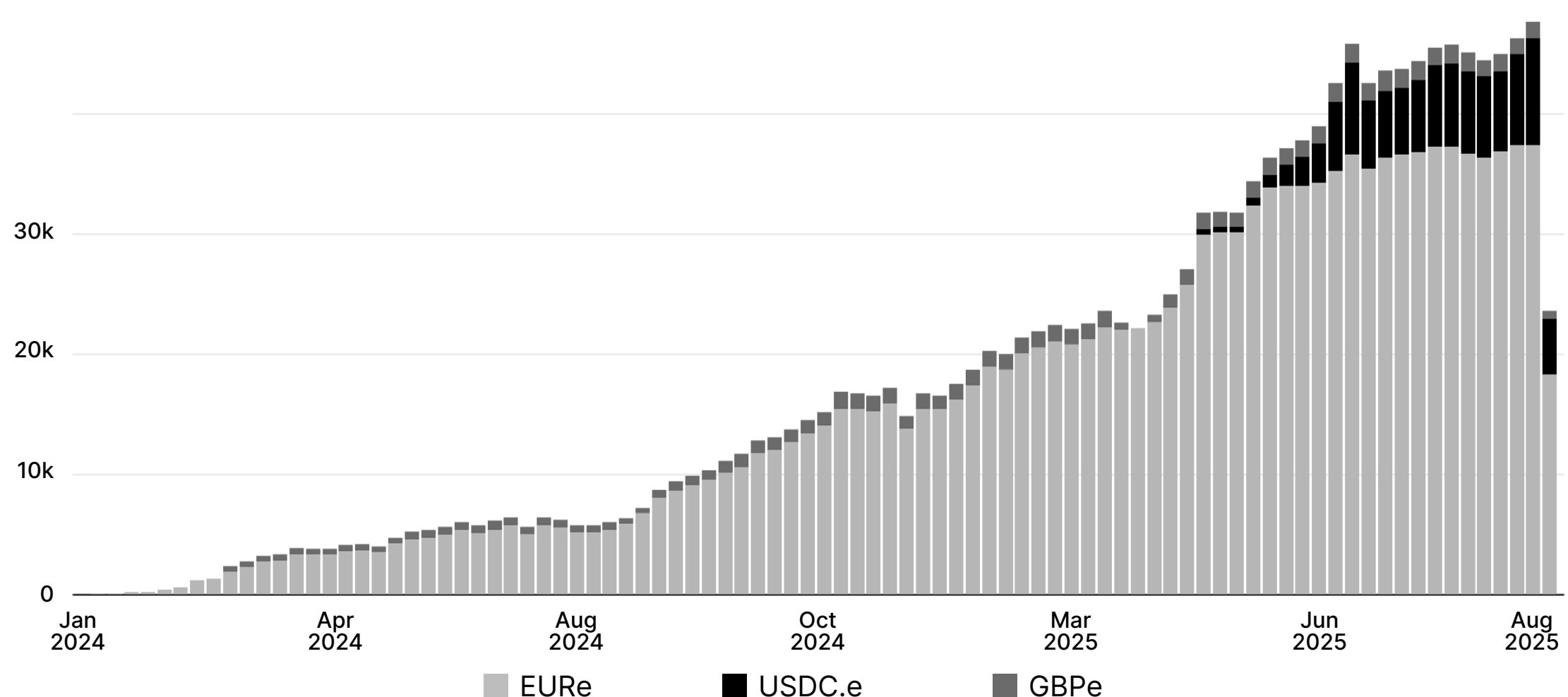
This alignment is best understood through the design of the incentives. Cashback rewarded everyday spending, while borrowing rates under the MERIT programme were comparable to, and in some cases even lower than, the cashback received. For eligible users, this created an attractive setup: borrow at low cost, spend via Gnosis Pay, and earn cashback to offset borrowing costs (different from looping).

The timing of kpk's withdrawals illustrates this dynamic. Despite the reduction of Protocol-Owned Liquidity, activity on Gnosis Pay continued to rise, suggesting withdrawals were executed at a point when external capital was ready to sustain the market. The two major stages of incentives are visible in the data: weekly payment volumes rose from about \$350,000 to \$1.3 million with cashback (x3.7), and from \$1.3 million to \$2.2 million (x1.7) after MERIT incentives were added.

GNOSIS PAY HISTORICAL (WEEKLY VOLUME, USD DENOMINATED)



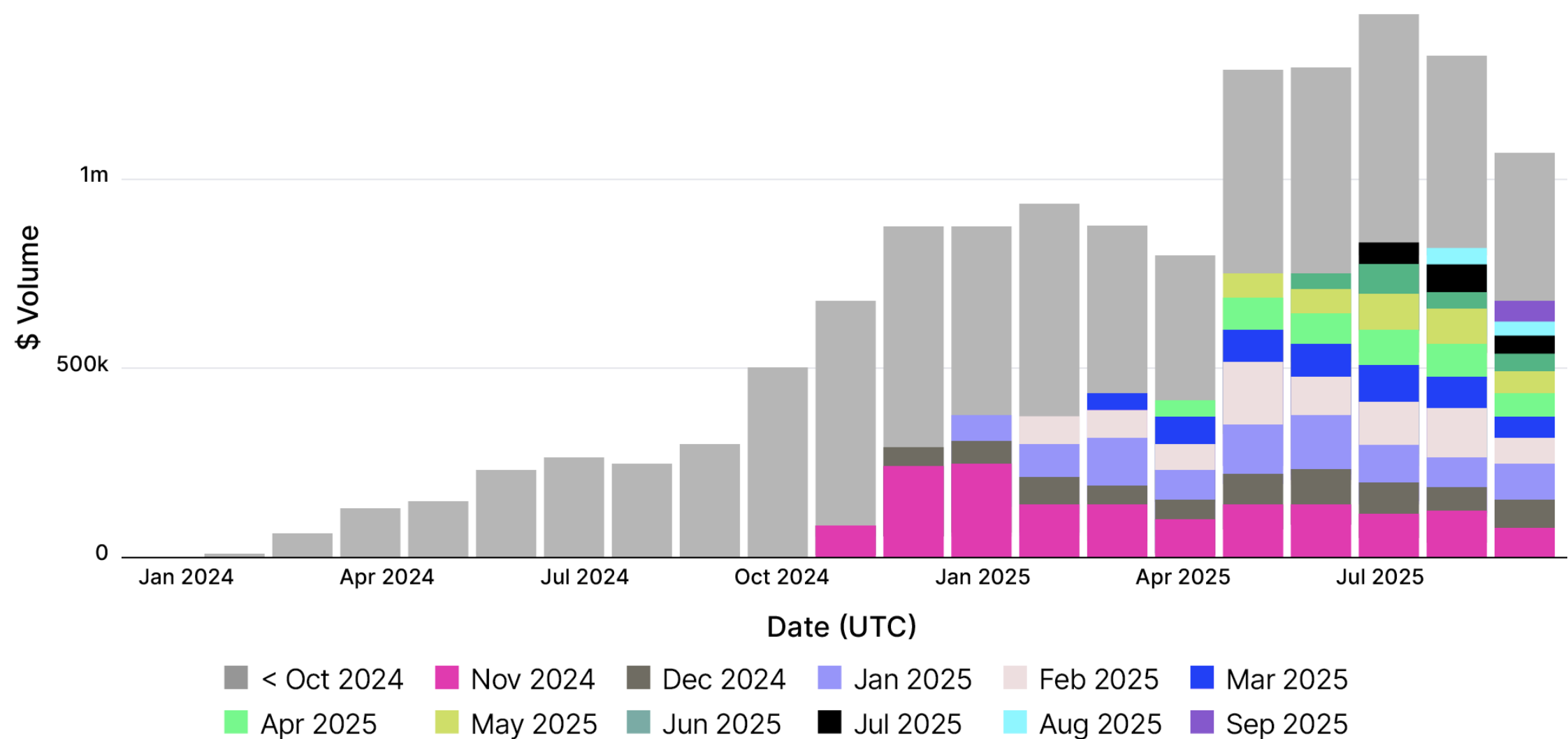
GNOSIS PAY HISTORICAL (WEEKLY VOLUME)



Source: dune.com

User behaviour also suggests genuine adoption. The mix of repeat and returning users indicates that the programme attracted not just short-term opportunists but a base of regular spenders relying on Gnosis Pay.

GNOSIS PAY USERS RETENTION COHORTS



Source: dune.com

That said, the data also shows signs of slowing momentum. Weekly transactions have plateaued at around 37,000, and volumes show a similar trend.

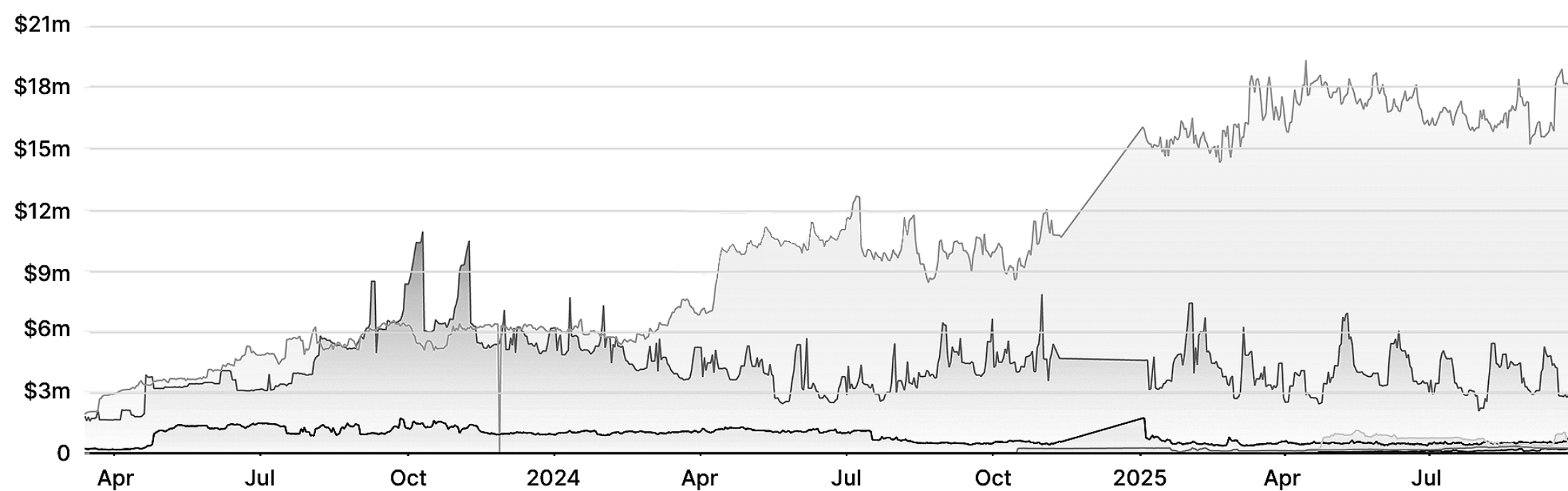
Looking ahead, it will be important to monitor whether renewed rounds of Aave incentives and cashback extensions can reignite growth. If not, the approach to adoption may need to evolve, either by adjusting the incentive design or by developing new marketing strategies.



Comparing to Other Chains

EUR's trajectory on Gnosis contrasts sharply with its performance elsewhere.

EUR TVL BY CHAIN



Source: defillama.com

Cosmos

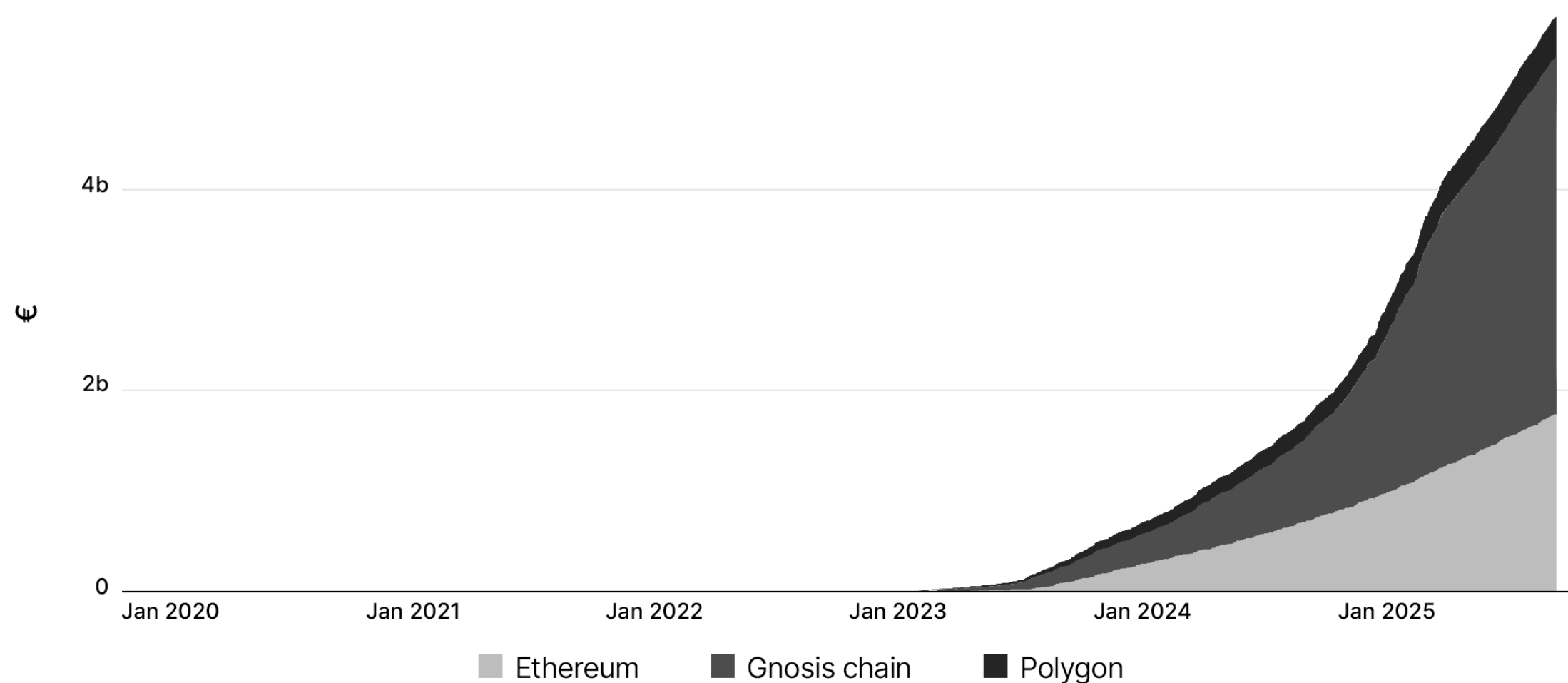
On Cosmos, EUR launched in late September 2024 but has seen little traction. TVL has remained flat, fluctuating between \$100,000 and \$250,000, with most liquidity concentrated on Osmosis. Daily volumes average only \$1,000-1,600, reflecting limited utility and the absence of any significant incentive programmes. Without attractive yields or meaningful integrations (e.g. EUR is not available on dYdX), EUR adoption on Cosmos will remain stagnant.

Polygon

On Polygon, EUR's activity has steadily declined over the past year. TVL has dropped from around \$1 million to \$500,000, with liquidity mainly concentrated in DEX pools rather than lending markets.

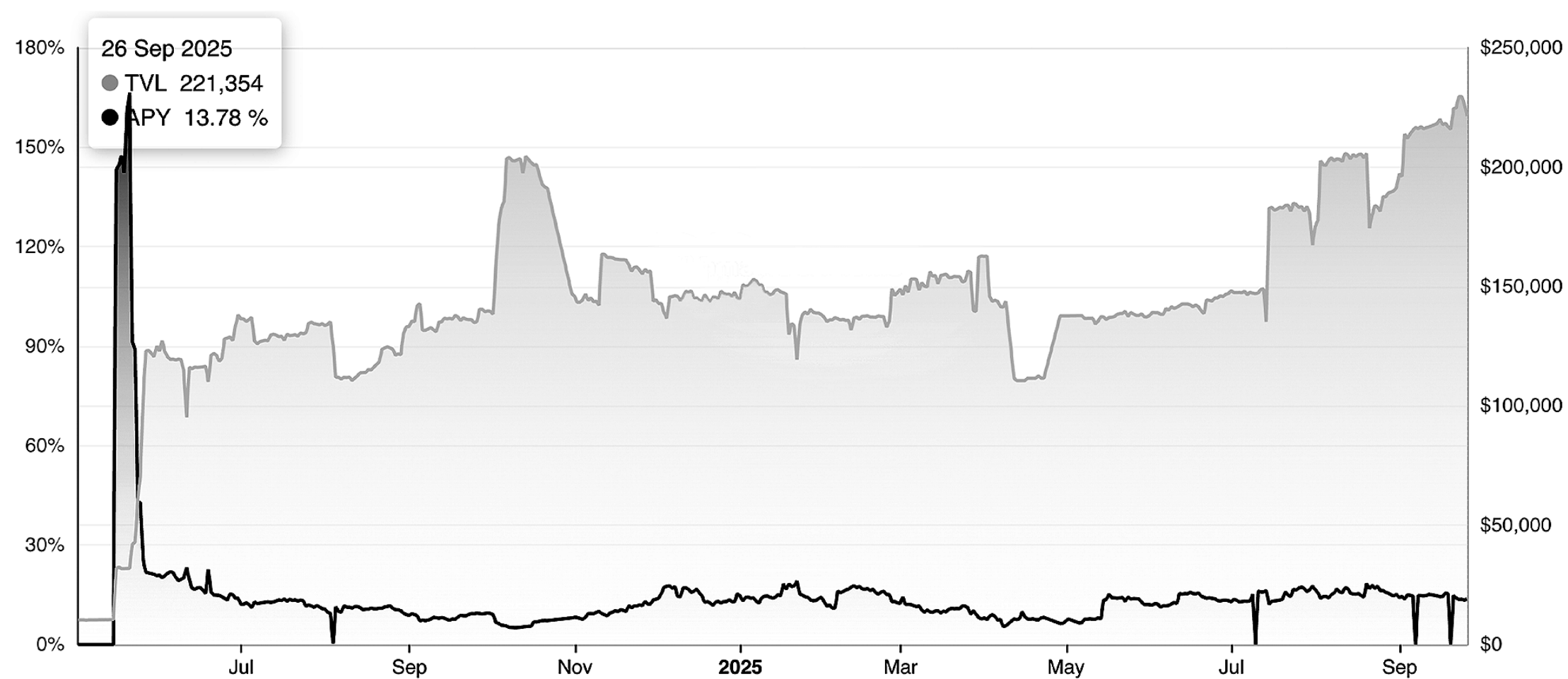
High yields, often above 13%, have supported some persistence, but volumes remain modest. While there is still activity, it is unclear whether this interest is purely yield-driven or can be translated into durable adoption through stronger utility.

EUR - VOLUME BY BLOCKCHAIN (CUMULATIVE, €) EUR - TX CUMULATIVE



Source: dune.com

TVL AND APY FOR EUR-PAR (ON POLYGON)



Source: defillama.com

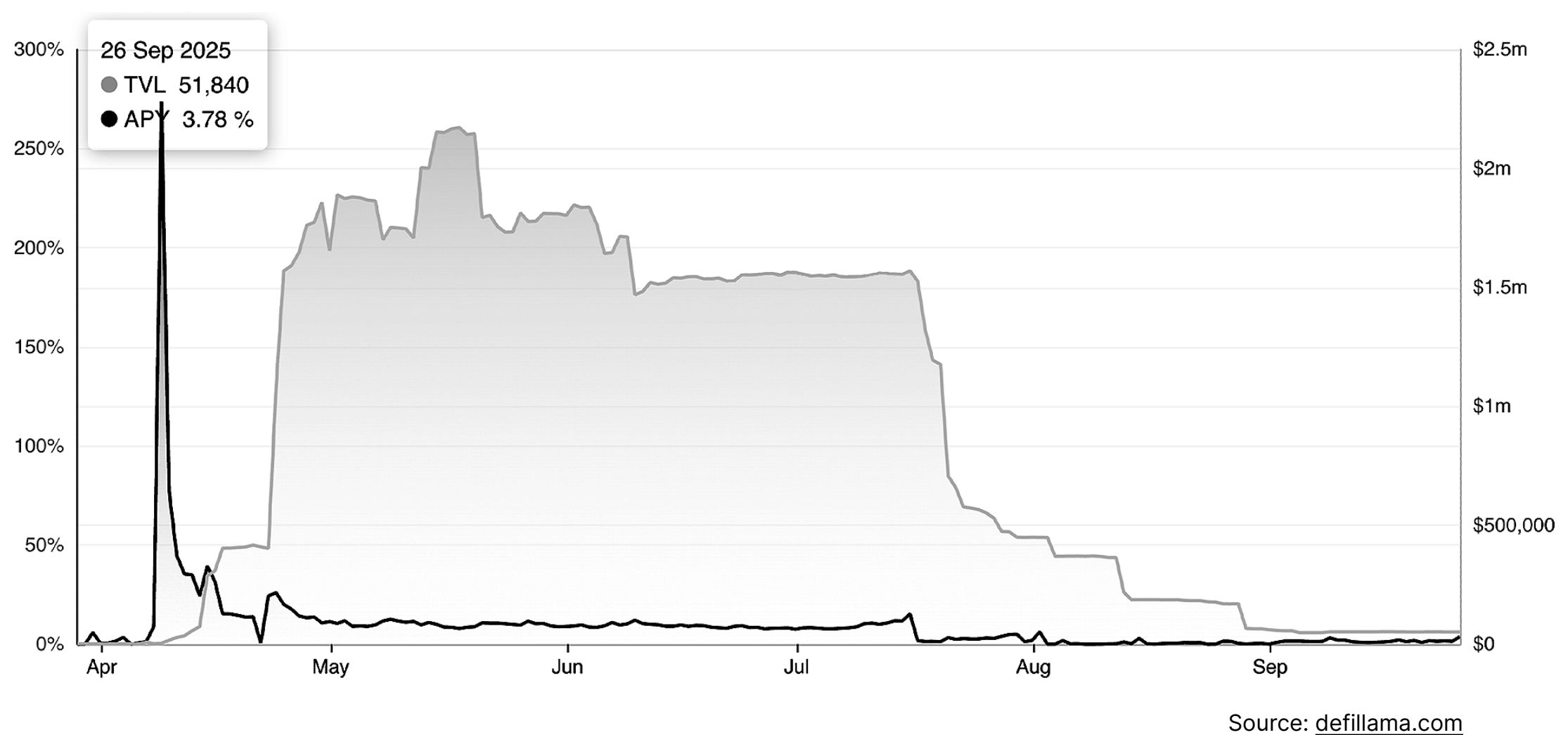
Arbitrum

On Arbitrum, the deployment has been more dynamic but inconsistent. No coordinated push by the DAO, the Foundation, or Monerium has taken place, aside from small initiatives such as the 500-EUR lotteries held in August 2025, which had only a limited impact.

In July 2025, Balancer launched a boosted pool that temporarily lifted EUR's TVL, but liquidity quickly drained once yields normalised. Since then other pools were created and the TVL now sits at roughly \$350,000, mostly concentrated in the pools supported by layered incentives ranging from 13-25% APR.

While these incentives sustain liquidity in the short term, stickiness remains low and EUR's utility on Arbitrum appears confined to basic DEX activity rather than broader adoption.

TVL AND APY FOR USDC-EUR (ARBITRUM)



Taken together, these deployments underline that EUR's success is highly ecosystem-dependent. On Gnosis, the combination of POL, incentives, and the real-world utility of Gnosis Pay created a virtuous cycle of adoption. By contrast, on Cosmos, Polygon, and Arbitrum, the absence of strong use cases has left EUR struggling to gain momentum.

Strategic Lessons and Forward Outlook

Looking Forward, What to Expect

Assessing retention at this stage is challenging, as incentives remain ongoing. The Aave MASiv programme has been extended until October, offering a yield of around 6% on EURE, while the cashback programme has been renewed with a fresh 2,000 GNO budget and a revised tier system. As with all incentive-based strategies, however, the real test will come when these rewards are reduced or withdrawn.

For a sustainable path forward, a gradual transition may be preferable. Centralised exchanges such as Crypto.com or Binance offer relevant comparison points: both launched with aggressive perks on their cards to attract users and progressively reduced them once a base of loyal customers had been secured. A similar approach could allow EURE and Gnosis Pay to maintain momentum while avoiding dependency on subsidies.

Based on the analysis and data, two scenarios stand out.

👉 In the first, Gnosis Pay growth plateaus even while incentives continue, raising the question of whether further expansion is possible and, if so, whether it justifies additional spending on marketing or more aggressive subsidies. The risk here is overspending on incentives without achieving meaningful new adoption.

👉 In the second, incentives are withdrawn while Gnosis Pay is still expanding, which could prematurely slow momentum and penalise adoption just as habits are forming. The risk in this case is cutting support too early, before usage has reached complete maturity.

