



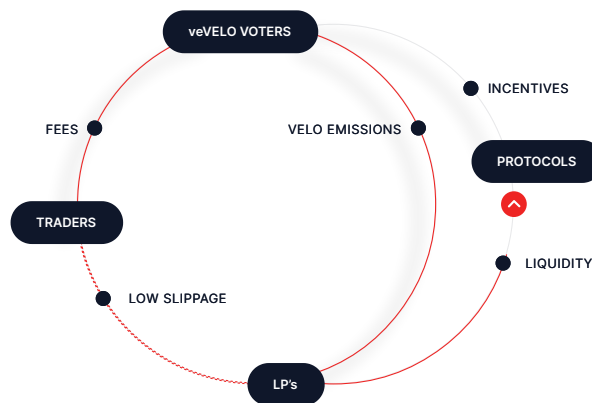
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About Velodrome

Velodrome Finance is a next-generation AMM that combines the best of Curve, Convex and Uniswap, designed to serve as Optimism's central liquidity hub. Velodrome's flywheel allows protocols to build deep liquidity in a capital-efficient manner by directing \$VELO emissions to their pools.

Velodrome first launched on **2nd of June, 2022**. Velodrome V2, a full protocol redesign, launched on **22nd of June, 2023**.



1. The protocol is designed to enable token swaps and generate fees (from **Traders**) by attracting liquidity.
2. Every epoch liquidity providers (**LPs**) receive \$VELO token emissions proportionally to the votes the pools accumulate. Only staked (in the protocol gauges) liquidity receive emissions.
3. Participants can lock their \$VELO to be able to vote on the next epoch distribution of emissions, becoming **veVELO Voters**.
4. **veVELO Voters** are rewarded (proportionally to locked amounts) for their votes with 100% of the protocol trading fees from the previous epoch and any additional voters incentives from the current epoch.

Tokenomics

Velodrome Finance uses two tokens to manage its utility and governance:

- \$VELO — ERC-20 utility token of the protocol
- \$veVELO — ERC-721 governance token in the form of an NFT (non-fungible token)

\$VELO is distributed to liquidity providers through emissions.

\$veVELO is used for governance. Any \$VELO holder can vote-escrow their tokens and receive a \$veVELO (also known as Lock or veNFT) in exchange. Additional tokens can be added to the \$veVELO NFT at any time.

The lock period (also known as vote-escrowed period, hence the *ve* prefix) can be up to 4 years, following the linear relationship shown below:

- 100 \$VELO locked for 4 years will become 100 \$veVELO
- 100 \$VELO locked for 1 year will become 25 \$veVELO

The longer the vesting time, the higher the voting power (voting weight).

Additionally, with Velodrome v2 the Lock (veNFT) can be set into a permanent maximum lock time. These *permalocked* Locks (veNFTs) are always treated by the protocol as being locked for the maximum duration of 4 years, and their voting power does not decay.

Initial Distribution

The initial distribution of \$VELO and \$veVELO was done for users and protocols likeliest to contribute to protocol mission to become the liquidity base layer of the Optimism ecosystem.

VELO		
Community	240M	60%
Partner Protocols	96M	24%
Velodrome Foundation	40M	10%
Optimism	20M	5%
Genesis Liquidity Pool	4M	1%

Community

240M (60%) \$VELO tokens were distributed to the people who have played the biggest role in incubating Velodrome and those likeliest to contribute to its long-term success, including:

- \$WEVE holders (27%, 108M \$VELO)
- \$OP network users (18%, 72M \$VELO)
- 3755 \$VELO/wallet — Addresses qualified as Repeat Optimism Users
- Cross-chain DeFi users (15%, 60M \$VELO):
 - 3500 \$VELO/wallet — Curve Protocol wallets with a 1450+ days (maximum) \$veCRV lock time
 - 3000 \$VELO/wallet — Convex Protocol lockers of \$vLCVX since new lock contract deployment
 - 3000 \$VELO/wallet — Treasure DAO Genesis Mine \$MAGIC stakers for 1- and 3-month periods
 - 2000 \$VELO/wallet — Platypus Protocol stakers with \$vePTP and \$PTP balance
 - 500 \$VELO/wallet — Redacted Cartel participants in genesis Dutch auction who didn't sell their \$BTRFLY
 - 500 \$VELO/wallet — Eminence Finance wallets affected with EMN, eAAVE, eLINK, eYFI, eSNX or eCRV balance

Protocols

The airdrop of 72M (18%) \$veVELO is aimed at attracting and engaging 10-15 protocols most likely to contribute to Velodrome and Optimism's long-term success.

Grants

24M (6%) \$veVELO were reserved to distribute to partner protocols after the launch. This was used to engage partners in the ecosystem through grants.