Both scenarios highlight the importance of careful calibration in how incentives are phased. Going forward, tracking KPIs such as cost of acquisition, incentives per unit of volume, and month-on-month growth will be essential.

Ultimately, a collaborative effort between Gnosis, Aave, and Monerium will be needed to optimise incentive structures, striking a balance between cost efficiency and durable adoption. The key challenge is not only to maintain current usage but to ensure that EURE's payments-driven growth evolves into a self-sustaining cycle once incentives are completely phased out.

The Winning Combo: POL, Incentives, and Utility as a Model for Adoption

This case illustrates how a carefully sequenced strategy, combining Protocol-Owned Liquidity, targeted and measured incentives, and real-world utility, can successfully bootstrap sustainable activity.

The first step was to identify a market opportunity, grounded in ecosystem needs, user demand, and onchain trends. In this instance, the objective was clear: support the adoption of a payments solution through Gnosis Pay.

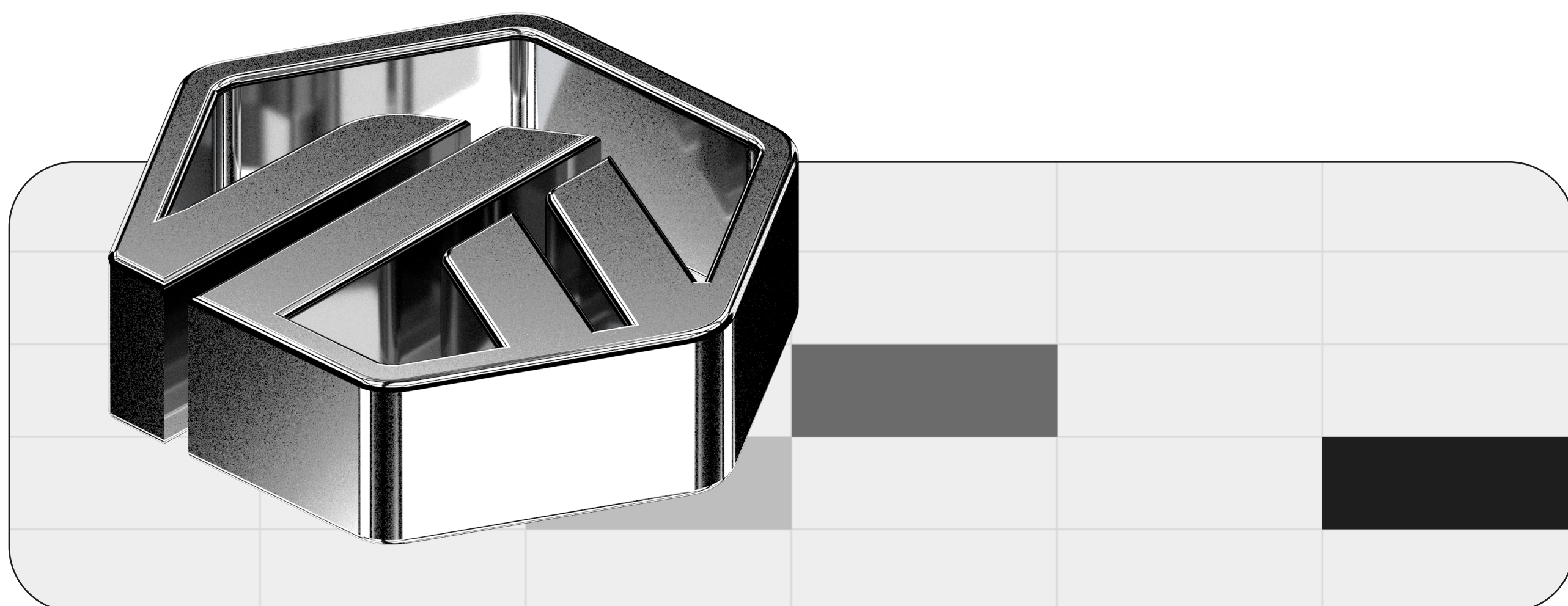
The second step was to ensure sufficient liquidity, which was achieved through Aave's EURE market. Deep liquidity is critical for stability and resilience: it reduces volatility, mitigates behavioural shocks, and prevents service disruptions for Gnosis Pay. In practice, this guaranteed that users could acquire EURE efficiently and that Gnosis Pay could operate smoothly while focusing on growth.

The third step was to attract external participation, with incentives playing the pivotal role. The cashback programme was the initial catalyst: it lifted Gnosis Pay activity, increased demand for EURE, and expanded supply on Aave. The MERIT programme then reinforced this trajectory, bringing in additional liquidity and enabling Protocol-Owned Liquidity to be withdrawn gradually without destabilising the market.

Additionally, the duration of incentives proved critical. Running campaigns over six to eight months gave users time to set up accounts, activate cards, acquire or borrow EURE, and begin using it for payments. Over a longer horizon, users began to form habits, with repeat usage evident in the monthly cohorts. Incentives thus achieved more than temporary demand: they encouraged the behaviours that turned new users into loyal ones.

Finally, once growth had scaled, exogenous capital was flowing in and incentives remained active, kpk began withdrawing its liquidity in stages, ensuring that the market's growth momentum continued without disruption.

Taken together, the sequence, POL providing the initial depth, incentives driving growth, and real utility securing retention, proved to be a powerful combination. It transformed EURE from a thinly traded asset into a functioning stablecoin with real adoption, laying a durable foundation for its role at the centre of the Gnosis ecosystem.



CASE STUDY 2

GHO Deployment on AAVE V3's Arbitrum market

Strategic Context for GHO Expansion

Aave's strategic roadmap for GHO includes expanding beyond Ethereum to selected high-activity networks. After careful consideration, Arbitrum was chosen as the first destination for this multi-chain rollout due to its active DeFi ecosystem and lower transaction costs.

To bootstrap activity on Arbitrum, Aave secured a 750,000 ARB grant from Arbitrum's LTIPP. The budget was split evenly between borrowing incentives on the Aave v3 Arbitrum market (375,000 ARB) and liquidity incentives for GHO on major Arbitrum DEXs (375,000 ARB). The borrowing programme was intended to boost the borrow activity by incentivising GHO minters on Arbitrum and the borrow activity on several assets. Rewards were paid bi-weekly and scaled with position size and duration, with market-level caps to limit concentration. In parallel, the liquidity programme rewarded LPs on Curve, Balancer, Uniswap v3, and Maverick on a bi-weekly cadence, with additional weight for concentrated liquidity that stayed in range and supported tight spreads around the one dollar peg.

The objectives were two fold. First, establish GHO as a strong stablecoin on Arbitrum with credible depth and routing. Second, grow retained users on the Aave v3 Arbitrum market by aligning incentives with sustainable borrowing and liquidity provision.

This case study examines how liquidity and activity were bootstrapped through the Aave v3 market on Arbitrum, and identifies the main drivers and blockers that shaped outcomes during the incentives programme.

Event Chronology of GHO on Arbitrum

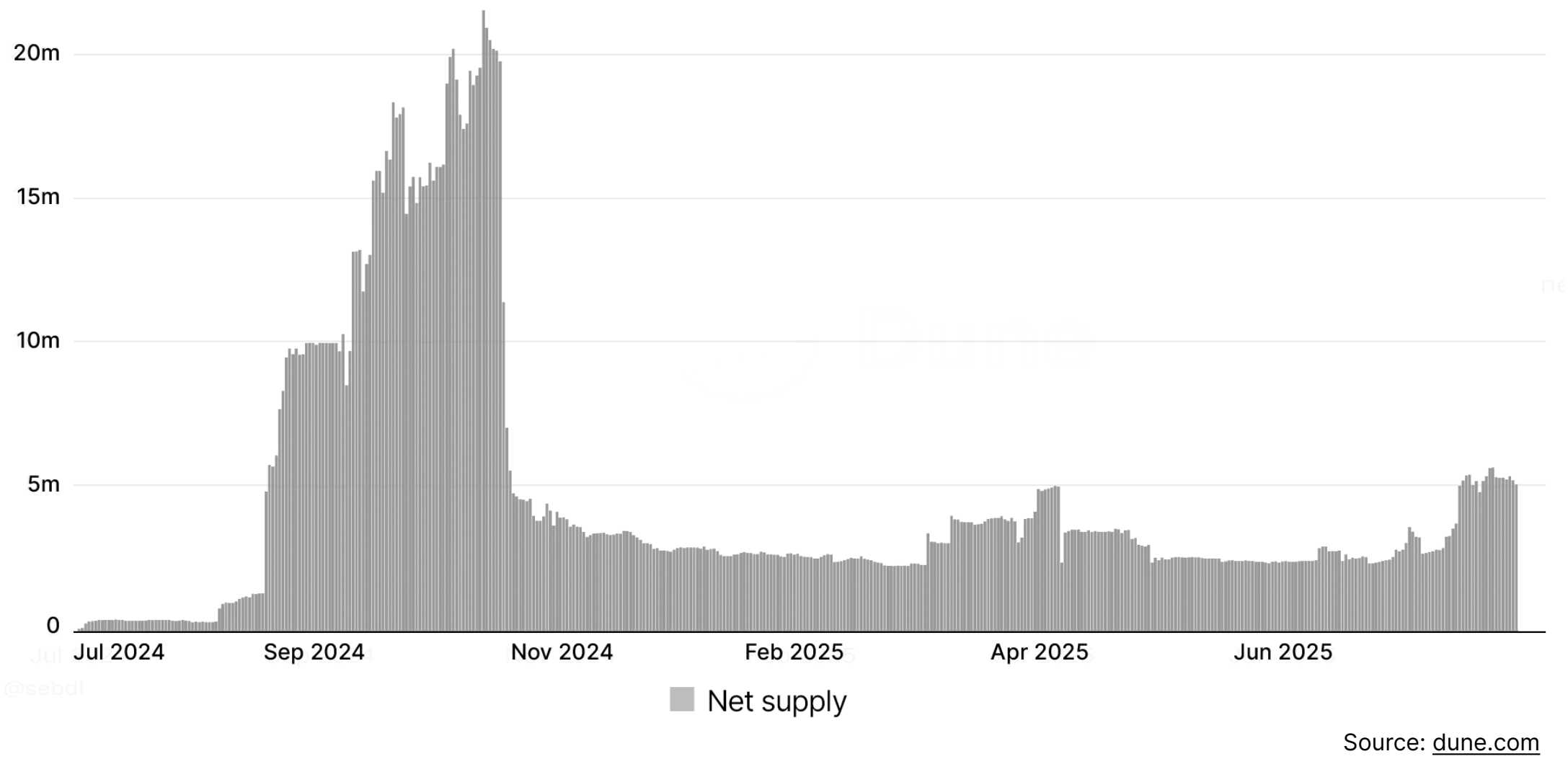
This section reviews the major events that shaped GHO liquidity and activity on the Aave v3 Arbitrum market. Across these events, three forces repeatedly set the dynamics: incentives, parameter adjustments and cross-market opportunities. Together these forces determined when growth accelerated, where it concentrated, and how much of it was organic.

TABLE OF EVENTS AND KEY CHARTS

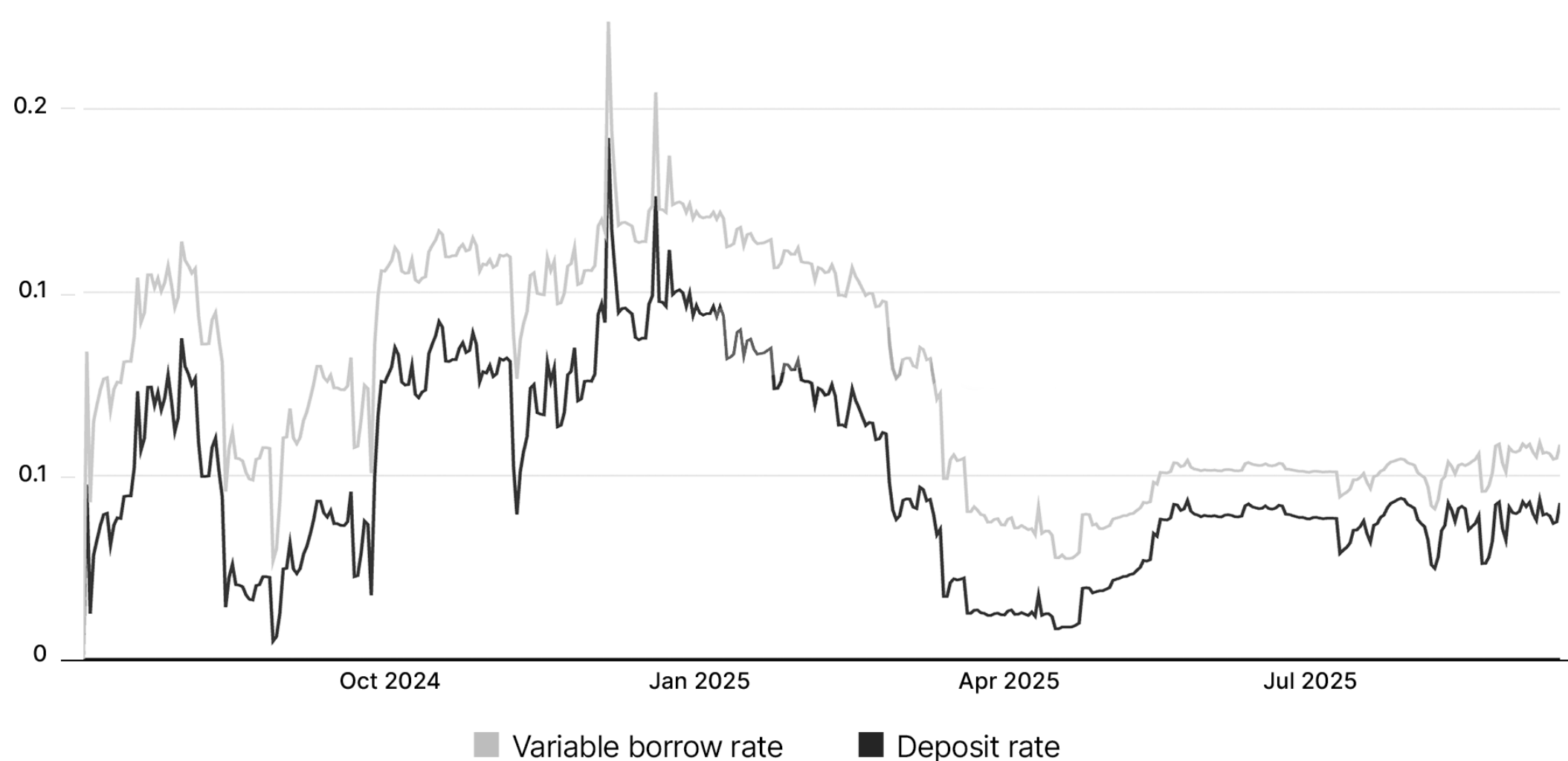
DATE	EVENT	METRIC OR IMPACT	SOURCE
2 Jul 2024	GHO launches on Arbitrum as the start of the cross-chain rollout	Deployment live, cross-chain strategy begins	Avara
6 Aug 2024	AIP-141 executed. Bridge and facilitator limits raised and Arbitrum caps increased	Supply 1M → 5M Borrow 0.9M → 4.5M CCIP limits 2.5M → 20M	Aave
28 Aug 2024	ARFC to raise the Arbitrum GHO Supply Cap as utilisation nears the limit	Supply cap nearing full utilisation. Supply 5M → 10M	Aave
4 Sep 2024	ARFC to raise Arbitrum GHO Borrow Caps due to high utilisation	Borrow utilisation threshold hit, lift proposed. Borrow 4.5M → 9.0M	Aave
18 Sep 2024	Risk Stewards execute the Supply Cap increase on Arbitrum v3	Increase Supply 10M → 16M	Aave
26 Sep 2024	ARFC: pre-emptive Borrow Cap increase ahead of incentives-driven demand	Pre-positioning for expected demand uplift. Borro 9.0M → 14.0M	Aave
2 Oct 202	GHO on Arbitrum reaches 95.7% supply-cap utilisation and 95.51% borrow-cap utilisation, further increases recommended	Recommendation to raise caps to 20M (supply) and 18M (borrow)	Aave
Late Oct – Early Nov 2024	Depeg event (via GSM) with significant absorption and burn	Around 16M GHO absorbed and burned to stabilise price	Aave

The charts below provides a visual reference of the key parameters of the Arbitrum market for GHO, supporting the analysis of the subsequent events.

GHO SUPPLY ON AAVE V3 - ARBITRUM



GHO BORROW/DEPOSIT RATES ON AAVE V3 - ARBITRUM



Source: dune.com

Event Chronology of GHO on Arbitrum

Liquidity Bootstrapping through Caps and Incentives

After several months of preparation, GHO went live on Arbitrum on 2 July 2024. The launch was coordinated with an incentive programme and a set of partner venues to ensure that both borrowing and secondary liquidity were in place.

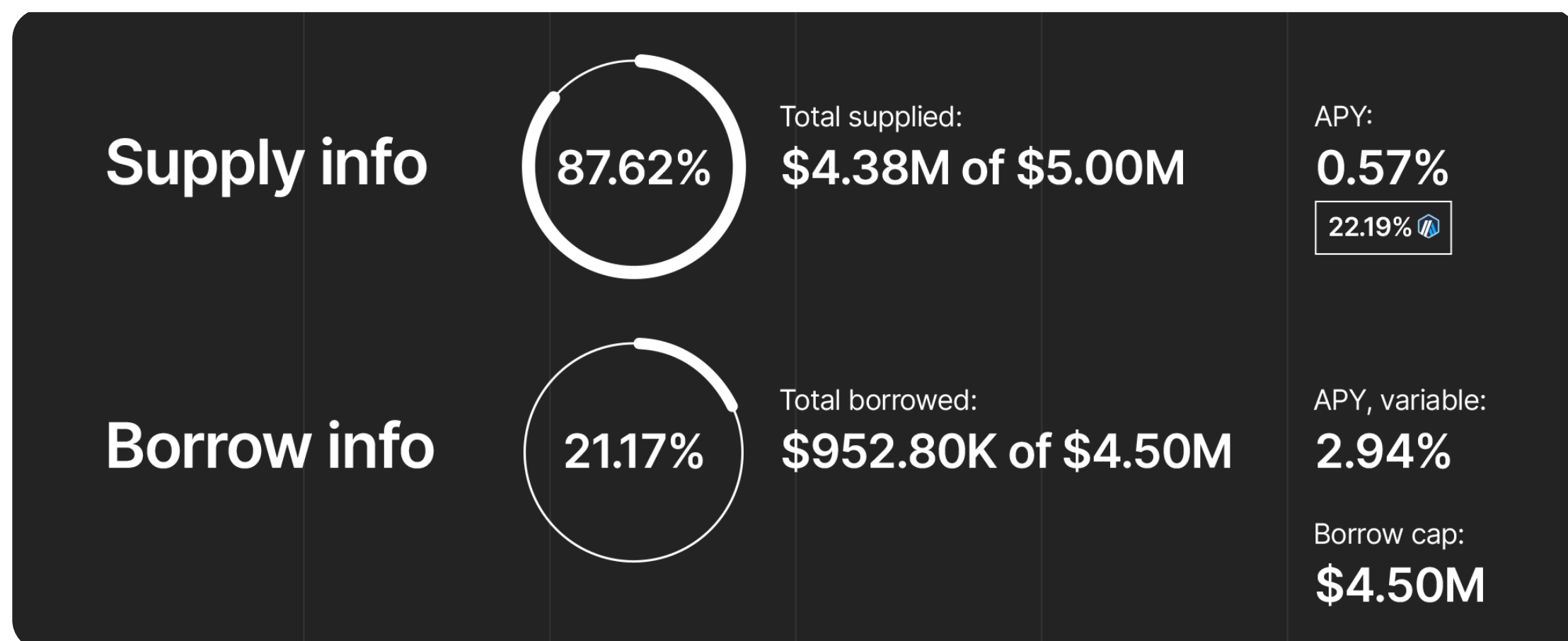
The LTIPP incentives (outlined above) began a few weeks later, around mid/end of July, following a delay from the original schedule. At launch and in the weeks that followed, GHO pairs were seeded across multiple venues, including an E-CLP with aUSDC within the Arbitrum stable pool, a Balancer pool combining GHO with USDC and USDT, concentrated-liquidity markets on Uniswap v3 and Maverick, and a Balancer E-CLP pairing with USDe in partnership with Ethena and Gyroscope. The objective was to allow borrowers to move in and out of GHO with minimal slippage and to give LPs credible venues to deploy liquidity that would support the peg and bootstrap DeFi activity.

Early demand was strong and capacity limits were quickly reached. The CCIP facilitator was extended from 1.0 million to 2.5 million and filled within 90 minutes. A few days later, discussions began on lifting the market caps. This was implemented at the start of August, raising the supply cap from 1 million to 5 million and the borrow cap from 0.9 million to 4.5 million. The supply side expanded rapidly, driven by the attractiveness of yields.

By the end of August, the market faced another constraint. Supply cap utilisation reached about 87%, while

borrow utilisation remained modest at 21%. On 28 August governance raised the supply cap to 10 million. The effect was immediate once again, with supply rising to the new ceiling within days as participants redeployed liquidity.

This was largely fuelled by incentives, with the supply side earning an indicative annualised rate near 22.7%. However, borrowing lagged, highlighting limited demand for GHO signalling that much of the growth was driven by yield farming on the supply side rather than genuine DeFi activity.



Source: governance.aave.com

However, activity on the borrow side surged suddenly and reached the cap by early September. Governance responded by raising the borrow cap to 9 million while keeping the supply cap unchanged, preferring to let demand catch up with existing liquidity.

Onchain data showed that this demand was highly concentrated, with three wallets driving the spike: the largest accounted for 49% of total borrowing, the second for 9%, and the third for 6% , together representing around 64% of the borrow side. According to Chaos Labs, these top borrowers were looping, borrowing the same assets they deposited in order to farm ARB rewards.

RANK	ADDRESS	QUANTITY	PERCENTAGE
1	0x2263b62f...9d6bc062e	2,211,370.814828838476930042	49.1586%
2	0x91603dcf...3a7dbe7cf	433,789.290640734293224423	9.6431%
3	0x198b6f25...8bcc282ba	312,404.313874686443904125	6.9447%
4	0x8747d9eb...6296027dd	150,000.004043392081042253	3.3345%
5	0x8bf675b7...6a308257d	120,180.800819905480649219	2.6716%
6	0xf4021834...fc5152c7a	106,034.720682194260077204	2.3571%
7	0xdf7d0d3d...73fa75b00	85,145.5240049683996445	1.8928%
8	0x2f5734ed...503b56820	81,702.887969406737076771	1.8162%
9	0x61770ba4...5a7c5546b	60,000.065709644050777273	1.3338%
10	0x3865cd96...f19102036	39,004.68416703025631318	0.8671%

Looking at the rate environment, it was clear that looping strategies were highly attractive. The supply side was earning around 11% or more, while the borrow side stood near 6.3%. These conditions supported classic self-reflexive positions: borrowing GHO, swapping it for the paired stable, redepositing, and repeating the cycle, with ARB rewards and the interest spread driving returns.

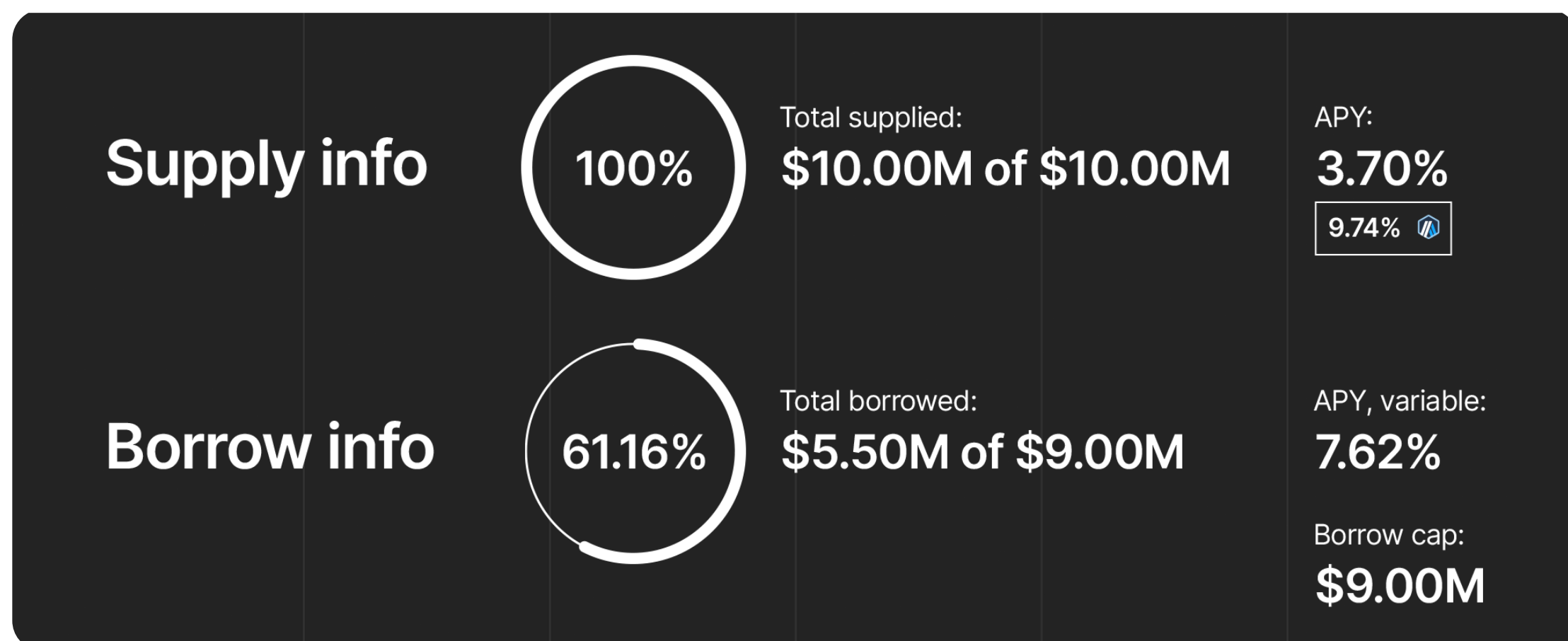
This dynamic raises doubts about how much of the observed growth reflected genuine demand for GHO as a transactional asset, as opposed to short-term mercenary behaviours.



Source: governance.aave.com

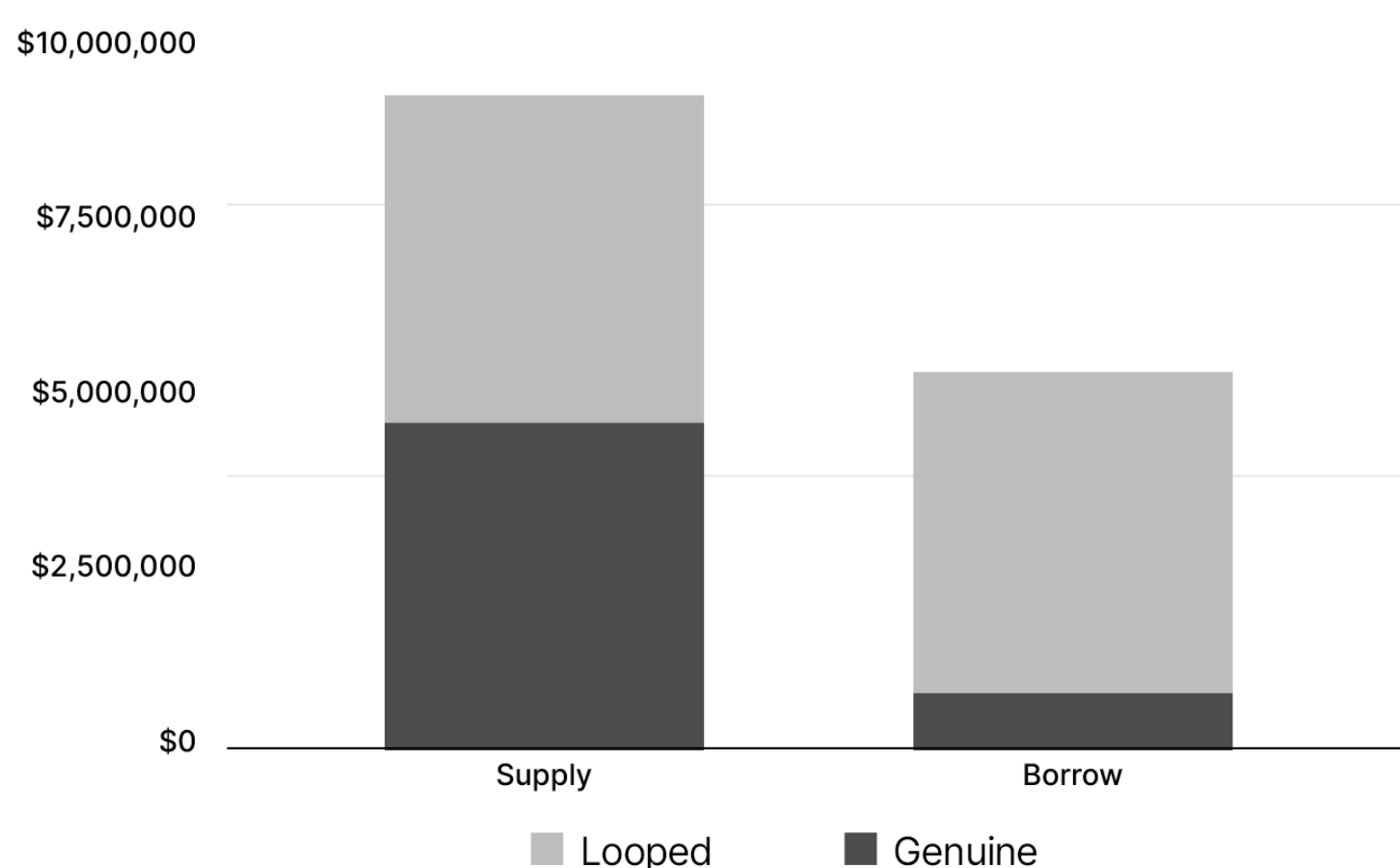
By 18 September, supply yields remained elevated near 13.44%, while the borrow rate had increased to about 7.62%. Borrow utilisation was about 61%. The spread of roughly 6% still favoured looping, and an address-level review suggested that around half of supply and as much as 86% of borrow demand came from looped positions.

In response, governance extended the supply cap to 16 million while holding the borrow cap steady. The new room was filled quickly, a further sign that incentive-driven strategies were efficient in attracting capital quickly.



Source: governance.aave.com

GHO ARBITRUM SUPPLY AND BORROW LOOPING



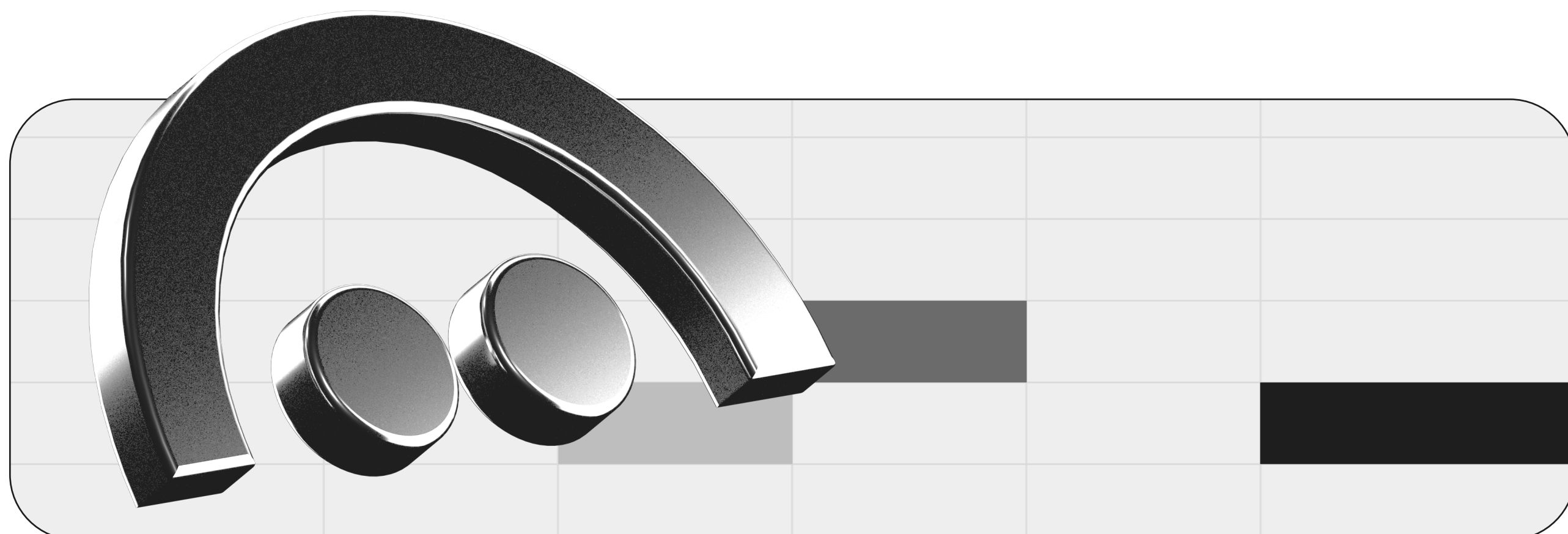
Source: governance.aave.com

Later in September the utilisation picture looked temporarily healthier, with supply cap utilisation stabilising around 50% and borrow utilisation near 37%. The distribution of positions also appeared less concentrated.

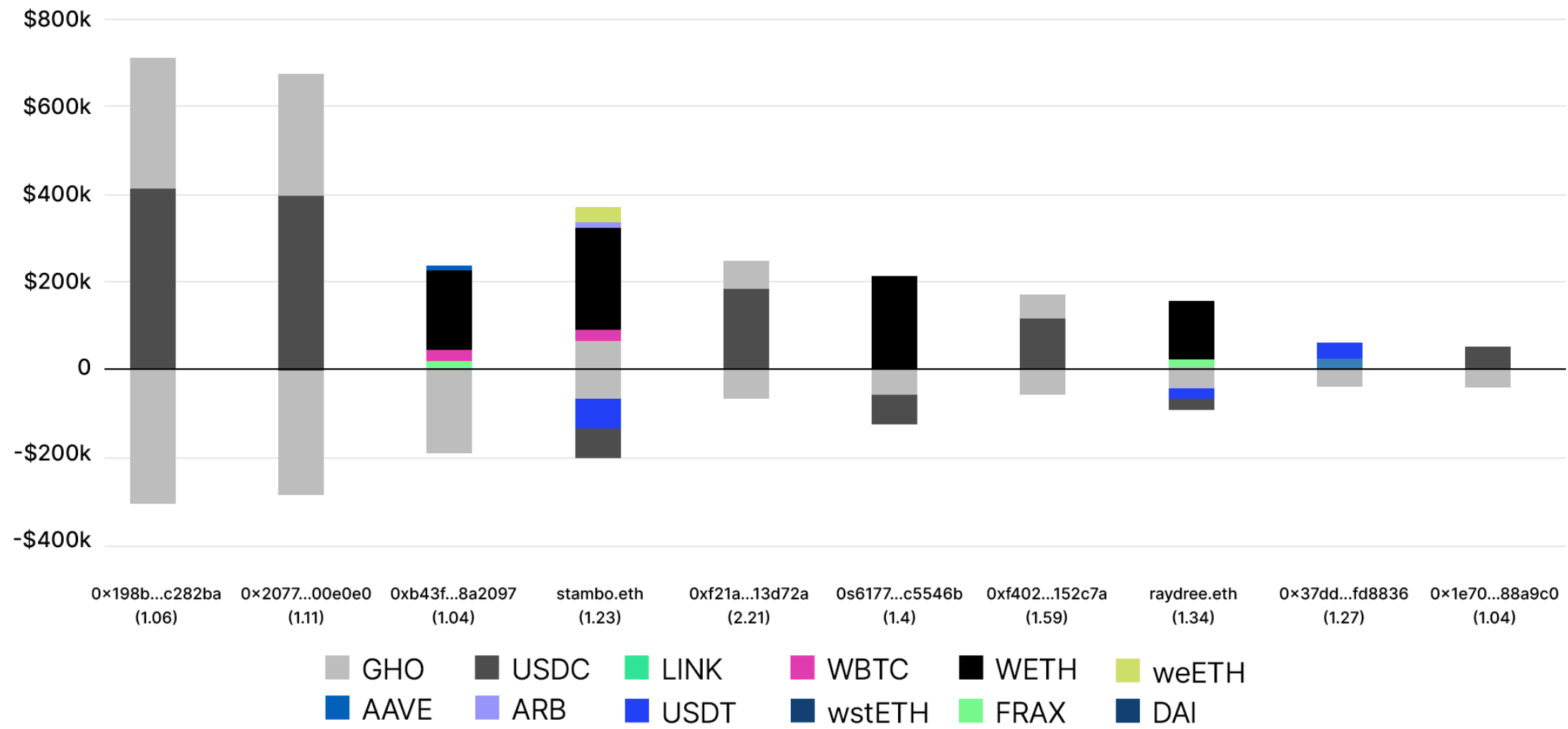
One plausible driver was a shift in incentives that placed more weight on borrowing, which encouraged new demand to enter through the lending market rather than solely through recycled deposits. Anticipating further uplift on the borrow side, the next recommended step was to raise the borrow cap to 14 million to avoid demand hitting a hard ceiling during an incentive window.



Source: governance.aave.com

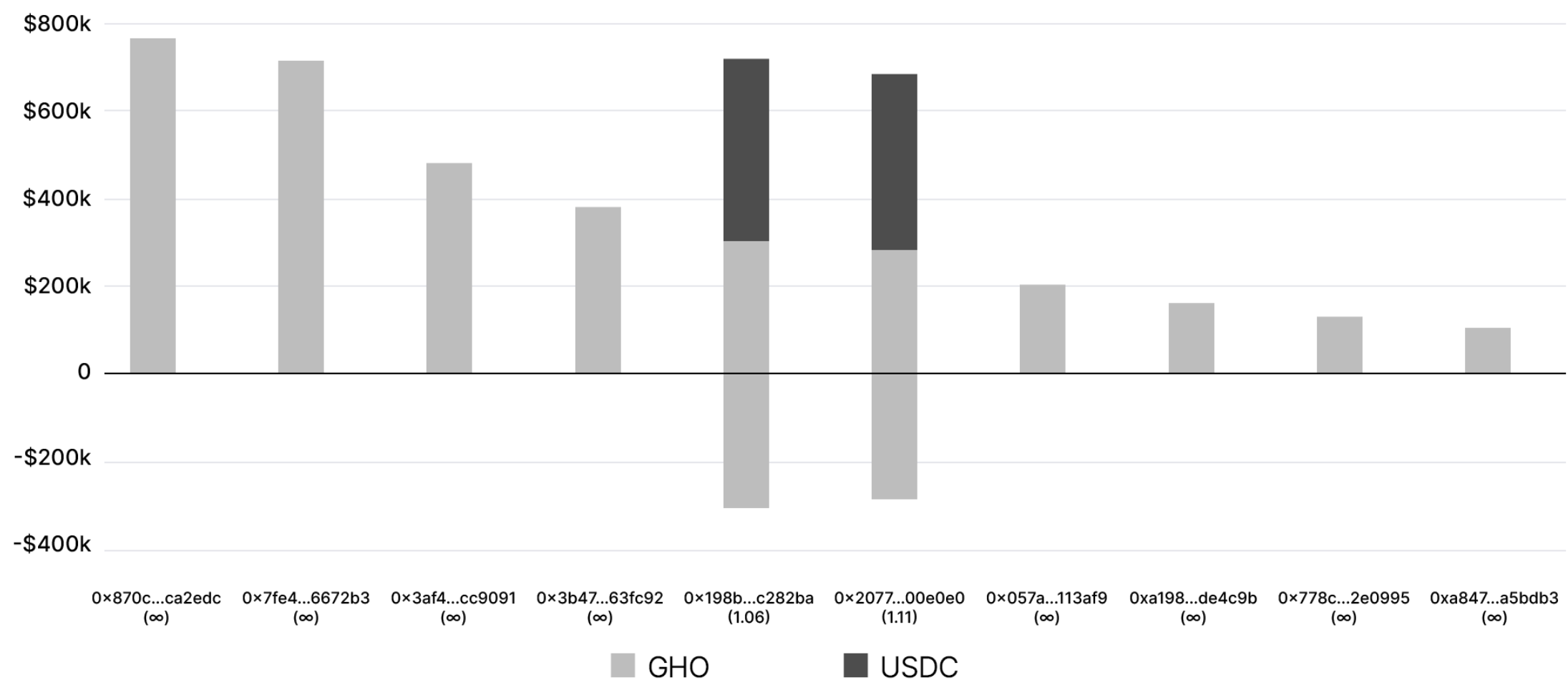


TOP BORROWERS



Source: governance.aave.com

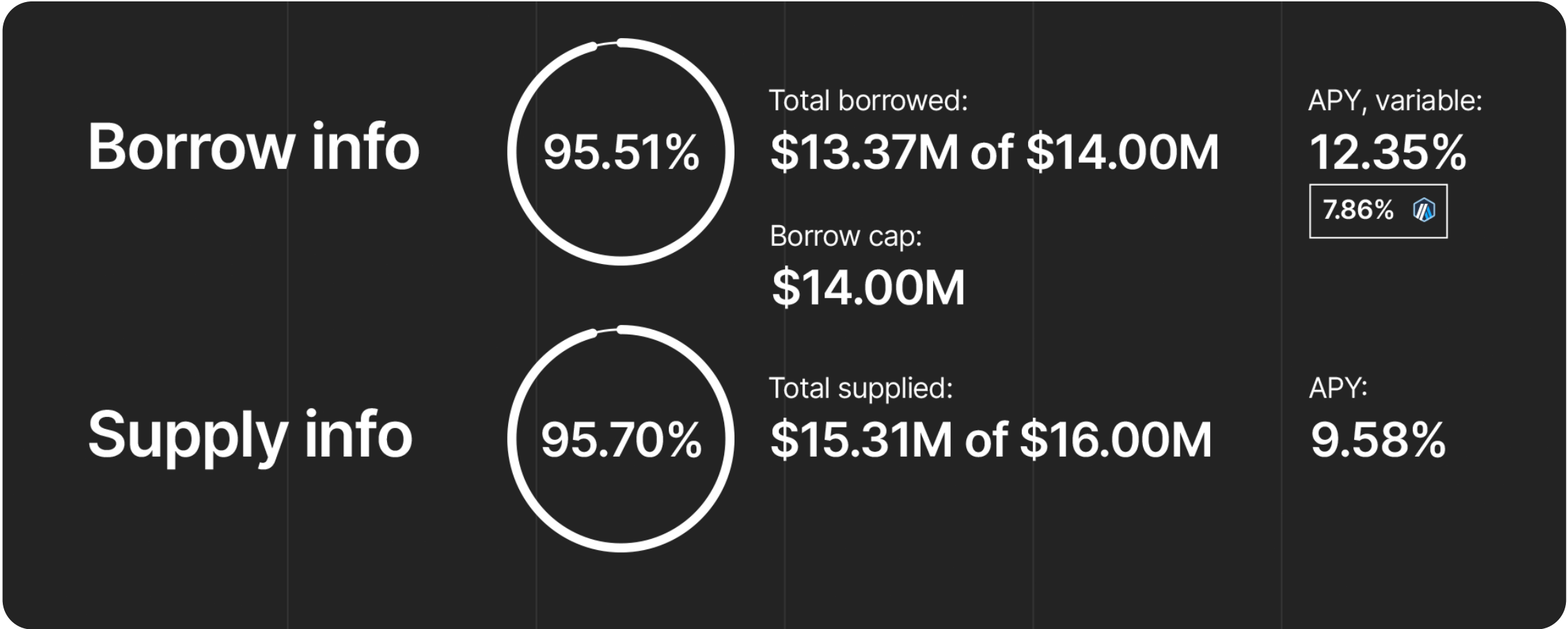
TOP SUPPLIERS



Source: governance.aave.com

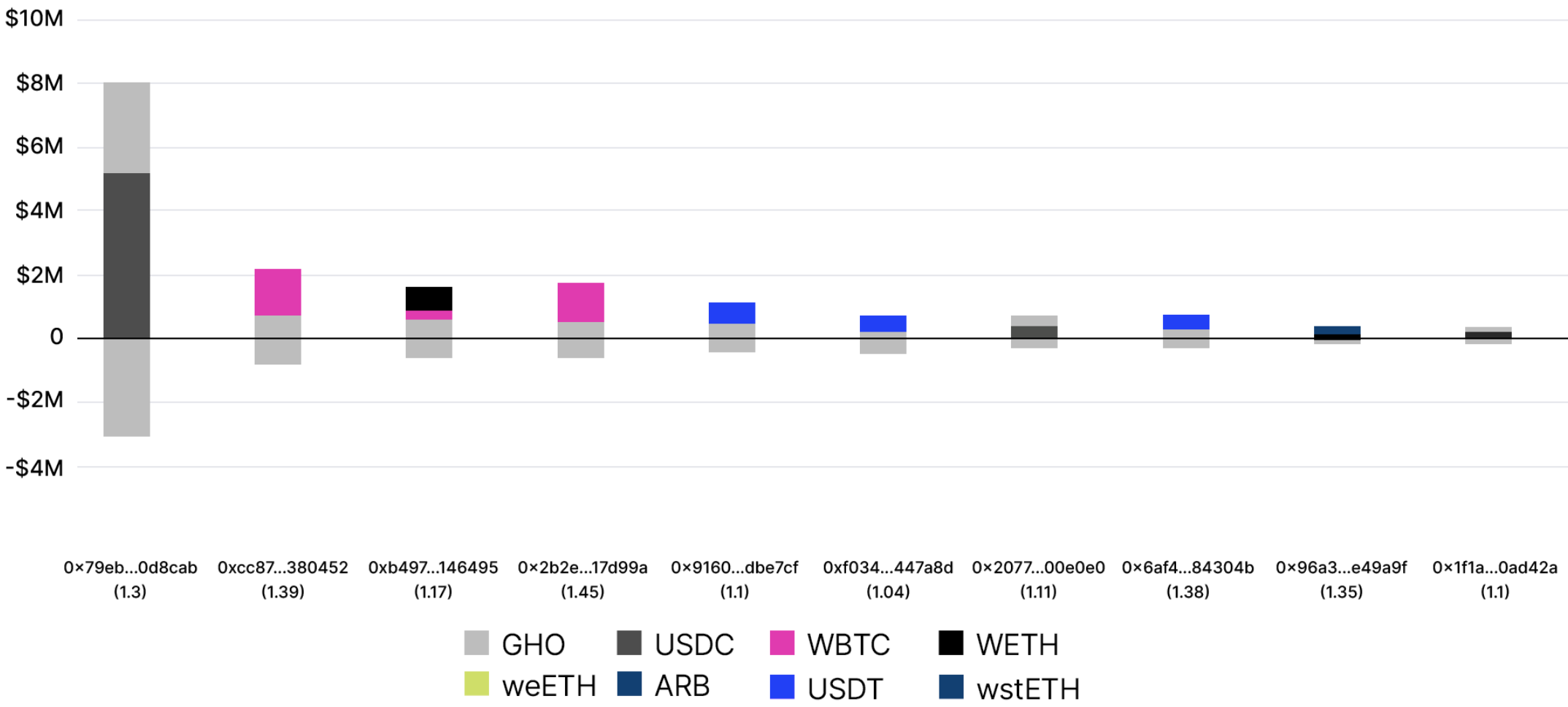
Despite this adjustment, both sides of the market were tight again by 2 October. Supply cap utilisation and borrow cap utilisation each reached about 95%. The recommendation was to raise the caps to 20 million on supply and 18 million on borrow.

Onchain analysis at that time showed that the earlier, more organic distribution had disappeared. Concentration had increased, with the largest supplier holding roughly 57% of total deposits and the largest borrower about 50% of outstanding debt. The pattern confirmed that much of the activity was again driven by recycling and incentive farming.