Foundation

The Foundation received an initial allocation that was used to vote to drive emissions to key protocol pairs such as \$VELO-\$USDC and support ongoing protocol development. The total Foundation allocation was 40M (10%) in \$VELO and \$veVELO.

The Foundation vested 100% of its initial allocation in the form of \$veVELO and uses it to vote via the Velodrome Protocol in perpetuity.

To help cover ongoing expenses and all the upcoming development efforts, 3% of the emissions are going to the Foundation address. These emissions are used to lock and increase the Foudnation's '\$veVELO' holdings, distribute as incentives via the protocol, or engage in various efforts to further the distribution and adoption of the protocol.

Team compensation breakdown:

- 15,520,816 \$VELO was set aside for contributor compensation. 0.5% of total emissions, taken from emissions to the Foundation described above, will be added to this total for dilution control during the 12-month compensation period. All team compensation has been distributed as of June 2023 with 15,345,334.2 VELO bought back from team members and the remainder distributed as '\$VELO'.

Optimism

Optimism has a vested interest in ensuring that Velodrome achieves its mission of serving as an ecosystem public good. Optimism received 20M (5%) \$veVELO in the initial distribution, to support that interest.

Genesis Liquidity Pools

Genesis Pools distributed 4M (1%) \$VELO to liquidity providers of foundational token pairs to provide better liquidity and user experience from launch day. Genesis pool emissions were first directed to the \$VELO-\$USDC pool and started a few days before the first epoch votes were cast.

Emissions

The initial supply of \$VELO is 400M.

Weekly emissions started at 15M \$VELO (3.75% of the initial supply) on June 4th 2022 and decay at 1% per week (epoch).

With the release of v2 on 22nd of June 2023, the emissions were reset back to 15M.

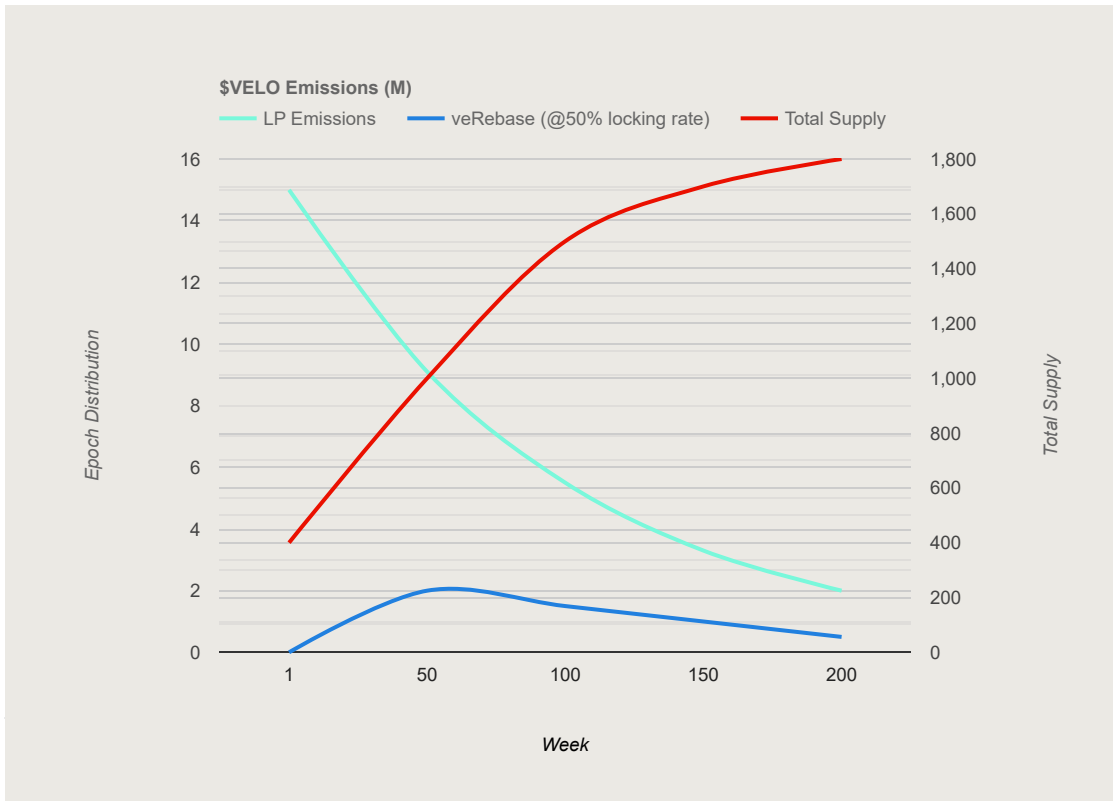
\$veVELO holders receive a rebase proportional to epoch LP emissions and the ratio of \$veVELO to \$VELO supply, thus reducing vote power dilution for \$veVELO!