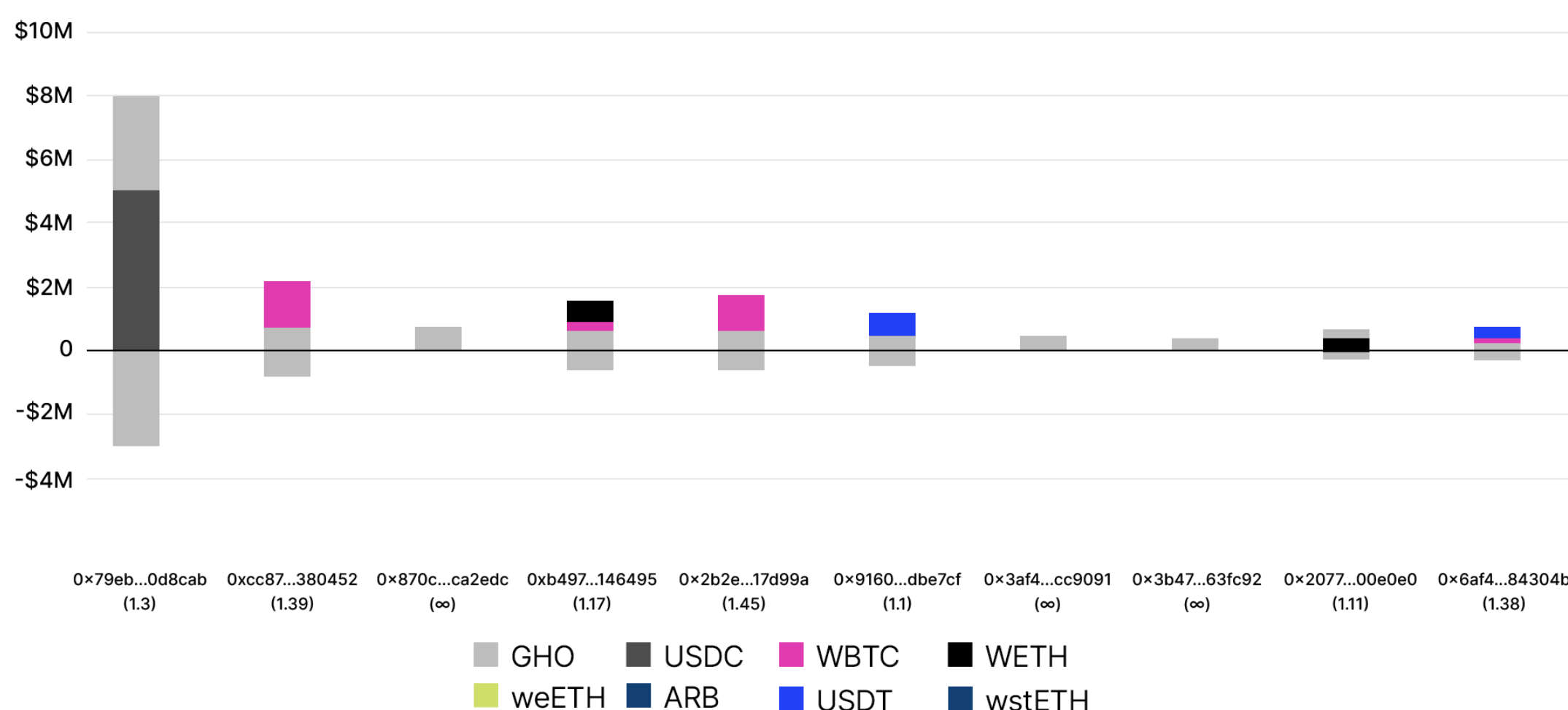
Source: governance.aave.com

TOP BORROWERS



Source: governance.aave.com

TOP SUPPLIERS



Source: governance.aave.com

These were the last major actions before the next event that disrupted the market. It is worth noting that the incentives did succeed in attracting liquidity. However, the growth was not organic, as much of it came from looping behaviours farming ARB rewards. In other words, the broader DeFi ecosystem was not necessarily benefiting from the liquidity being borrowed.

The risk at this stage was clear: mercenary capital could exit quickly, either in search of higher yields elsewhere or once the risk profile became too high. That is exactly what happened.

Peg Stress and Liquidity Unwind

Early November was a risk-on period that led to peg stress on GHO. According to an analysis by kpk, the first clear signal of stress appeared on 28 October when the Balancer 3-pool tilted heavily toward GHO. Traders increased their stablecoin borrowing, which caused DEX pools to become unbalanced and the GHO Stability Modules (GSMs) to begin paying out USDC and USDT as redemptions accelerated. This marked the onset of peg stress for GHO.

From 3 November the GSMs recorded sustained outflows, with around 8M USDC and 8M USDT withdrawn. Between 4 and 10 November approximately 16M GHO were burned through the GSMs. With pools already GHO-heavy and buffers depleted, the spot price began to slip on 11 November.

At the same time, GHO was redeemed on Maverick and borrowed on Fluid before being swapped into other assets. With liquidity already skewed toward GHO, these flows pushed the peg lower.

During this period, several notable wallets exited their Arbitrum positions in Aave. Address 0x41d3414f9262f78a5ebc8fef7b2ecf7a74a67a72 executed roughly 100 transactions of 200,000 GHO each across protocols such as Aave and Balancer, withdrawing liquidity. Address 0xba13333333333a1ba1108e8412f11850a5c319ba9 made several multi-million-dollar withdrawals, while address 0x79ebe380b16514e2710903e175b1ab52100d8cab exited two large positions of 1.24M GHO and 3.8M GHO.

Token Transfers (ERC-20)

</> API

For 0x41d3414f9262f78a5ebc8fef7b2ecf7a74a67a72

Transactions involving tokens marked as suspicious, unsafe, spam or brand infringement are currently hidden. To show them, go to Site Settings.

A total of 2,406 txns found

Download Page Data

First

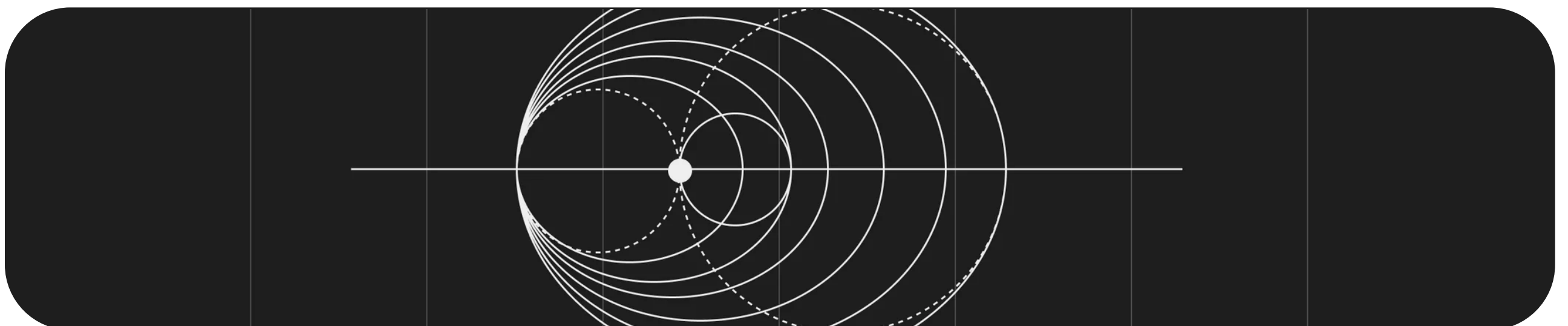
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Page 1 of 49

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Last

Transaction Hash	Method	Block	Age	From	To	Amount	Token
0x1e761de9c8... Make Flash L...	265862726	319 days ago	0x41D3414F...a74A67A72 OUT	Balancer: Vault	200,000	GH GH Token (GHO)	
0x1e761de9c8... Make Flash L...	265862726	319 days ago	Aave: aArbGHO Token IN	0x41D3414F...a74A67A72	200,000	GH GH Token (GHO)	
0x1e761de9c8... Make Flash L...	265862726	319 days ago	0x41D3414F...a74A67A72 OUT	Null: 0x000...000	200,000	AA AA Aave Arbitru... (aArbG...)	
0x1e761de9c8... Make Flash L...	265862726	319 days ago	Null: 0x000...000 IN	0x41D3414F...a74A67A72	200,000	AA AA Aave Arbitru... (aArbG...)	
0x1e761de9c8... Make Flash L...	265862726	319 days ago	0x41D3414F...a74A67A72 OUT	Aave: aArbGHO Token	200,000	GH GH Token (GHO)	
0x1e761de9c8... Make Flash L...	265862726	319 days ago	Balancer: Vault IN	0x41D3414F...a74A67A72	200,000	GH GH Token (GHO)	



Analysis and Lessons Learned

The results of the Arbitrum deployment should be viewed as nuanced. On the one hand, the programme achieved its immediate objective of bootstrapping GHO on Arbitrum.

Supply rose to around 20M at its peak, and liquidity across major DEXs was sufficient to route trades efficiently. On the other hand, this activity proved fragile. Once incentives became less attractive and stress events occurred, supply contracted back to a range of 2-4M.

Phased adjustments to caps and facilitators did help preserve stability during the growth phase, but they were not sufficient to turn early momentum into organic, retained demand. Several factors contributed to this outcome, which are examined in this section.

Incentives gamed

The incentive programme was central to the market's ignition, but the design created opportunities for gaming. The spread between supply and borrow rates, combined with ARB distributions, made looping strategies lucrative.

Several large wallets recycled capital, borrowing GHO, swapping it, and redepositing to farm both the base APY and the ARB rewards. At points the largest supplier held more than half of deposits, and the largest borrower close to half of outstanding debt. Reviews of the top addresses confirmed that a significant share of supply and as much as 80% of borrow demand came from these looped positions.

This behaviour provided temporary depth but was mercenary rather than sticky. Liquidity exited as soon as more attractive opportunities emerged or position risks increased.

A different design might have narrowed the net spread between supply and borrow, for example by directing a portion of rewards toward external use of GHO or by capping the rewards available. Other approaches could have limited concentration, such as placing caps on per-address accruals or releasing the rewards proportionally to the market capacity.

Reactive rather than proactive

Across the different events, governance decisions on Aave were largely reactive. Caps were lifted only after ceilings had already been reached, and borrow-rate changes were introduced once imbalances were already visible. This stands in contrast to deployments that relied on pre-committed triggers, as highlighted in Case Study #1.

The reactive stance was understandable given the complexity of balancing multiple factors, including the facilitator, GSM, the main market, and overall price stability. Yet it also meant that incentives were sometimes distributed when supply and borrow were already constrained. Capital then rushed in as soon as caps were raised, reinforcing the sense that activity was driven by mercenary capture rather than organic growth.

Future deployments could benefit from more proactive rules and broad monitoring. This would allow governance to stay ahead of demand instead of reacting once metrics had already reached extreme levels.

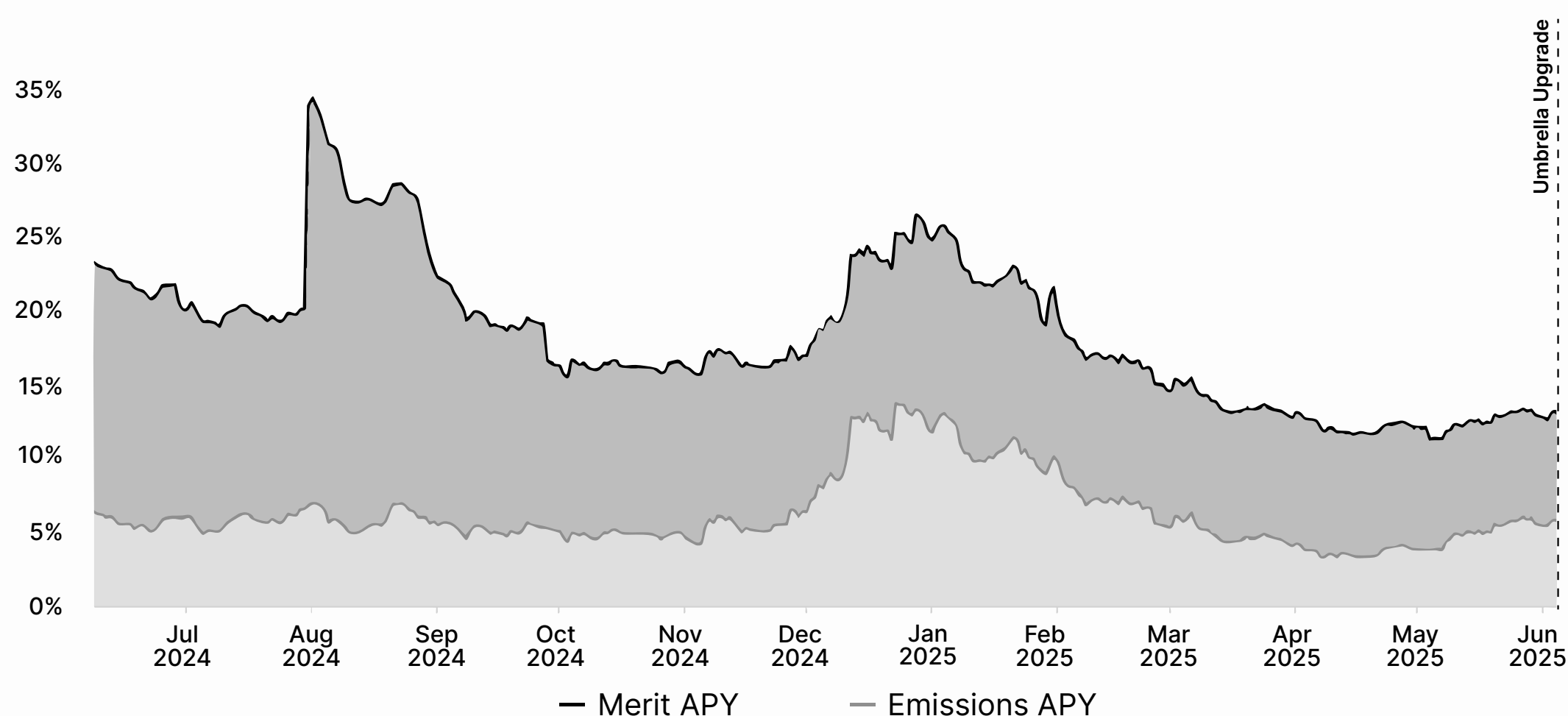
GHO competing against itself

Another dynamic was internal competition. While incentives tried to grow GHO on Arbitrum, other products within the Aave ecosystem also attracted demand.

stkGHO offered significant yield, GHO was launched on the Prime Market, and expansions to Avalanche and Base were under discussion. This multiplication of venues proved detrimental to GHO's development on Arbitrum. Liquidity that could have consolidated around a single strong deployment was instead fragmented across multiple products before any one of them had time to solidify. On Arbitrum, this diluted the impact of the incentive programme by diverting attention and capital elsewhere.

Hence, it can be considered that concentrating incentives on a single priority venue until retention is well established may have delivered stronger results. Expanding to new chains or products too early risks creating parallel but shallow markets, with liquidity spread with little usage.

STAKED GHO APY



Source: aave.tokenlogic.xyz

GHO TOKEN	
Market	Ethereum V3
Protocol	Aave
Supply APR	0.00%
Borrow APR	5.75%
Supplied (\$)	\$210.9M
Borrowed (\$)	\$152.5M
Oracle price	\$1
Supplied	210.9M GHO

BORROW APR (24H AVERAGE)



Source: aavescan.com

Lack of DeFi utility

Liquidity on Arbitrum was bootstrapped effectively, but its usage in DeFi was limited beyond the looping strategies. While pools with partners like Ethena and Gyroscope were seeded, and a Balancer E-CLP with USDe launched, broader adoption in perps, payments, or structured products did not materialise. Planned integrations, such as with Synthetix, did not move forward as expected due to Synthetix’s shift in strategy.

The result was that most borrowed GHO circulated within the incentive loop rather than flowing into external use cases. After the peg episodes, most of the initial pools saw a drawback in liquidity or even being completely removed.

For incentives to translate into durable adoption, they must push GHO into real activity. That could mean rewarding its use as margin in derivatives, as settlement in payments, or as collateral in RWA vaults. Without these outlets, liquidity remains trapped in pools and vanishes once rewards become more attractive elsewhere.

Synthetix is moving to Mainnet

Synthetix is done with L2s. With Arbitrum and Base gone, we're now shutting down perps on Optimism.

- August 18:** Perps will enter close-only mode.
- August 25:** All open perps positions will be force-closed, and margin will be airdropped to user wallets in sUSD.
- August 31:** All other Synthetix functionality on Optimism will be deprecated.

Next Steps

Bridge your funds from Optimism to Ethereum Mainnet using **Superbridge** (native bridge will take 7 days to process).

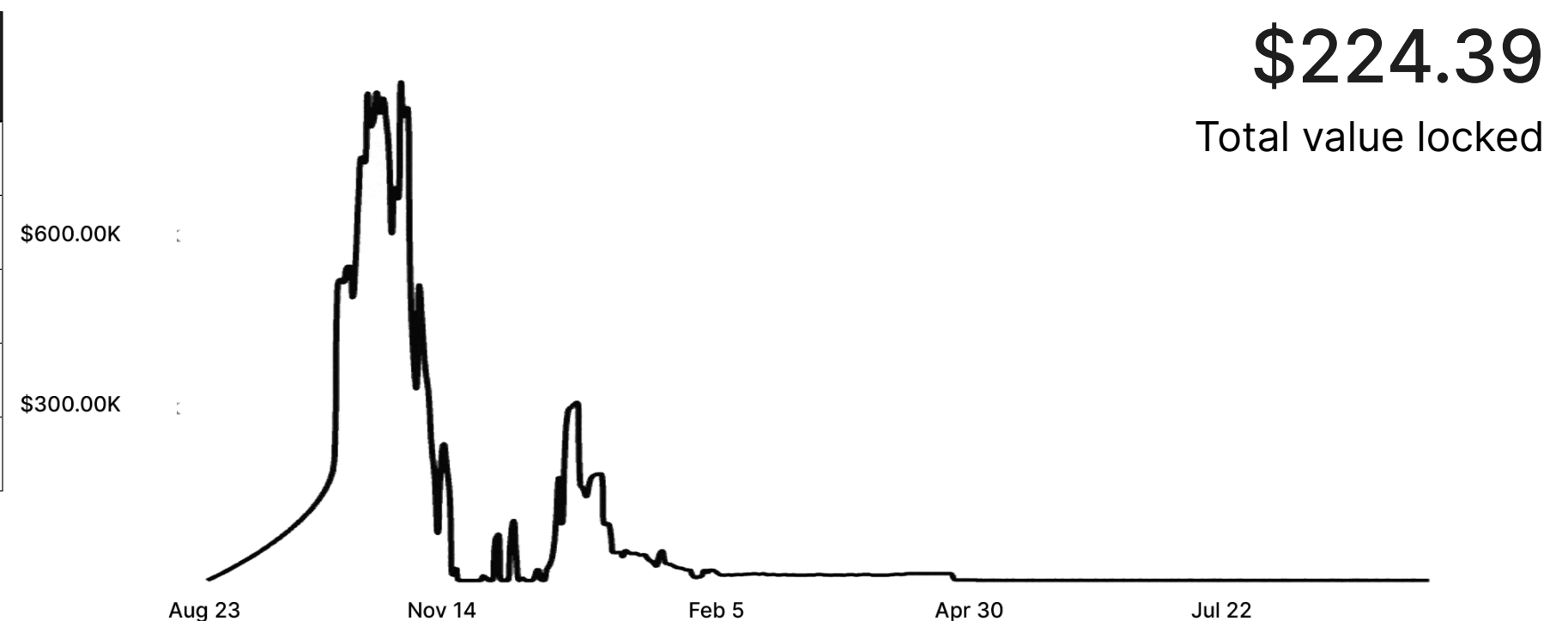
Pre-deposit into the Mainnet vault to get earn points and get onto the **Synthetix Mainnet Alpha Whitelist**.

Read The Announcement

Close

POOL STATS	
TVL	\$224.39
Swap vol (24h)	\$0.00
APR for LPs	1.51%
Fees (24h)	\$0
Weekly incentives	N/A

Source: balancer.fi



Conclusion

The incentive programme on Arbitrum achieved its immediate goal. Liquidity was bootstrapped quickly, with supply scaling toward 20M and DEX depth sufficient to support trading with low slippage. Even though much of this activity was driven by farming, the cost to GHO was minimal, as the budget was funded by Arbitrum. In practical terms, the protocol secured liquidity and stability without bearing direct incentive expenses.

However, when it came to retention, the strategy was less convincing. Incentives were distributed in ways that invited mercenary capital and concentrated looping strategies, while utility beyond Aave itself remained limited. Governance decisions were often reactive, with caps lifted or rates adjusted only after constraints were reached. A more structured approach, with clearer controls on spending through caps or similar mechanisms and with rewards tied to external use cases, might have converted more of the initial ignition into lasting adoption.

As of now, despite liquidity having been bootstrapped, DeFi activity around GHO on Arbitrum remains limited. Activity is concentrated in the Balancer 3-pool, yet most of its yield is driven by layered incentives rather than trading fees. At the time of writing, about 1.9% comes from BAL and GHO rewards, while 4.02% is derived from lending activity on Aave (tied to the assets in the pool). This underscores a continued reliance on subsidies rather than organic demand. By contrast, deployments on chains such as Base and Avalanche have shown stronger momentum, with supply continuing to grow even as rewards fluctuate.

Overall, the Arbitrum case shows that incentives can ignite rapid growth, but without closer alignment with governance and protocol mechanisms, anticipation and genuine utility, that growth is difficult to sustain. Liquidity was successfully bootstrapped, yet adoption and retention fell short of the potential that could have been achieved with the same budget.

CASE STUDY 3

bCSPX Incentive Program on Gnosis

Strategic Context

Backed’s tokens, issued under an EU-approved entity and fully collateralised by their underlying equities or ETFs, provide a compliant onchain pathway for diversification into traditional markets.

In December 2024, the Gnosis community approved GIP-117, allocating \$1 million in GNO tokens to incentivise liquidity for Backed’s equity-based assets on Gnosis Chain. Four pools, bCSPX, bNVDA, bCOIN, and bTSLA, were each assigned \$250,000 in incentives. By combining a solid regulatory foundation with targeted yield incentives, the programme aimed to attract new users and reinforce Gnosis Chain’s position in the emerging market for onchain equities.

Alongside the incentive programme, efforts were made to expand the role of bCSPX within DeFi through integrations into established protocols. These included a proposal to list the asset on Aave and its addition to PWN’s collateral framework. However, these initiatives did not achieve the intended outcome.

This case study focuses specifically on the bCSPX pool, analysing how incentives shaped liquidity bootstrapping, the costs of the programme, and its performance relative to other ecosystems. It concludes with lessons learned and forward-looking considerations for future incentive design.

Event Chronology of bCSPX on Gnosis

23 September 2024	Balancer 50/50 V2 bCSPX-sDAI LP Created
15 January 2025	LP opened on Balancer UI. First meaningful liquidity deposited to V2 LP
16 January 2025	V2 LP <u>Seeded</u> with First Round GNO Incentives
21 February 2025	Balancer Gyroscope ECLP bCSPX-sDAI LP Created
6 March 2025	Final round of V2 GNO Incentives <u>seeded</u> , together with first round of ECLP incentives
10-16 March 2025	Liquidity migrates from V2 LP to ECLP
30 June 2025	Backed launches new tokenised equity product under the new xStocks brand
23 August 2025	Major wallet <u>leaves the Liquidity Pool</u> by removing 2,110 bCSPX (\$1.5M) and 2.2M xDAI (\$2.7M)
18 September 2025	Final round of ECLP GNO Incentives seeded
24 September 2025	Major wallet leaves the Liquidity Pool by withdrawing around \$1M in TVL
25 September 2025	kpk announced a pause in incentives, aligning with Backed’s strategic shift towards the xStocks Alliance.

The bCSPX liquidity pool was created on 23 September 2024, but incentives and significant trading activity did not commence until January 2025 following the approval of GIP-117.

On 15 January 2025, the pool became accessible through the Balancer user interface, enabling the first significant liquidity deposits. The following day, 16 January 2025, the initial round of GNO incentives was introduced, marking the formal launch of the programme and driving substantial inflows of liquidity.

A further milestone was reached on 21 February 2025, with the creation of a Balancer Gyroscope ECLP (Elastic Constant Liquidity Pool) for bCSPX-sDAI, designed to provide a more capital-efficient structure. Users were asked to migrate from the 50/50 pool to the new elliptic pool, and on 6 March 2025 the final tranche of incentives for the V2 pool was distributed, alongside the first round for the ECLP. Between 10 and 16 March 2025, liquidity migrated accordingly, and total value locked rose to approximately \$5-6 million.

In June 2025, Backed announced the xStocks Alliance, a new tokenised equity project launched together with Bybit, Kraken, Solana and Chainlink. These plans involved the issuance of a new tokenised equity product, which would become the focus of Backed's efforts. While existing products, including bCSPX, remained live, the strategic shift signalled that bCSPX was becoming secondary (and potentially irrelevant) compared to the new xTokens, prompting a broader reconsideration of its role within Gnosis as the incentive programme was nearing the end.

The programme faced a turning point on 23 August 2025, when a major liquidity provider withdrew 2,110 bCSPX (around \$1.5 million) and 2.2 million xDAI (around \$2.7 million), resulting in a 70% reduction of the available supply despite incentives still being active. This was followed by another substantial withdrawal of around \$1.0 million.

The initiative concluded with the seeding of the final round of ECLP incentives on 18 September 2025, which are now fully distributed. [kpk announced](#) on 25 September that incentive distribution had been paused pending the migration from the current Backed products to new xStocks designs in due course. In total, the campaign extended over approximately 9 to 10 months (initially planned for 6 months).



kpk (formerly karpatkey) 
@kpk_io

Follow



GIP-117 Update

Today, we're pausing the distribution of incentives under [@GnosisDAO](#) GIP-117, in line with the strategic move from Backed to xStocks.

We're working to deliver updates on [@GnosisChain](#) to facilitate the move before resuming incentives.

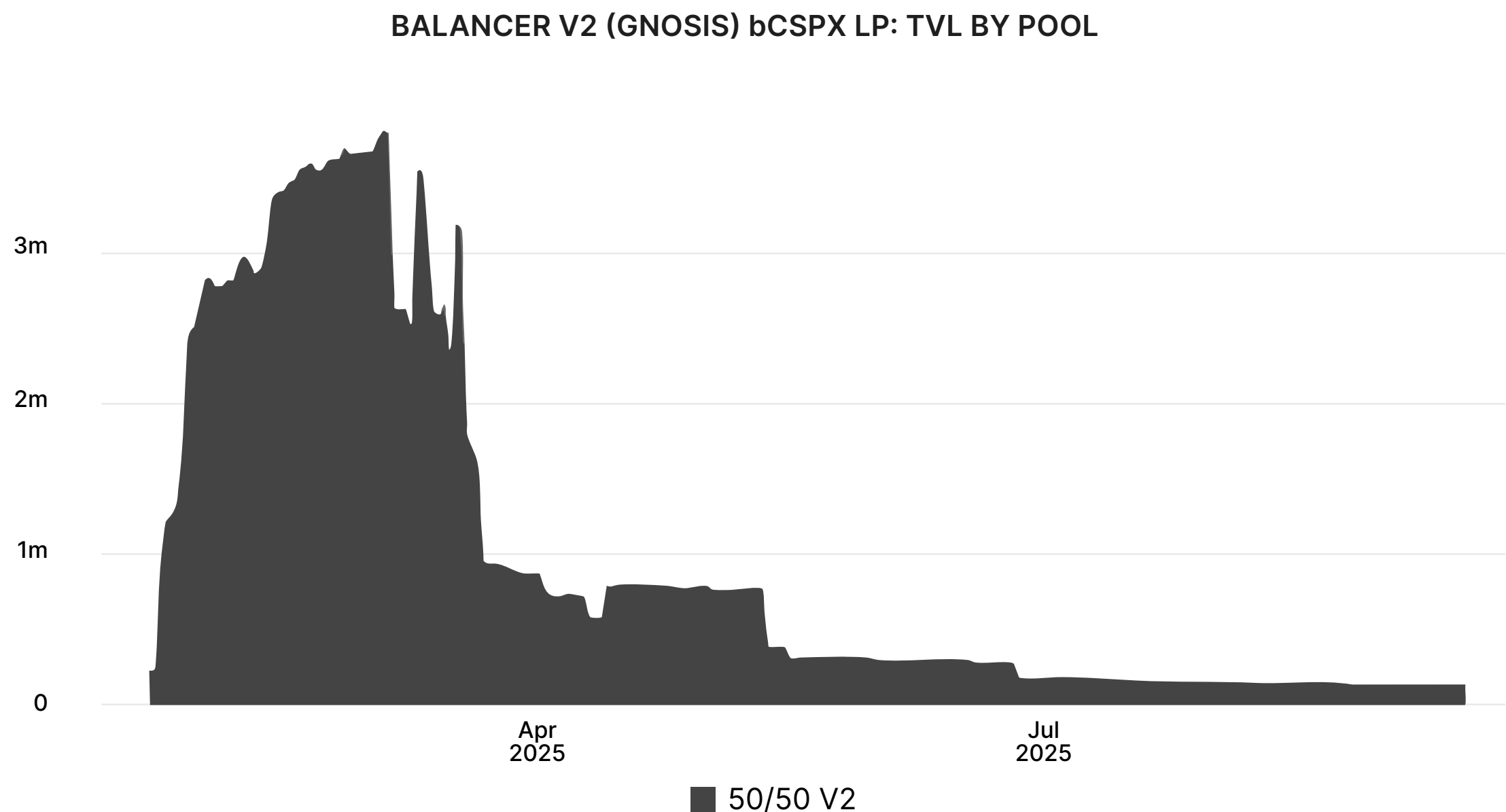
7:29 AM · Sep 25, 2025 · 395 Views

Source: [X.com](#)

Performance Analysis

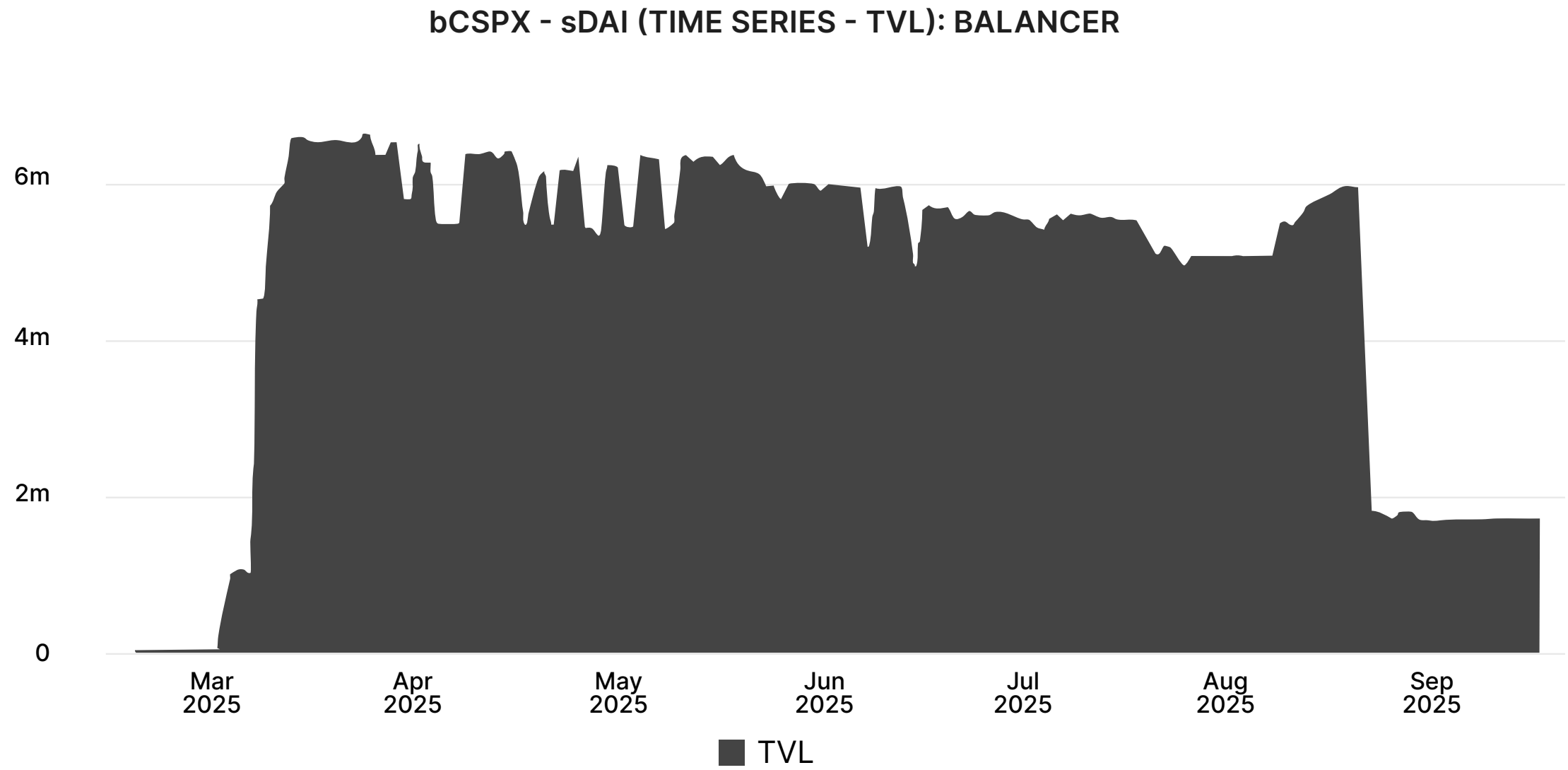
Liquidity Dynamics

From its inception, the incentive programme effectively bootstrapped liquidity into the bCSPX pool. Within weeks of launch in January 2025, total liquidity climbed to nearly \$4 million, providing sufficient depth for traders to begin accessing the asset in a meaningful way.



Source: dune.com

The migration to the Balancer Gyroscope ECLP in March 2025 further deepened liquidity. The elliptic pool's more efficient capital allocation model enabled total value locked to rise to almost \$6 million during the transition, nearly doubling the depth of the earlier 50/50 pool. Thereafter, liquidity stabilised at around \$5 million, with moderate fluctuations. By late August, TVL briefly peaked at \$5.8 million before falling sharply to \$1.7 million, despite incentives still being active.



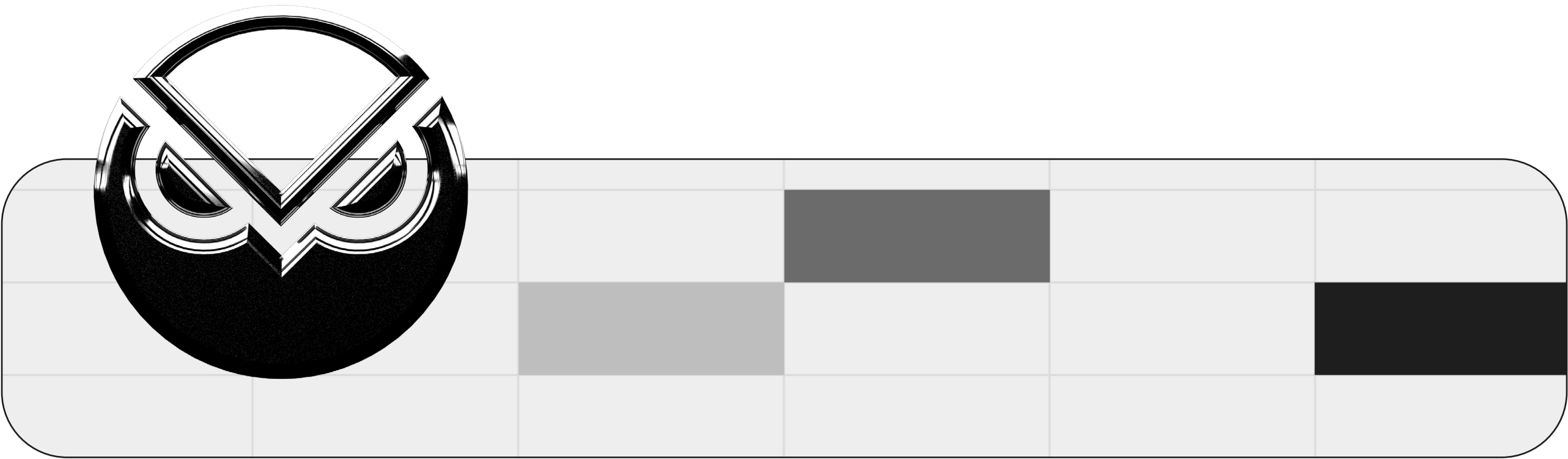
Source: dune.com

Onchain analysis shows that this contraction was driven by a single address, 0x39D7...eBdf, which had initially deposited \$2.4 million worth of bCSPX and \$1.8 million worth of xDAI on 11 March 2025. The complete withdrawal of this \$4.2 million position on 23 August resulted in a 70% decline in pool liquidity

Pool activity					All	Adds	Removes	Swaps			
User	Action	Transaction details		Value	Time						
0x39D7...eBdf	Remove	2.11k	+ 2.29m	\$4.19m	29 days ago						

Source: balancer.fi

Further examination shows that since June 2025, fresh liquidity inflows have been limited. Most of the activity has centred on a single participant, zkpierre.eth, who frequently rebalanced positions of roughly \$1 million.



User	Action ↑↓	Transaction details	Value ↓	Time ↑↓
zkpierre.eth ↗	Add	 502.2653 +  513.96k	\$957.95k	about 1 month ago ↗
zkpierre.eth ↗	Add	 412.0499 +  539.29k	\$938.03k	5 days ago ↗
zkpierre.eth ↗	Add	 431.4976 +  501.94k	\$902.80k	11 days ago ↗
zkpierre.eth ↗	Add	 455.5379 +  477.44k	\$879.32k	about 1 month ago ↗
zkpierre.eth ↗	Add	 444.7878 +  469.98k	\$869.19k	20 days ago ↗
zkpierre.eth ↗	Add	 436.3983 +  473.48k	\$867.93k	20 days ago ↗

Source: balancer.fi

On 24 September, zkpierre.eth withdrew his liquidity, likely in anticipation of the end of incentives, triggering a significant drop in TVL from \$2.1 million to \$900k. This was followed by smaller LPs exiting as well, which pushed TVL further down to around \$700k.

zkpierre.eth ↗	Remove	 382.0571 +  558.69k	\$942.03k	8 days ago ↗
0x9e5D...3c97 ↗	Remove	 0.0764 +  111.6964	\$188.33	8 days ago ↗
0x9e5D...3c97 ↗	Remove	 0.0561 +  81.1179	\$137.57	9 days ago ↗
0x9e5D...3c97 ↗	Remove	 0.0427 +  60.1119	\$102.54	11 days ago ↗
zkpierre.eth ↗	Remove	 3.9628 +  5.49k	\$9.41k	11 days ago ↗
0x9e5D...3c97 ↗	Remove	 0.0537 +  74.3152	\$127.29	11 days ago ↗
zkpierre.eth ↗	Remove	 30.5624 +  42.28k	\$72.43k	12 days ago ↗
zkpierre.eth ↗	Remove	 30.2265 +  41.82k	\$71.63k	12 days ago ↗

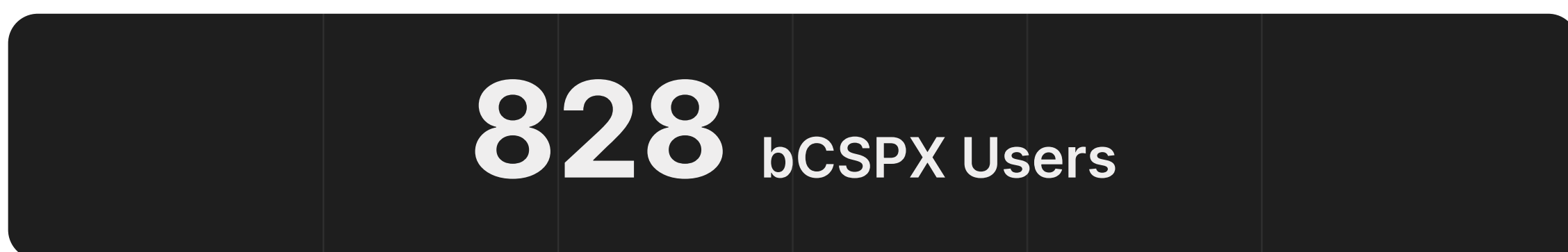
Source: balancer.fi

Overall, the incentives were effective in attracting capital and building depth. Yet, once they ended, liquidity quickly left the pool, with TVL dropping from \$2.1M to \$690k, a 67% contraction. Given that the incentives ended recently, it is still too early to judge whether the remaining liquidity will prove sticky. Adding to the uncertainty, Backed Finance's strategic move with the xStocks Alliance complicates interpretation, as the bCSPX token is going to evolve into an x-version, which may render the current bCSPX irrelevant.

Adoption Trends

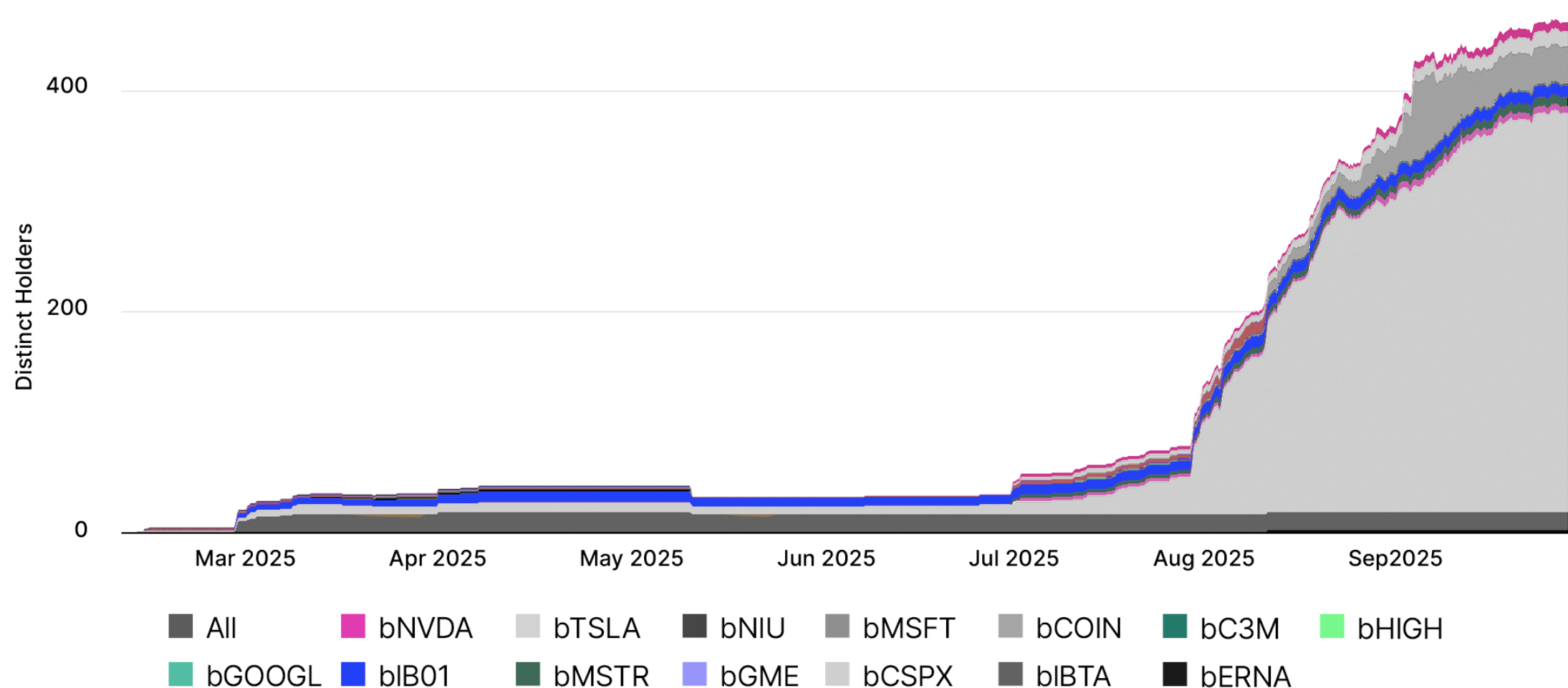
Beyond liquidity, the programme contributed to the adoption of bCSPX as tradable onchain equity. The token has interacted with just 828 accounts since deployment (360 holders as of today), a modest figure when compared with Gnosis Chain’s 4.3 million addresses and 10,000 daily active wallets. This contrast is reinforced by earlier case studies: EURE, for example, is held by over 29,600 wallets with 7,000 monthly users on Gnosis Pay.

bCSPX USERS - COUNTER OF NUMBER OF USERS INTERACTING WITH bCSPX ON GNOSIS CHAIN (ALL TIME)



Source: dune.com

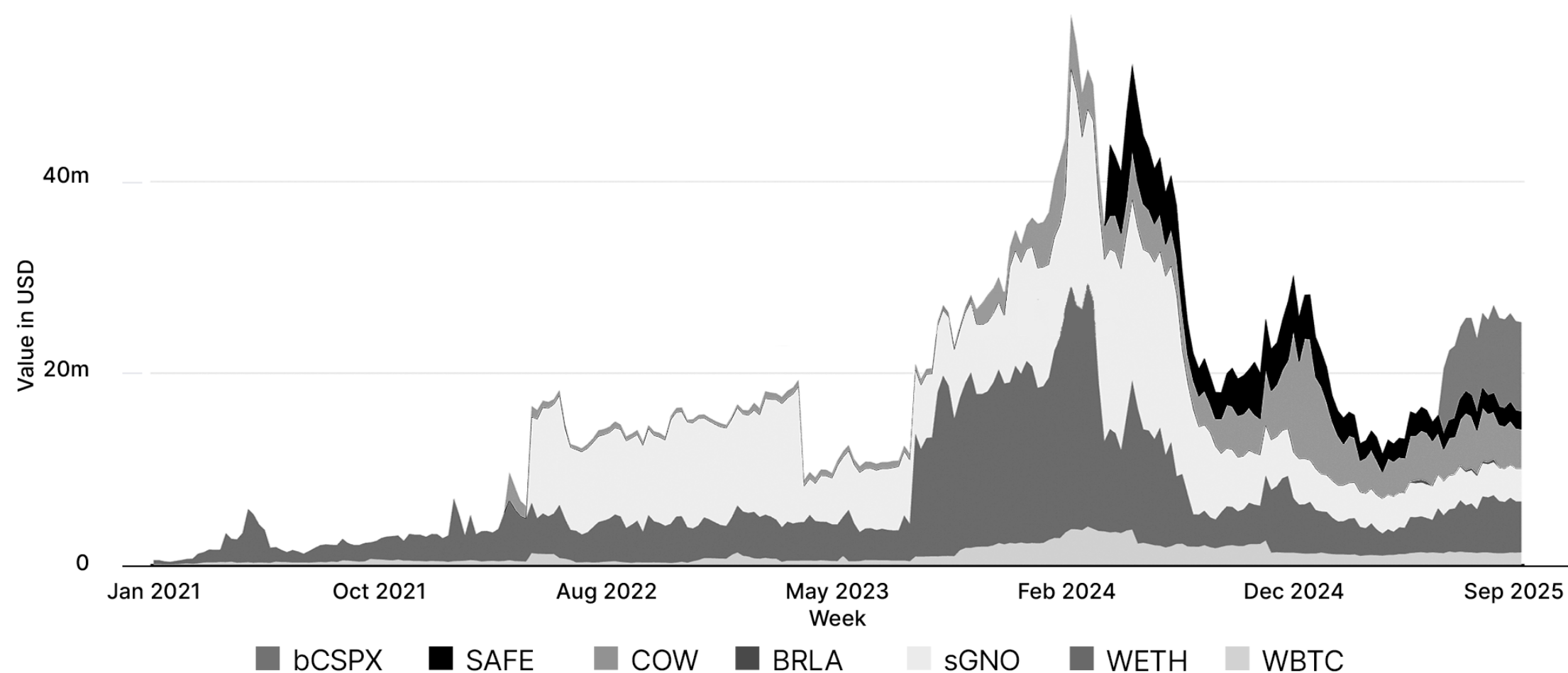
BACKED FINANCE: RWA ON GNOSIS (HISTORICAL HOLDERS COUNT, DAILY)



Source: dune.com

Despite the relatively limited number of holders, the onchain value of bCSPX is notable. When measured in USD terms against other “blue-chip” assets on Gnosis Chain, bCSPX ranks among the leading tokens in this category. Although adoption growth has slowed in recent months, it is important to recognise that the tokenised equities market remains in its early stages. Within this context, the traction achieved by bCSPX already represents a meaningful achievement and underscores the role of incentives in establishing initial momentum.

GNOSIS CHAIN - USERS BALANCES: CRYPTO BLUECHIPS (WEEKLY, SINCE 2021)

Source: dune.com

Cost of the Operation

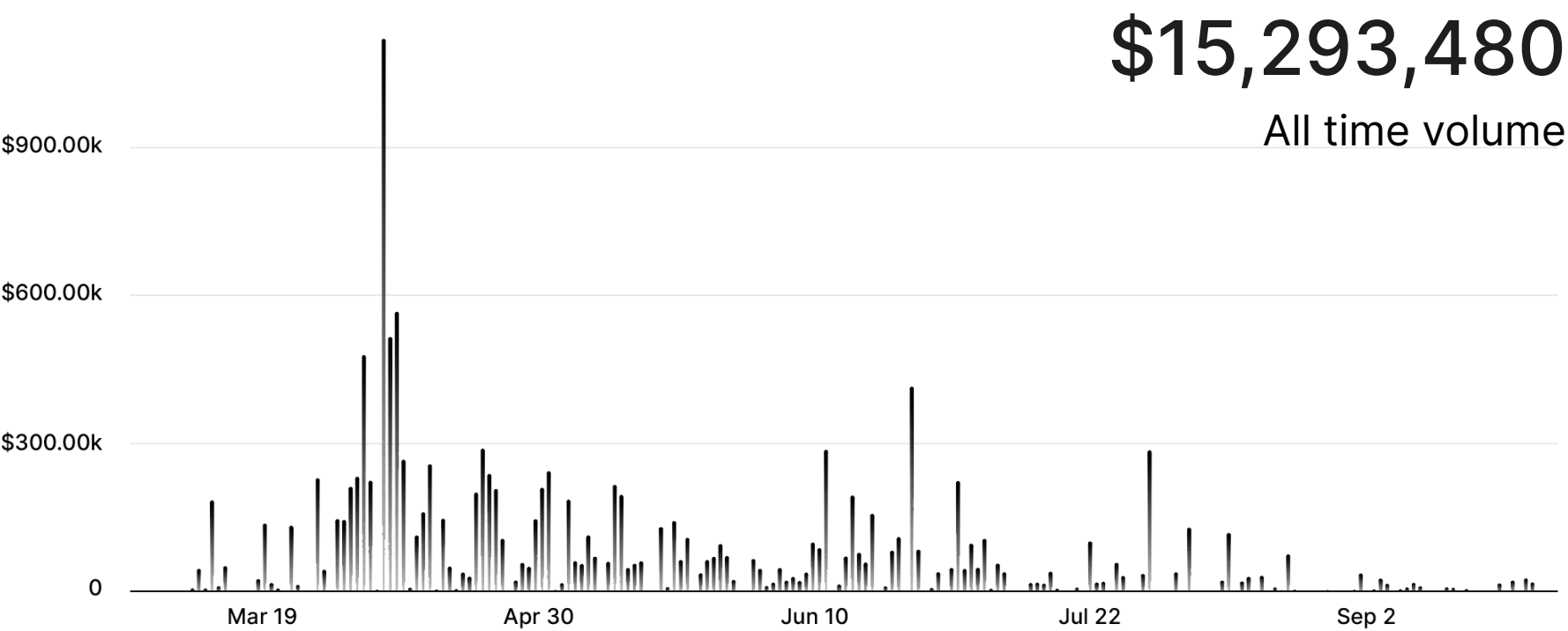
The cost-effectiveness of the programme can be assessed by comparing incentive spend with generated activity.

The initial 50/50 pool recorded \$920,000 in trading volume and \$2,762 in fees, while the elliptic pool, launched in March 2025, generated \$15.2 million in volume and \$15,293 in fees. Against the \$250,000 allocation, this equates to approximately \$64 in trading volume per \$1 spent and \$0.072 in fees per \$1 spent.

These figures must, however, be interpreted with nuance. A large share of recorded activity coincided with transition phases (the initial seeding in January and the migration to the elliptic pool in March) both of which generated artificial bursts of volume. Beyond these moments, trading activity has been comparatively modest, a reflection of both the limited number of holders and the nature of the asset itself. As an equity-linked token with limited DeFi integrations on Gnosis Chain, bCSPX in practice functioned more as a vehicle for long-term exposure to traditional markets than as a short-term trading instrument.

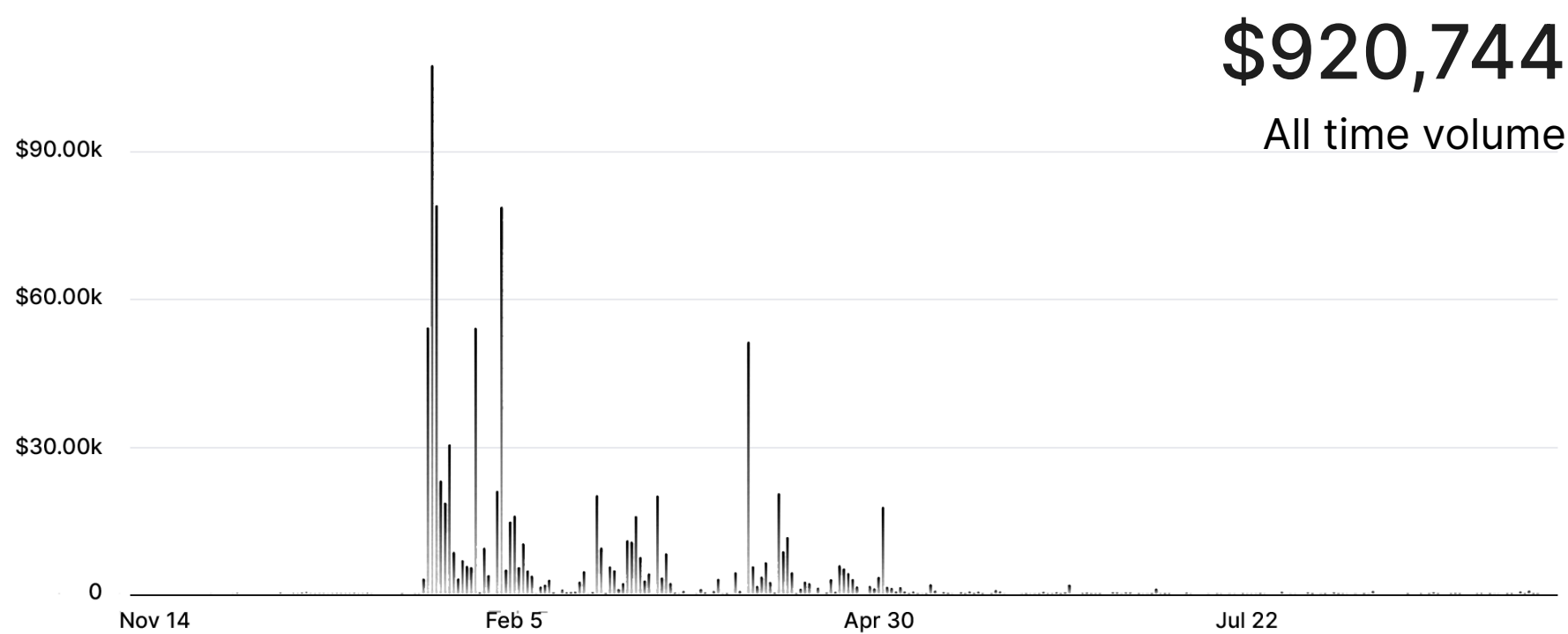
POOL STATS	
TVL	\$2,054,395
Swap vol (24h)	\$10,831.03
APR for LPs	14.78%
Fees (24h)	\$11
Weekly incentives	\$4.97K

Source: [balancer.fi](#)



POOL STATS	
TVL	\$138,577
Swap vol (24h)	\$98.35
APR for LPs	2.79%
Fees (24h)	\$0
Weekly incentives	N/A

Source: [balancer.fi](#)



From an adoption standpoint, the 828 accounts that interacted implies a theoretical acquisition cost of \$302 per wallet. However, this metric alone can be misleading and should be treated carefully as the incentives were aimed primarily at establishing market infrastructure rather than directly rewarding traders or holders.

A more informative measure is the ratio of incentives to market capitalisation: with bCSPX's onchain market cap at approximately \$11 million, the spend translates to \$1 of incentives for every \$44 of market cap created. This suggests a relatively efficient bootstrapping effect, provided that activity is maintained beyond the incentive period.

Ultimately, the key question is not short-term cost efficiency but whether the infrastructure created during the campaign can continue to support liquidity and adoption once incentives are withdrawn. The sustainability of activity remains the critical measure of long-term value.

DeFi Integration Initiatives

Efforts were made to integrate bCSPX into the broader DeFi landscape on Gnosis, but these did not achieve the desired outcome.

A first initiative was an ARFC to add bCSPX to Aave V3 on Gnosis. The proposal received strong support during initial discussions, with positive feedback from stakeholders and a successful Temperature Check showing nearly unanimous approval (715k in favour - nearly 100%). However, the ARFC was never advanced to a formal vote for implementation. The reasons were not explicitly stated but may have included the risk profile, other priorities or simply a loss of interest for this specific pool or sector. As a result, no Aave market was ever created for bCSPX, limiting its ability to drive onchain DeFi activity.

A second initiative sought to expand bCSPX's role through strategies on PWN, a peer-to-peer lending protocol that allows users to borrow or lend with customised terms or commit to pre-defined strategy templates. While this represented a creative avenue for enabling bCSPX lending markets, adoption remained weak. PWN itself has a relatively small footprint in DeFi (around 5,000 users and \$10 million in total volume) and the integration of bCSPX into its strategies generated little traction.

[ARFC] Add bCSPX to Aave V3 Gnosis Instance

■ Governance ■ New Asset



ACI ACI-Growth SP

2 Feb 17

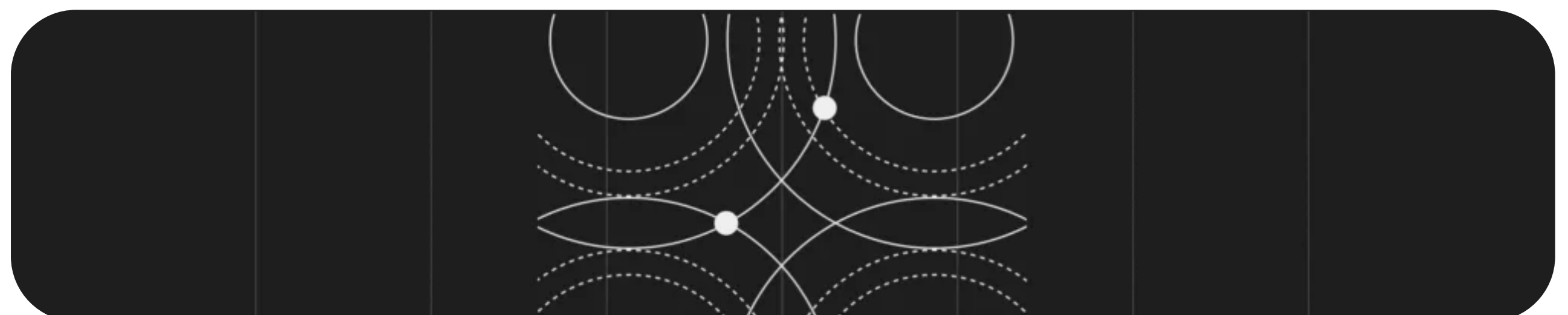
[ARFC] Add bCSPX to Aave V3 Gnosis Instance

Author: ACI (Aave Chan Initiative)

Date: 2025-02-17

Risk Parameters updated 2025-02-25

Source: governance.aave.com



PWN STRATEGIES

Floating Loan-To-Value						
Name	Credit	Fixed APR	Collateral	LTV	Available / Utilized	Curator
S&P500 Backed Loans - Short Strategy Strategy #0036		15%		80%	- / \$211.59	Backed
S&P500 Backed Loans - Long Strategy Strategy #0035		15%		80%	- / \$10,006.81	Backed

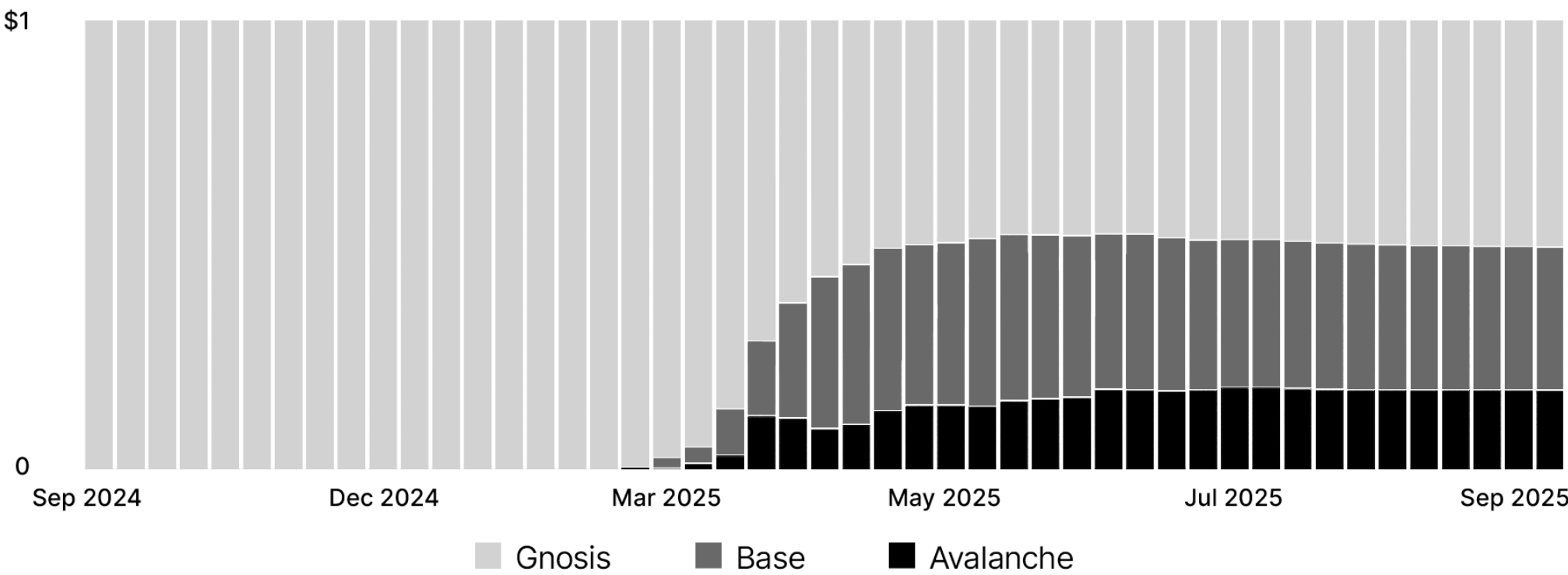
Source: app.pwn.xyz

Comparison with Other Chains

Backed’s expansion into other ecosystems during 2025 provides an instructive benchmark. In February, pools launched on Base, followed by deployments on Avalanche in March with bCSPX and bCOIN.

Activity (all backed assets considered) has grown on all chains, but Gnosis has retained its leadership position, accounting for more than 50% of total volume across all networks and even modestly increasing its share in recent months.

bTOKENS VOLUMES - BY CHAIN

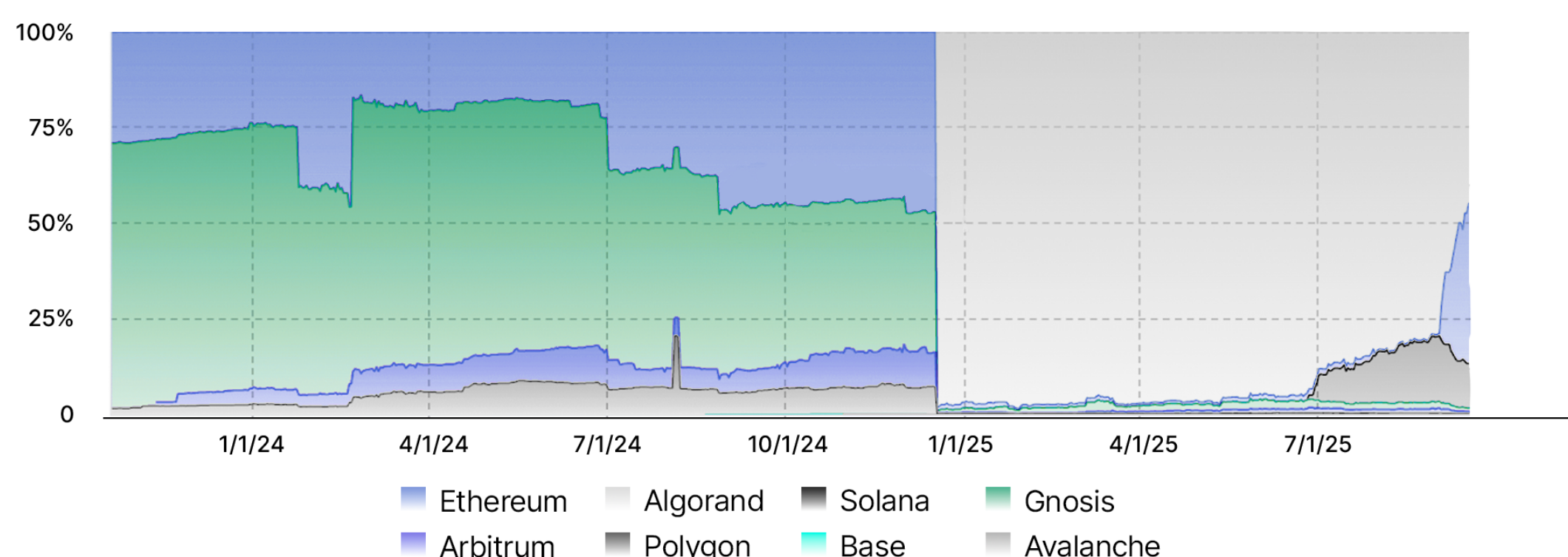


Source: dune.com

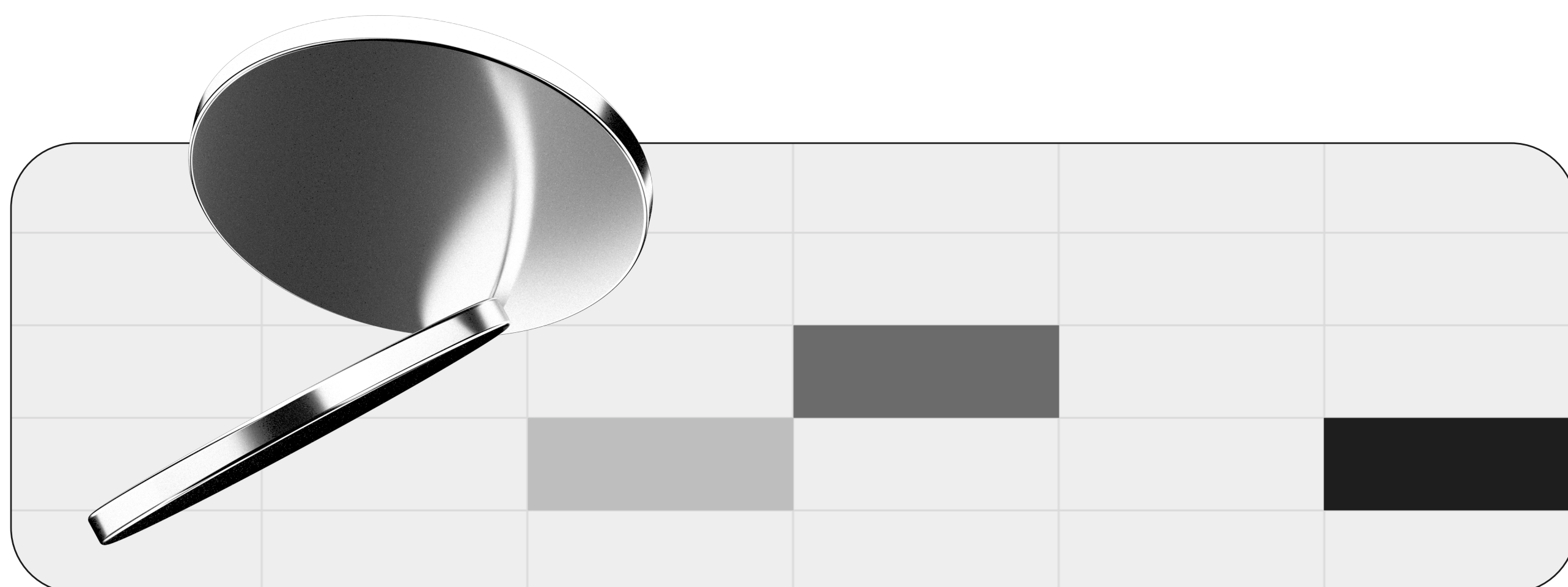
The distribution of activity reflects each chain's strategic profile. On Base, bCOIN dominates, consistent with the chain's close association with Coinbase. On Avalanche, growth has been stimulated by the network's broader push into real-world assets, including compliance-oriented subnets and partnerships designed to attract tokenisation projects.

Gnosis now faces intensifying competition in the tokenised equities sector. Its early lead as a first mover is being challenged by new entrants: Ondo has launched tokenised stocks on Ethereum, Algorand has progressed with the support of Exodus, and Solana has deployed stock tokens at scale, embedding them directly into major DeFi platforms. These developments underline the risk that Gnosis's initial advantage may diminish unless it consolidates its position and builds on its foundations.

TOKENIZED STOCK METRICS



Source: app.rwa.xyz



Key Lessons and Forward Outlook

Overall, the incentive programme achieved its immediate objectives. Liquidity was bootstrapped effectively, trading activity increased, and bCSPX emerged as one of the leading tokens on Gnosis Chain. Metrics across volume, fees, and wallet adoption all demonstrate growth, confirming that incentives can serve as a catalyst for market creation.

The cost, however, was high. When measured in terms of wallet acquisition and trading activity, the return on incentives was limited, and once rewards ended, TVL contracted sharply. With Backed Finance's strategic shift toward the xStocks Alliance, the short-term outlook for the pool remains uncertain and will largely depend on Gnosis's next steps regarding xTokens, including a potential migration and the possibility of renewed incentives.

The deeper lesson extends beyond the bCSPX pool itself. Solana and Avalanche illustrate how stock tokens gain traction when positioned within broader sector strategies. Solana embedded tokenised equities directly into high-traffic applications like Jupiter and Phantom, while Avalanche built compliance-focused infrastructure and launched multiple tokenisation initiatives. Both approaches demonstrate that tokenised equities thrive when integrated into an ecosystem rather than treated as isolated assets.

For Gnosis, the implication is clear: stock tokens should not be treated on a per-asset basis but as components of a broader onchain equity environment. The limited traction of past initiatives, such as the unsuccessful attempt to list bCSPX on Aave and the underused PWN strategies, illustrates this point. Without meaningful DeFi utility, bootstrapping efforts alone are unlikely to achieve sustained adoption.

Ideally a coordinated strategy across protocols, wallets, and service providers is required to efficiently integrate tokens into lending markets, yield-generation products, and treasury management. As an illustrative example, Safe could enable institutional and protocol diversification into tokenised equities, either through incentive structures or direct portfolio management tools.

In short, incentives can create markets, but only coordinated ecosystem strategies can sustain them. Ecosystems like Gnosis should therefore position tokenised equities within a proactive, ecosystem-wide framework, enabling the shift from subsidised liquidity to organic adoption, as seen in the previous case study on EURE.

CASE STUDY 4

SafeDAO + GnosisDAO Joint Treasury - SAFE Liquidity Provision

Strategic Context

The effective operation of the SAFE token required more than a governance framework and community distribution. At launch, SAFE was non-transferable and carried no liquidity, and even after transfers were enabled, liquidity conditions remained limited. Establishing a reliable market structure was therefore critical to allow participants to trade efficiently and to create early price stability.

To address this, SafeDAO mandated kpk as its treasury manager. In addition to its broader responsibility of overseeing the joint SafeDAO and GnosisDAO treasury, kpk was tasked with ensuring that SAFE had a sustainable market presence. A central component of this mandate was to bootstrap and maintain a SAFE/WETH liquidity pool. The objective was to provide the liquidity conditions necessary for a smooth trading experience, limiting slippage and supporting SAFE's markets.

This case study examines how that liquidity provision was designed and managed. It traces the initial pool deployment, analyses the financial outcomes for the treasury, and reflects on broader strategic lessons for Protocol-Owned Liquidity in a volatile token environment.

Pool Positions activity and results

To evaluate the effectiveness of Safe's Protocol-Owned Liquidity strategy, we analysed the treasury's activity using Revert Finance for account 0xd28...6922. The analysis covers multiple liquidity positions opened and managed by kpk.

For clarity, positions are grouped into two categories. Open positions (O1, O2, O3) represent capital that remains deployed, where PnL (fees minus impermanent loss) is unrealised and performance continues to evolve. Closed positions (C1, C2, C3) represent capital that has been fully withdrawn, with PnL being realised.

All figures are reported as of 24 September 2025 (ETH and SAFE were trading respectively at \$4180 and \$0.387).

The following sub-sections present each position individually. Each is accompanied by tables that record the key events, such as deposits, withdrawals, and fee collections but also the current pooled assets, impermanent loss, the USD value of the assets if they had been held instead of being deposited, fee income and realised/unrealised PnL.

This approach makes it possible to trace both the operational activity and the financial impact of each deployment in a structured manner.

Position O1 - SAFE/WETH (Uniswap V3 - 0.30%)

In this position, impermanent loss outweighed collected fees, resulting in an unrealised PnL of approximately -\$136k.

Uncollected Fees = \$4,926
Pooled Assets = \$958,754 (2,013,437 SAFE + 46.54 ETH)

Total Deposited = \$1,109,076 (value at deposit day)
Impermanent Loss = -\$164,616 (-14.8% of Total Deposited)
Fees = \$28,117 (2.5% of Total Deposited)
Total PnL = -\$136,516 (-12.3% of Total Deposited)

DATE & TIME	ACTION	SAFE AMOUNT	WETH AMOUNT	HODL VALUE	SAFE PRICE EVOLUTION	ETH PRICE EVOLUTION
May 28, 2025, 1:39 PM	Deposit	888,721.010 (\$0.594/SAFE)	145.000000 (\$2600/ETH)	\$944,476.84	-35%	+57%
Aug 27, 2025, 10:10 AM	Fees Collected	22,906.8589	3.46214975	\$23,191.11	-	-
Aug 27, 2025, 10:21 AM	Deposit	369,140.045 (\$0.438/SAFE)	9.27860954 (\$4580/ETH)	\$178,894.63	-12%	-9%

Position O2 - SAFE/WETH (Uniswap V3 - 0.30%)

While the position generated approximately \$56k in fees, impermanent loss leaves it with an unrealised PnL of around -\$32k.

Uncollected Fees = \$0.00
Pooled Assets = \$322,470 (850,078 SAFE + 0 ETH)

Total Deposited = \$446,107 (value at deposit day)
Impermanent Loss = -\$88.766 (-19.8% of Total Deposited)
Fees = \$56,961 (12.7% of Total Deposited)
Total PnL = - \$31,820 (7.1% of Total Deposited)

DATE & TIME	ACTION	SAFE AMOUNT	WETH AMOUNT	HODL VALUE	SAFE PRICE EVOLUTION	ETH PRICE EVOLUTION
Feb 5, 2025, 11:27 AM	Deposit	531,845.294 (\$0.60/SAFE)	50.0132605 (\$2540/ETH)	\$411,236.93	-36%	+52%
May 28, 2025, 12:55 PM	Fees Collected	29,949.00066	7.86148598	\$44,289.58	-	-
Aug 27, 2025, 10:10 AM	Fees Collected	12,029.9888 (\$0.438/SAFE)	1.93586203 (\$4580/ETH)	\$12,672.04	-12%	-9%

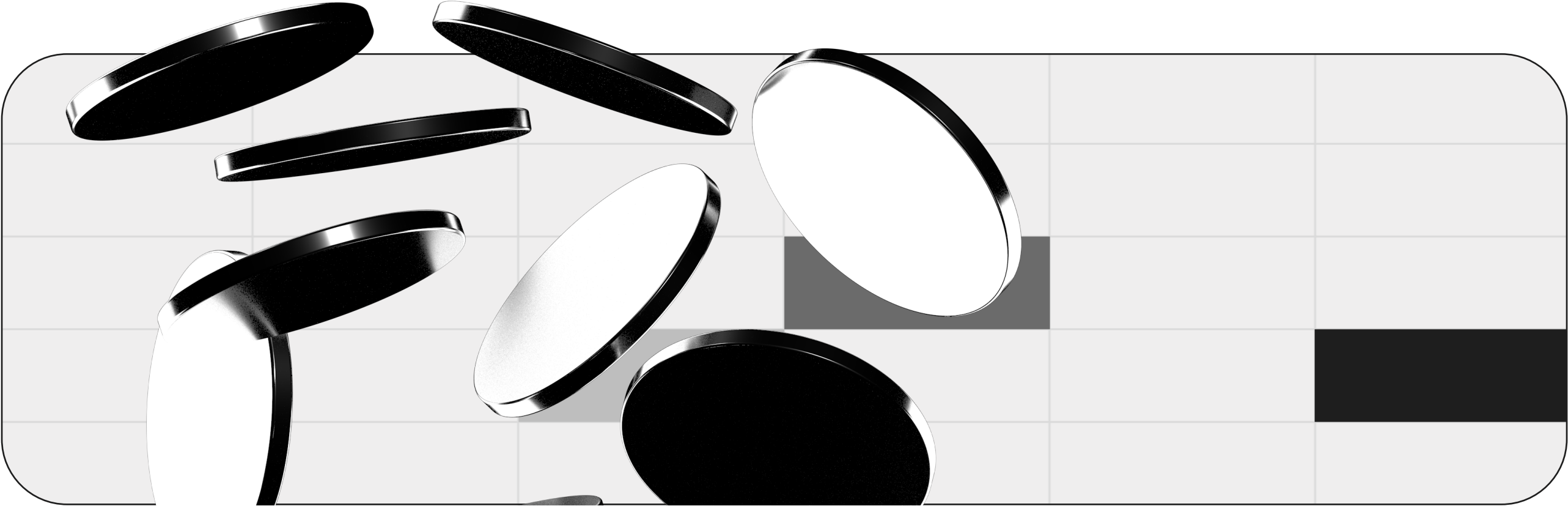
Position O3 - WETH/SAFE (Uniswap V3 - 0.30%)

A concentrated SAFE-only entry that generated significant returns. With no impermanent loss and consistent fee income, the position currently shows a positive unrealised PnL of +\$107k.

Uncollected Fees = \$0
Pooled Assets = \$227,604 (600,000 SAFE + 0 ETH)

Total Deposited = \$360,000 (value at deposit day)
Impermanent Loss = \$0.0
Fees = \$106,879 (29.4% of Total Deposited)
Total PnL = \$106,879 (29.4% of Total Deposited)

DATE & TIME	ACTION	SAFE AMOUNT	WETH AMOUNT	HODL VALUE	SAFE PRICE EVOLUTION	ETH PRICE EVOLUTION
Feb 6, 2025, 11:40 AM	Deposit	600,000.000 (\$0.60/SAFE)	0.00000000	\$227,604.97	-36%	-
May 28, 2025, 1:00 PM	Fees Collected	65,948.2895	18.0359807	\$100,562.56	-	-
Aug 27, 2025, 10:10 AM	Fees Collected	4,673.02907 (\$0.438/SAFE)	1.08818270 (\$4580/ETH)	\$6,330.64	-12%	-9%

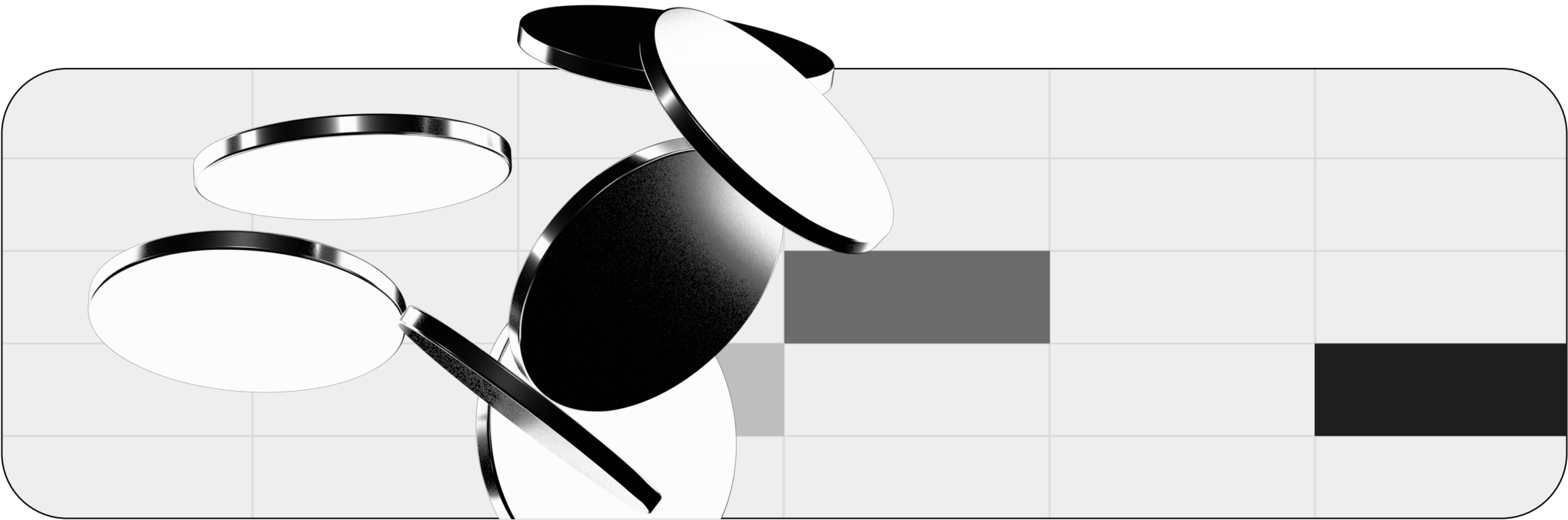


Position C1 - SAFE/WETH (Uniswap V3 - 0.30%)

This position incurred a substantial realized PnL of -\$476k, with impermanent loss exceeding -\$626k despite earning \$150k in fees.

Total Deposited = \$1,645,715 (value at deposit day)
Impermanent Loss = -\$626,037 (-38% of Total Deposited)
Total Fees = \$150,006 (9.1% of Total Deposited)
Realised PnL (IL + fees) = -\$476,109 (-28.9% of Total Deposited)

DATE & TIME	ACTION	SAFE AMOUNT	WETH AMOUNT	HODL VALUE	SAFE PRICE EVOLUTION	ETH PRICE EVOLUTION
Jul 31, 2024, 10:19 AM	Deposit	660,970.180 (\$1.04/SAFE)	293.059979 (\$3270/ETH)	\$1,478,246.48	-63%	+27%
Aug 21, 2024, 12:22 PM	Fees Collected	11,946.7478	3.05617613	\$17,333.02	-	-
Sep 4, 2024, 12:22 PM	Withdrawal	263,672.529	32.5715859	\$236,451.53	-	-
Sep 4, 2024, 12:22 PM	Fees Collected	2,858.05929	0.95871481	\$5,099.86	-	-
Sep 25, 2024, 12:04 PM	Fees Collected	5,473.57326	1.63591288	\$8,928.55	-	-
Oct 23, 2024, 11:09 AM	Fees Collected	7,833.93306	3.05070355	\$15,749.93	-	-
Nov 6, 2024, 11:17 AM	Withdrawal	161,331.747	37.4623250	\$218,114.79	-	-
Nov 6, 2024, 11:17 AM	Fees Collected	18,214.6636	9.82717749	\$48,071.76	-	-
Dec 18, 2024, 11:22 AM	Fees Collected	20,213.2533	7.11822679	\$37,483.18	-	-
Feb 5, 2025, 11:30 AM	Withdrawal	777,433.714	24.5259420	\$397,642.49	-	-
Feb 5, 2025, 11:30 AM	Fees Collected	11,337.5297	3.11301619	\$17,340.00	-	-



Position C2 - SAFE/WETH (Uniswap V3, 1.00%)

Fees were strong (\$249k) but insufficient to counter impermanent loss of nearly -\$790k. The position closed at a net realised loss of about -\$541k.

Total Deposited = \$2,116,275 (value at deposit day)
Impermanent Loss = -\$789,657 (-37.2% of Total Deposited)
Total Fees = \$248,869 (11.8% of Total Deposited)
Realised PnL (IL + fees) = -\$540,832 (-25.5% of Total Deposited)

DATE & TIME	ACTION	SAFE AMOUNT	WETH AMOUNT	HODL VALUE	SAFE PRICE EVOLUTION	ETH PRICE EVOLUTION
Apr 23, 2024, 12:41 PM	Deposit	238,124.909 (\$2.36/SAFE)	189.302287 (\$3200/ETH)	\$930,614.51	-84%	+30%
May 9, 2024, 11:27 AM	Fees Collected	42,730.2965	28.1362990	\$141,576.70	-	-
May 9, 2024, 11:36 AM	Deposit	106,227.000 (\$1.65/SAFE)	28.1360483 (\$3015/ETH)	\$169,769.70	-77%	+38%
Jul 23, 2024, 12:28 PM	Fees Collected	31,521.6632	15.1556480	\$80,036.85	-	-
Jul 23, 2024, 12:44 PM	Deposit	466,235.000 (\$1.33/SAFE)	21.2010044 (\$3270/ETH)	\$299,402.77	-71%	+21%
Aug 21, 2024, 12:22 PM	Fees Collected	11,836.2767	3.41306580	\$20,127.97	-	-
Sep 4, 2024, 12:19 PM	Withdrawal	1,272,487.37	10.3533089	\$610,129.98	-	-
Sep 4, 2024, 12:19 PM	Fees Collected	3,682.4669	1.26052122	\$7,127.80	-	-

Position C3 - SAFE/WETH (Uniswap V2, 0.30%)

The first closed position, deployed on V2, also realised a loss. The treasury withdrew more SAFE but less WETH than deposited, resulting in a net PnL of -\$29k.

Invested assets = 304,272 SAFE 112.30 ETH
Withdrawn Assets = 404,639 SAFE + 96.19 WETH
PnL = -\$29,418

Note: the log table is not available for this position.

Financial Results

Treasury PnL and Costs

Based on the pool activity, the total cumulative PnL for Safe's Protocol-Owned Liquidity stands at approximately -\$1.1 million. Of this amount, -\$1.04 million corresponds to realised losses from the three closed positions (C1, C2, C3). The remaining -\$60k is attributable to the current open positions, which remain subject to market conditions and pool ranges.

If we set withdrawals aside, \$5.67 million of POL were deployed across the various pools, meaning the PnL represents around 19.4% of the capital deployed. However, if we account for capital recycling (capital rotated from one pool to another), the total net capital effectively engaged in POL was around \$2.1 million, implying that the PnL is equivalent to roughly 52% of the capital initially committed.

This performance might appear weak, but it is primarily driven by one factor: SAFE's underperformance against ETH. Since trading began, SAFE has lost close to 85% of its value relative to ETH (source: CoinGecko). In such circumstances, impermanent loss becomes structurally unavoidable in any liquidity provision strategy pairing SAFE with ETH.

Interestingly, the relationship between price depreciation and realised losses is not linear. Position C1, for instance, generated a loss of approximately -\$476k despite SAFE falling only 25% relative to ETH over the holding period (representing 28% of the total deposited amount of \$1.6 million). By contrast, position O2 experienced a 60% decline in SAFE relative to ETH but shows a smaller unrealised loss of around -\$32k (representing 7.1% of the total deposited amount of \$446k).

The explanation lies in the pool composition at entry. Earlier positions such as C1 and C2 were initiated with relatively high ETH exposure (57% and 52%, respectively). As SAFE depreciated, this structure amplified the impact of impermanent loss. Later deployments such as O1 and O2 were designed with lower ETH weightings (40%, 22%, and 28% at deposit), which reduced the drag from impermanent loss even as SAFE continued to weaken.

Overall, this shift in allocation had a significant positive impact on the financial results of the liquidity provisioning activity.



Trading Volume, Slippage, Depth, and Holder Base

From an operational standpoint, the liquidity programme succeeded in creating a viable trading environment for SAFE holders. Since launch, the pools have processed around \$220 million in cumulative trading volume..

SAFE TOKEN DEX LIQUIDITY AND VOLUME

DEX PROTOCOL	DEX VERSION	TOKEN LIQUIDITY	\$ VOLUME (7D)	\$ VOLUME (30D)	\$ VOLUME (ALL TIME)
Uniswap	3	3.5m	\$451.7K	\$2.0M	\$193.6M
Uniswap	4	72.3K	0	\$18.0K	\$25.0K
Uniswap	2	11.9	\$0.2	\$0.3	\$17.4M
Carbon_defi	1	2.9	0	0	\$4.7K
1inch-LOP	3	0	0	0	\$10.8K
0x-API	V4	0	\$5.6K	\$110.5K	\$1.4M
1inch-LOP	4	0	\$3.4K	\$5.5K	\$6.2M

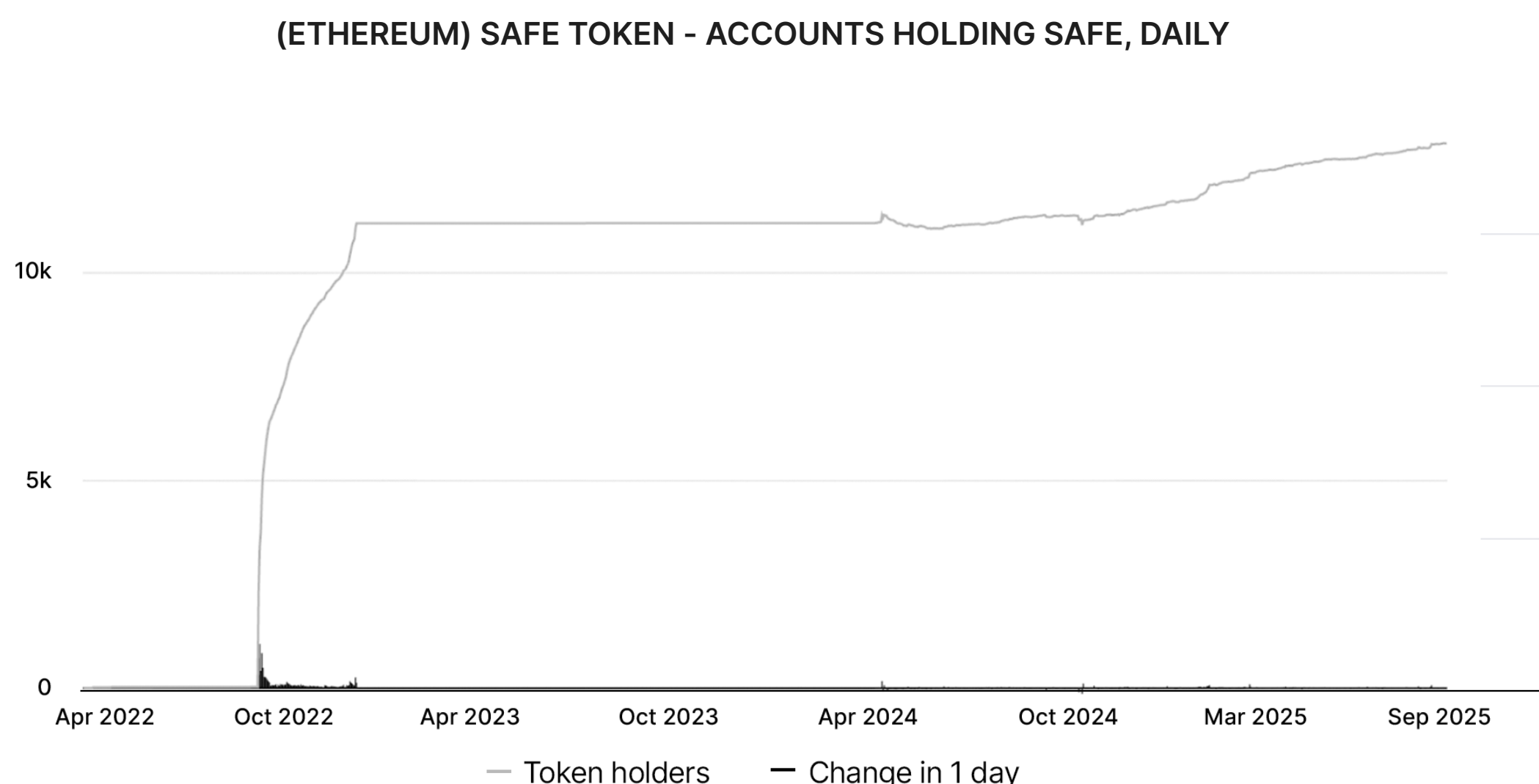
Source: dune.com

Fees generated across the Protocol-Owned Liquidity positions exceed \$590,000. While this headline figure is significant, fee accrual has been uneven. The initial months saw spikes associated with higher trading volumes, whereas current conditions suggest a more stable accrual of approximately \$6,000 per month (\$72,000 annualised) based on present activity levels.

Looking at individual positions, the fee performance has been particularly strong: 11.8% in C2 over 134 days (32.1% annualised), 9.1% in C1 over 189 days (17.6% annualised), 29% in O3 since February 2025 (43.5% annualised), 12.7% in O2 since February 2025 (19.0% annualised), and 2.5% in O1 since May 2025 (6.9%

annualised). Together, these figures highlight kpk's efficiency in generating income through liquidity management (impermanent loss aside, which is not under kpk's control).

As for the trading experience, according to a July 2025 report from kpk, a \$10,000 purchase of SAFE with ETH incurs a 1.7% price impact on Uniswap V3, suggesting that the POL strategy has been effective in supporting an efficient trading environment.



Source: dune.com

The number of token holders grew by 17%, rising from 11,200 at launch to 13,120 in September 2025. This increase suggests that the presence of liquidity helped preserve accessibility and support community growth.

Taken together, these outcomes show that although treasury PnL has been negative, the liquidity programme fulfilled its primary objectives by bootstrapping activity, maintaining market access, and offering a smooth trading environment.

Key Lessons

Engaging the More Volatile Asset

In liquidity provisioning, impermanent loss is the primary risk, driven by the relative performance of the paired assets. Since launch, SAFE has lost around 85% of its value against ETH. In 2025 alone, while ETH appreciated by 31% from January, SAFE declined by 67%.

In such an environment, an LP who began with 100% ETH would have seen the position gradually converted into SAFE as the pool rebalanced. Assuming a start at the beginning of 2025, this would have produced an

impermanent loss of approximately 42% compared with holding ETH outright. By contrast, an LP who began entirely in SAFE would have seen the position partially converted into ETH, with the final outcome outperforming the simple act of holding SAFE alone.

This illustrates an important conclusion: when constructing LP positions, it is often advantageous to enter with a higher allocation of the asset expected to show higher volatility. In this context, SAFE was still in its early stages of market development, with lower liquidity, concentration of wallets and a smaller market capitalisation relative to ETH. Positions that initially weighted more heavily toward SAFE ultimately experienced lower impermanent loss than those with larger ETH allocations.

Position O3 provides a clear example. The pool was seeded with 600,000 SAFE and generated \$106,879 in fees as of today. At present, it holds the same 600,000 SAFE plus accumulated fees. Although the USD value of the underlying SAFE has fallen, the LP avoided the large-scale impermanent losses experienced in positions with higher ETH exposure.

Of course, this is a simplified view. In practice, bootstrapping liquidity often requires both assets, and a single-asset strategy may not always be feasible. Still, the reflection remains useful when adding liquidity, structuring secondary positions, or hedging earlier deployments exposed to impermanent loss.

Liquidity as an Operational Cost

Protocol-Owned Liquidity entails two principal costs: opportunity cost and impermanent loss. Opportunity cost arises because treasury assets committed to liquidity cannot be deployed elsewhere, whether in yield-bearing strategies, staking, or other productive uses. Impermanent loss is the more structural expense, occurring whenever the paired assets move in different directions.

These costs must be considered within the purpose of liquidity provision. If the goal is to generate profit, impermanent loss should not be accepted and must be minimised. If the goal is to provide infrastructure, it must be treated as an operational cost. In Safe's case, the POL strategy is clearly infrastructural. The treasury is not aiming to extract profit but to ensure orderly markets and trading access for SAFE.

As such, impermanent loss should be accepted in the same way a business accepts fixed expenses like electricity or office rent. Without liquidity, trading becomes inefficient, slippage increases, and growth is limited. In fact, many protocols already bear liquidity costs through CEX listings, where market makers are often seeded with treasury tokens to guarantee trading activity. These arrangements are widely recognised as necessary expenses for establishing a market. POL should be viewed in the same way.

Still, accepting impermanent loss as operational does not mean ignoring it. The treasury can always deploy the rest of its assets to offset the impact, whether through simple yield-bearing instruments or more complex approaches such as delta-neutral strategies. In the case of Safe, however, no additional measures were mandated or approved, leaving the treasury with limited options other than to accept the operational cost of impermanent loss.

This approach allows the protocol to preserve the liquidity infrastructure needed for adoption while limiting the financial impact on the treasury.

Cost of POL vs. Cost of Incentives

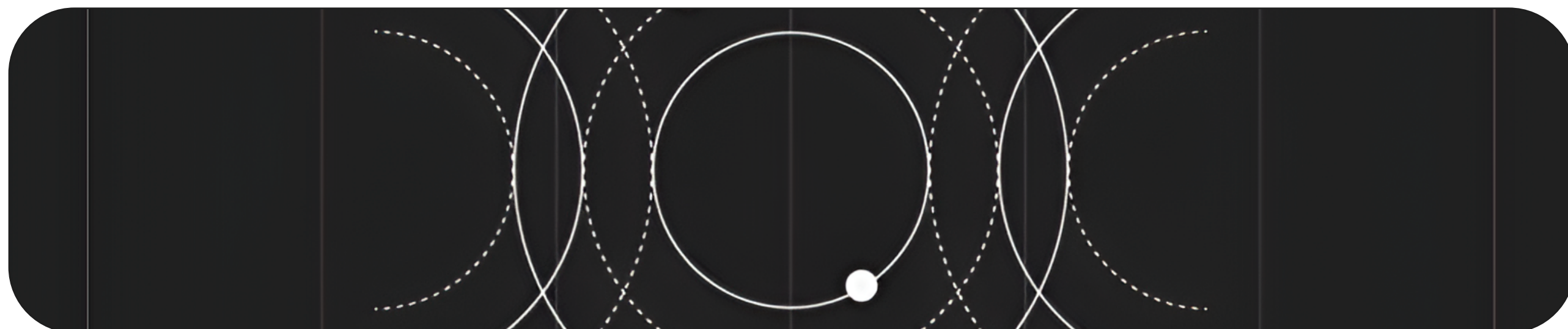
Over the 17 months under review, the combined realised and unrealised cost of Safe's POL programme amounted to approximately \$1.1 million, averaging around \$65,000 per month.

Had SafeDAO chosen not to pursue POL, liquidity would have needed to be bootstrapped through incentives. A comparison with other case studies is instructive. For bCSPX, \$250,000 in incentives were distributed. For GHO, 750,000 ARB (worth more than \$350,000) were distributed alongside additional financial support. EURE relied on the 10,000 GNO cashback programme on Gnosis Pay, supplemented by incentives from the Aave Merit programme. Even at levels below \$1 million, incentive schemes represent a material cost and raise the question of whether POL might be a more efficient alternative.

The crucial distinction lies in asset ownership: POL retains the assets within the treasury. Even under adverse market conditions, fees accumulate over time, and impermanent loss can diminish or reverse if relative performance shifts. Incentives, by contrast, are an irrevocable outflow with no guarantee of sticky liquidity, since mercenary capital often exits once rewards end.

This trade-off leads to a strategic decision. Incentives provide a clear and finite expense, with flexibility for the treasury to deploy its assets elsewhere, but carry the risk of short-term capital flight. POL imposes ongoing costs in the form of impermanent loss and parked capital, but the assets remain under treasury control and liquidity is structurally maintained.

Perhaps the right approach is to consider the utility of the token. For assets such as SAFE with limited utility and weaker integration into DeFi instruments such as staking, lending, liquid staking, options, or perpetuals, POL can be the more rational choice, since organic external participation will be limited.

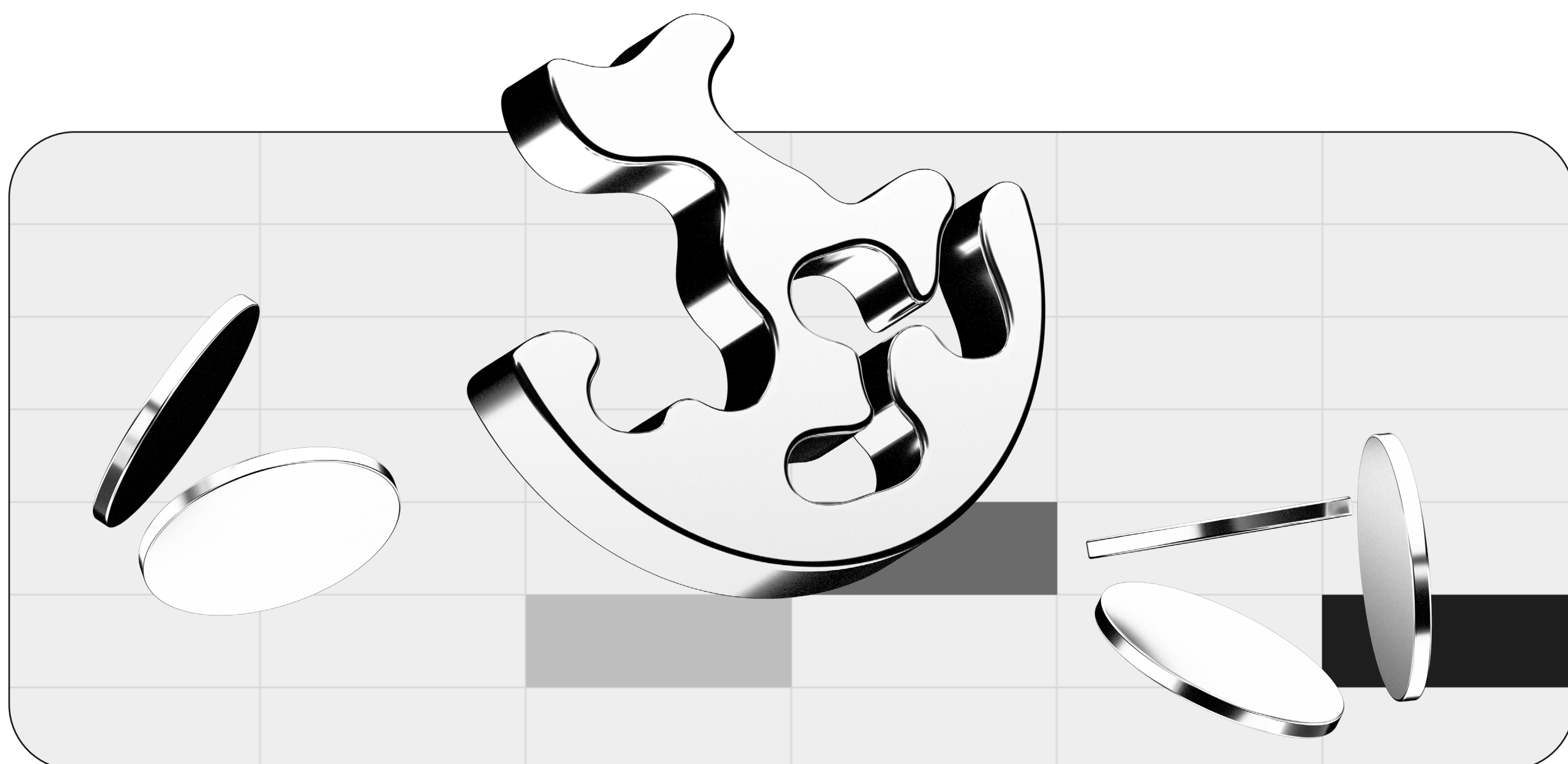


Conclusion

Protocol-Owned Liquidity succeeded in bootstrapping activity and providing a smooth trading experience for SAFE holders. The cost came primarily through impermanent loss, which is an unavoidable outcome of liquidity provision. While this risk can be moderated by adjusting the asset mix at entry or offsetting impermanent loss, the priority should remain clear: ensuring a functional trading environment for users. In this sense, POL should be understood as an operational cost rather than a profit-seeking strategy.

The alternative would have been to bootstrap liquidity through incentives but they come with structural drawbacks. Incentives represent a net outflow from the treasury and don't guarantee lasting liquidity, as capital often exits once rewards end. POL, by contrast, keeps assets under treasury control, generates fees over time, and provides the necessary liquidity infrastructure.

For Safe, where the treasury was mainly idle and the token's utility outside its core ecosystem limited, POL represented the more rational path. It ensured stable infrastructure at launch, reduced dependence on mercenary capital, and placed the focus on the primary goal: offer a smooth trading experience to the users.



Lessons, Takeaways and Strategic Insights

Strategy and Vision

A recurring lesson from the four case studies is that liquidity cannot be treated as a per-pool problem. Bootstrapping depth in a single market may stabilise prices in the short term, but by itself it rarely leads to lasting adoption. Incentives or Protocol-Owned Liquidity need to be framed within a broader strategic vision that links liquidity to the role of the token and the direction of the ecosystem.

Where this vision was absent, results remained shallow. GHO's Arbitrum rollout attracted nearly \$20 million in supply, yet fragmentation across multiple venues diluted impact, and most activity proved mercenary. Similarly, the bCSPX programme built several million dollars of depth but lacked integration into a wider equity strategy (despite notable initiatives), leaving liquidity concentrated in a few wallets. In both cases, isolated pool incentives produced temporary traction without securing long-term retention.

By contrast, EURE on Gnosis shows the benefits of strategic alignment. Here, POL seeded the Aave pool to support Gnosis Pay growth. Incentives such as cashback were not ends in themselves but part of a coordinated push to drive usage. The result was a self-reinforcing cycle: liquidity supported payments, payments created demand, and incentives channelled activity toward sustainable growth.

The central point is that liquidity or incentives must always be deployed with a strategic vision that links short-term interventions to longer-term retention and usage. Without that framework, incentive programmes or Protocol-Owned Liquidity risk becoming expensive subsidies that fade once rewards are withdrawn.

Utility is Key

Across all case studies, the decisive factor separating durable growth from temporary traction was utility. Liquidity and incentives can create the conditions for activity, but without a clear use case they do not translate into adoption.

The contrast is most visible between EURE and GHO. EURE's success on Gnosis was driven by Gnosis Pay, which transformed the stablecoin from a pool-based asset into a settlement layer for everyday payments. Cashback incentives amplified this, but the underlying driver was the existence of a product that gave EURE relevance beyond yield. As usage of the card grew, external liquidity naturally followed, allowing POL to be reduced without destabilising the market.

GHO on Arbitrum shows the opposite dynamic. Incentives were substantial and liquidity deep, but borrowing activity largely recycled within loops designed to farm rewards. Planned integrations that could have anchored real usage, such as Synthetix, did not materialise. With few outlets in derivatives, payments, or structured

products, the liquidity never converted into meaningful usage. When incentives waned, capital exited quickly, exposing the fragility of the adoption path.

The cases of bCSPX and SAFE reinforce the same lesson. Incentives on the bCSPX pool attracted liquidity, but the absence of a broader equity ecosystem meant adoption could not progress beyond simple holding. Without integration into portfolio strategies, lending markets, or treasury tools, demand remains low. SAFE, by contrast, relied solely on POL. This ensured market access and supported trading activity, but the token itself offered little beyond governance rights. With no functional utility to draw external demand, POL provided stability but could not become a driver of adoption.

The consistent message is that utility is the anchor of retention. Incentives can spark interest and POL can bootstrap and stabilise markets, but only genuine use cases ensure that activity continues once support is withdrawn.

Ecosystem Context

The effectiveness of liquidity strategies depends heavily on the broader ecosystem of protocols, treasuries, wallets, and governance structures that surround a token. Without coordination across these actors, even well-designed campaigns risk producing shallow or short-lived results.

The contrast between EURE and GHO illustrates this clearly. EURE's deployment on Gnosis benefited from alignment between Monerium, GnosisDAO, and Aave. POL seeded the market, incentives were jointly funded, and cashback tied the token to Gnosis Pay, creating a coherent adoption pathway. By comparison, GHO's Arbitrum rollout suffered from fragmentation inside its own ecosystem. Incentives were distributed across multiple pools and products, while parallel initiatives such as stkGHO and expansions to other chains diverted liquidity away. Instead of consolidating a strong market, the effort spread demand too thinly and failed to anchor usage.

The bCSPX case further underlines the importance of ecosystem context. Liquidity was successfully bootstrapped, but integration into a broader equity RWA environment never followed. Without connections to portfolio tools, onchain treasuries, or lending markets, the pool functioned in isolation. Adoption remained modest, and liquidity was overly dependent on a small number of providers.

Taken together, these examples highlight that liquidity provision must be coordinated with the wider ecosystem to succeed. Incentives and POL can create depth, but only ecosystem alignment ensures that liquidity translates into durable usage and resilience.

Design, Calibration, and Exit Strategy

The structure of incentives and POL programmes is as important as the resources committed. Design choices determine whether liquidity fosters organic adoption or attracts mercenary capital but also have an impact on whether outcomes can be sustained over the long term.

EURE on Gnosis shows how careful calibration can create stability. POL was deployed and withdrawn in response to utilisation thresholds, keeping liquidity aligned with market demand rather than arbitrary targets. Cashback incentives were tied to real-world spending, and pool-level rewards included mechanisms that limited the profitability of looping. Together, these measures reduced gaming and directed activity toward organic use.

GHO on Arbitrum highlights the opposite dynamic. Incentives created lucrative spreads between supply and borrow rates, encouraging large looping positions from a handful of wallets. Concentration increased, and much of the observed growth was mercenary rather than genuine. The absence of per-address caps or limits on reward accrual made the programme exploitable.

bCSPX illustrates a different design weakness. Incentives succeeded in bootstrapping liquidity and establishing efficient pool structures, but the outcome remained heavily dependent on a small number of providers. This concentration risk is critical: once incentives taper or end, the behaviour of a few large LPs will determine whether liquidity persists or collapses. The challenge here is to anticipate how participants will act once subsidies are removed.

Regarding the SAFE case, POL was exposed to significant impermanent loss as SAFE depreciated sharply against ETH. Strategies could have limited this exposure while maintaining trading depth, for example by weighting entries more toward SAFE than ETH or exploring DeFi opportunities for SAFE itself but also with the remainder of the Treasury.

Taken together, these cases show that liquidity programmes must be carefully thought through. Desired market size, yield levels for participants and limitations on concentration or recycling strategies must be anticipated. The objective is to ensure that growth is organic and controlled rather than dictated by mercenary capital that leaves once the rewards end.

Active Management and Timing

Effective liquidity provision also depends on governance capacity and the timing of interventions. Decisions made too late or without clear triggers risk fuelling instability or wasting resources, while proactive management can stabilise markets and build trust among participants.

EURE on Gnosis offers an example of proactive governance. POL was added or withdrawn in response to utilisation thresholds, providing a transparent signal for intervention. This rules-based approach avoided both

overextension and premature withdrawal, ensuring that liquidity remained sufficient to support growth while gradually opening space for external providers.

By contrast, GHO on Arbitrum revealed the risks of reactive governance. Caps on supply and borrow were repeatedly raised only after demand had already hit ceilings, and borrow rates were adjusted only once stress was visible. Rather than guiding behaviour, governance followed it, leaving the programme vulnerable to mercenary capital.

bCSPX falls between these two poles. Governance successfully oversaw the migration of liquidity into more efficient pool structures, but it did not address the concentration of supply in a small number of wallets.

The lesson is that governance and timing must be embedded into incentive and POL strategies from the outset. Clear triggers for intervention, parameters for concentration, and proactive adjustments allow treasuries to shape behaviour rather than react to it. Without this discipline, liquidity programmes risk being captured by short-term actors and failing to deliver the stability needed for long-term adoption.

Cost Trade-offs: POL vs Incentives

Liquidity provisioning always carries a cost, but the form and implications differ depending on whether a strategy relies on POL, incentives, or a combination of both. Each model produces distinct results.

POL alone treats liquidity as infrastructure. The SAFE case illustrates this clearly: pairing SAFE with ETH exposed the treasury to heavy impermanent loss as the token depreciated, turning liquidity provision into a recurring expense. Yet this approach guaranteed continuous depth, stable trading conditions, and retained ownership of treasury assets. Even if financially costly, POL ensured that SAFE could be traded reliably. The cost here is not wasted but operational, akin to maintaining an exchange listing.

Incentives alone purchase liquidity through external capital, but at the price of permanent outflows and limited stickiness. GHO and bCSPX both highlight this weakness. In GHO's case, rewards fuelled looping and concentration, with liquidity exiting rapidly once yields faded. For bCSPX, incentives drew millions in depth but left adoption fragile, as participation depended on a handful of wallets. Incentives can achieve ignition, but unless anchored to broader utility, the cost buys only temporary activity.

POL combined with incentives represents a third, more balanced model. EURE on Gnosis showed how sequencing the two can create durable results. POL seeded the market and stabilised conditions, while cashback and lending incentives attracted external providers and directed usage into payments. Over time, exogenous capital replaced treasury liquidity, and activity proved more resilient. Here, the cost of POL and incentives worked together: the former ensured a stable foundation, the latter expanded adoption, and the real-world utility of Gnosis Pay turned both into a sustainable cycle.

Overall, each approach carries distinct costs and outcomes, and the choice depends on how a protocol defines the role of liquidity. POL secures infrastructure but exposes the treasury to impermanent loss or opportunity costs, while incentives attract external capital but often on mercenary terms. The key question is whether liquidity should be sustained internally by the protocol as an operational cost, or externally by users. The answer depends primarily on the broader strategy for liquidity provisioning, the degree of integration within the DeFi ecosystem, and the functional capabilities (yield bearing, staking...) of the assets.

Measurement and KPIs

A recurring issue across the case studies is that liquidity initiatives are often judged only by simple figures such as TVL or supply growth. While these metrics provide a snapshot, they do not reveal whether liquidity is sustainable, cost-efficient, or aligned with adoption goals. More refined KPIs are needed to assess the true effectiveness of incentives and POL.

EUR on Gnosis illustrates how operational metrics can guide decision-making. Utilisation rates on Aave pools were used as a signal to adjust POL levels, with interventions triggered when utilisation crossed thresholds. This created a transparent, rules-based approach that linked liquidity management directly to market conditions. Such dynamic measures proved far more useful than static TVL targets.

GHO on Arbitrum showed the shortcomings of relying on volume, borrow or supply numbers alone. Supply and borrow activity appeared strong, but deeper analysis revealed that most activity was concentrated in looping strategies.

bCSPX highlights the importance of measuring cost efficiency. Incentives supported millions in liquidity and volume, yet a single withdrawal caused TVL on the pool to shrink significantly. Effective evaluation requires not only cost per unit of TVL, but also indicators such as liquidity concentration, cost per active wallet, and fees generated relative to rewards distributed. These measures better capture whether liquidity is effectively resilient.

SAFE provides another perspective. Here, POL guaranteed liquidity but generated impermanent loss as SAFE depreciated against ETH. A proper KPI framework would include treasury PnL, impermanent loss exposure, and net cost of maintaining liquidity. These KPIs would serve the treasury in managing the operations in a more efficient way.

Together, these examples suggest that liquidity initiatives should be evaluated through a set of KPIs that extend beyond TVL or raw volume. These KPIs should be defined in advance and tracked from launch, guiding decisions as POL is deployed and incentives distributed. In doing so, treasuries can ensure that measures remain robust and actions lead to outcomes that are sustainable rather than temporary.

Mixing POL, Incentives, and Utility

Among the four case studies, EURE on Gnosis stands out as the clearest example of how liquidity provisioning can evolve from temporary support to durable adoption. Its success rested not on the scale of resources committed, but on the way POL and incentives were sequenced, sustained over time, and anchored to real utility.

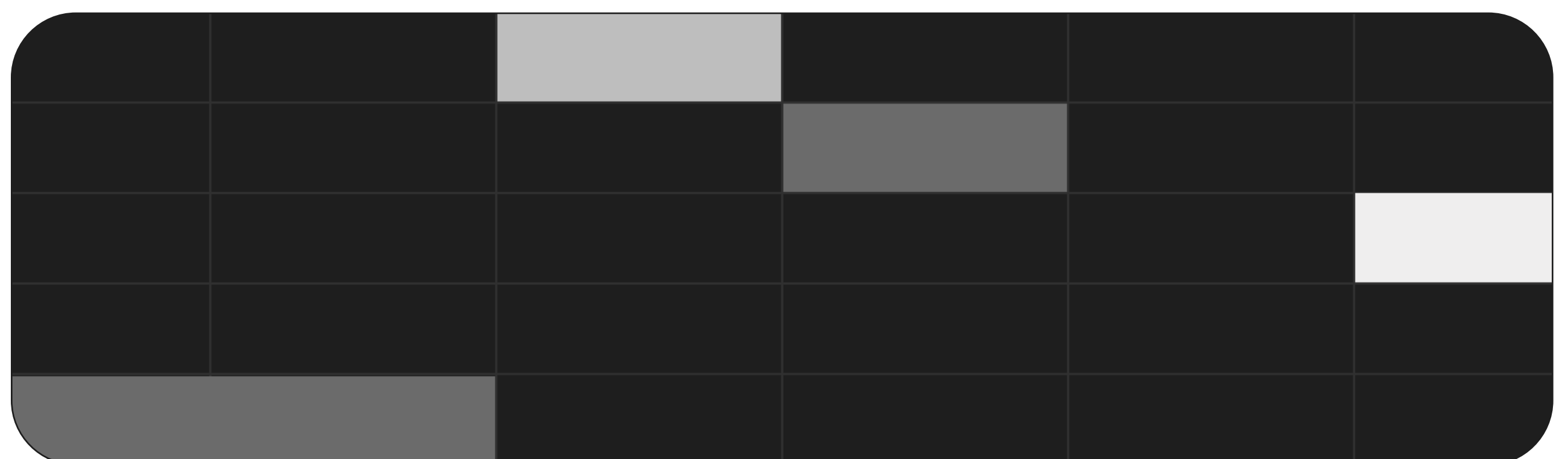
The process unfolded over more than a year, beginning with POL that seeded the Aave pool and secured stable liquidity from the outset. This foundation allowed borrowing and trading to proceed without disruption, giving Gnosis Pay room to expand without the risk of sudden volatility or liquidity gaps. The steady presence of POL proved crucial, acting as the backbone of market stability while adoption was still taking shape.

Once this foundation was secure, incentives were layered on top. With POL providing stability, their role was to drive traffic and growth. Cashback tied to card payments created a direct channel to retail usage, while liquidity mining rewards attracted external providers to deepen the pool.

But the decisive factor was utility. Gnosis Pay transformed EURE from an onchain token into a settlement medium for everyday payments. As payment volumes increased, demand for liquidity increased and external capital entered the pool, enabling POL to be withdrawn gradually without destabilising the market.

In a nutshell, the strength of this case study lay in the combination of utility, POL, and incentives, sustained long enough for adoption to mature. POL provided stability, incentives drove growth, and utility converted activity into retention.

The EURE case study offers a baseline model for how liquidity initiatives can evolve from subsidy to sustainability, showing that with the right sequencing and patience, temporary support can be transformed into durable market adoption.



Conclusion

Across the four case studies, a common message emerges: liquidity provisioning is not a question of simply adding capital or distributing rewards, but of aligning strategy, utility, and execution.

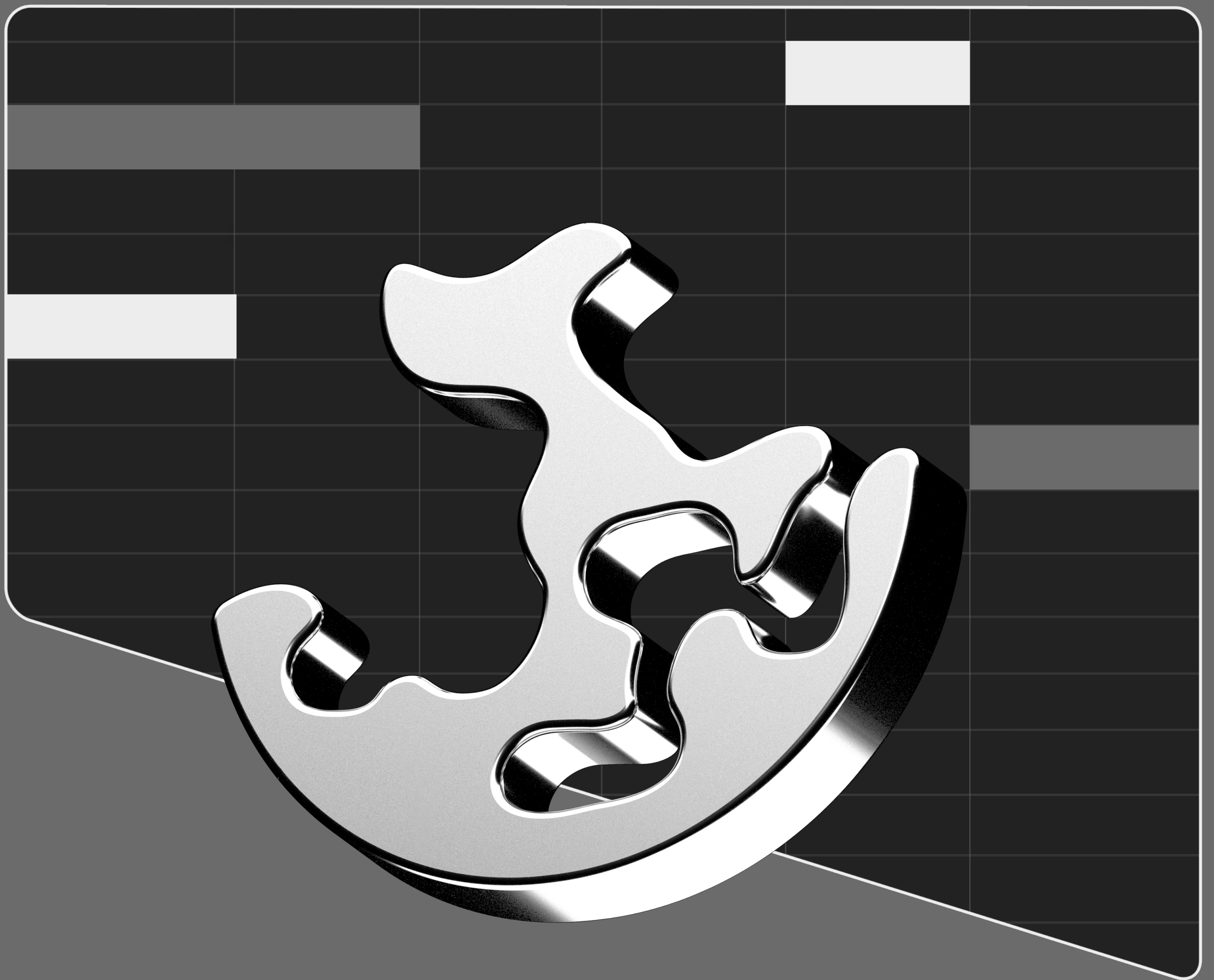
EURE on Gnosis demonstrated the most successful model, where POL, incentives, and real-world utility were combined and sustained over more than a year. This sequencing created stability, accelerated adoption, and allowed temporary subsidies to evolve into lasting usage. By contrast, GHO on Arbitrum highlighted the risks of incentives disconnected from use cases: liquidity was bootstrapped quickly, but most of it was recycled through looping strategies, leaving little durable demand once rewards declined.

The bCSPX programme on Gnosis showed how incentives can secure depth, but also how fragile liquidity becomes when concentrated in a handful of providers. Without integration into a broader DeFi ecosystem, trading activity remains thin and adoption limited. Finally, the SAFE case illustrated the financial costs of relying on POL alone. While liquidity was stable and trading efficient, the treasury absorbed heavy impermanent losses, underlining the reality that liquidity for volatile governance tokens often functions as an operational cost rather than a driver of adoption.

Together, these examples show that there is no single correct approach. POL provides stability but locks up treasury resources and creates exposure to impermanent loss, while incentives can spark activity but often attract mercenary behaviour. The combination can work, but only if they are tied to utility and sustained long enough for adoption to mature.

For protocols, the lesson is straightforward but demanding: liquidity strategies must be designed with clear objectives, robust measurement, a pathway from subsidy to sustainability and ideally involve the broad ecosystem. EURE provides a template of what is possible when these conditions align. The other case studies remind us that without utility, ecosystem integration and calibration, liquidity provision risks becoming a costly subsidy that vanishes once support is withdrawn.

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Owning or Renting Liquidity?

A Study of Incentives and POL for Sustainable Models