The weekly rebase amount is calculated with the following formula:

$$(veVELO.totalSupply \div VELO.totalsupply)^3 \times 0.5 \times Emissions$$

\$veVELO supply does not affect weekly emissions distributed to liquidity providers.

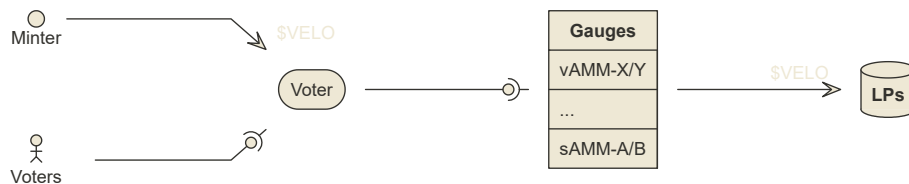
Emission Schedule



. LPs receive a share of the

Version 1

Velodrome is a protocol designed to enable token swaps by attracting liquidity (see the simplified diagram below). The protocol rewards liquidity providers (LPs) with VELO token emissions (from the Minter), which are distributed to liquidity pools proportionally to the votes each pool receives (casted on a weekly basis by Voters). Liquidity providers must stake their deposited liquidity (in a Gauge) to receive VELO tokens. VELO holders can lock their tokens to vote on the distribution of emissions.



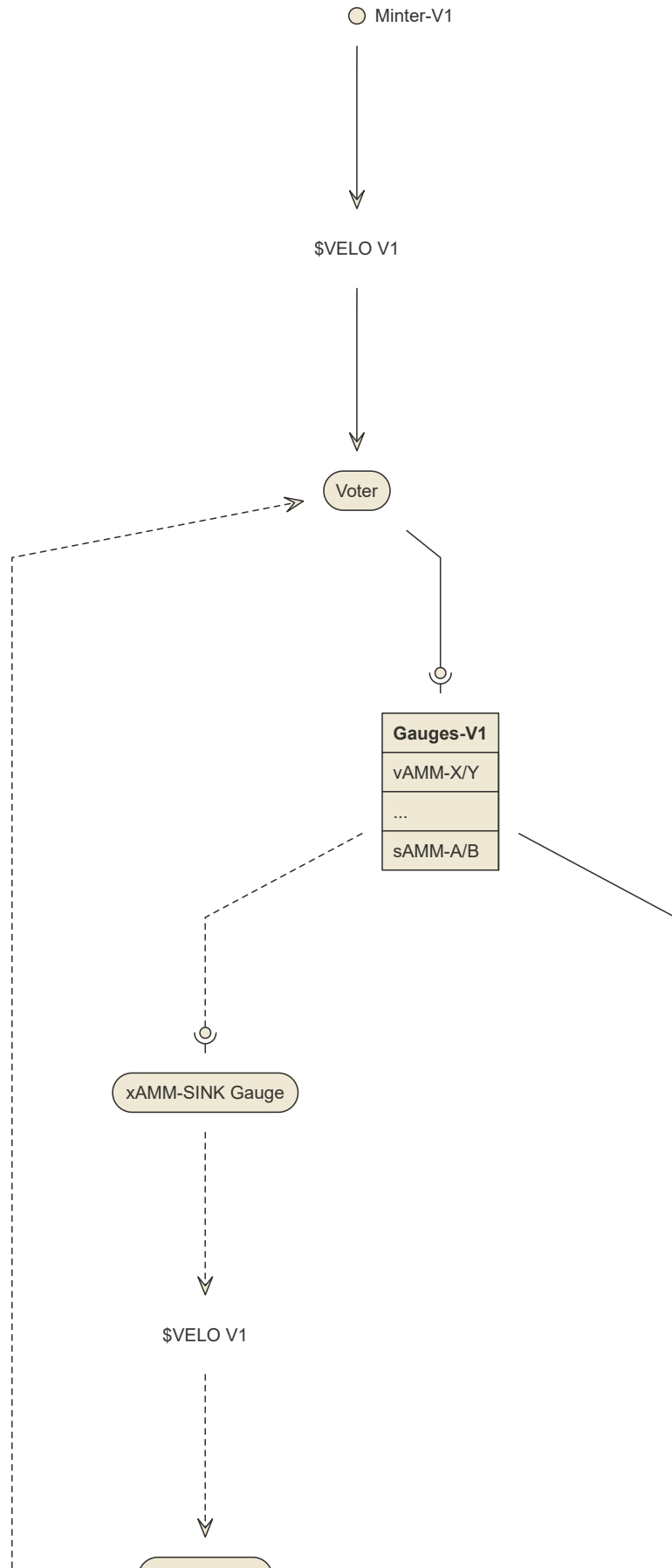
The protocol is 100% immutable, so changes to the protocol mechanics are not supported. As a result, the Minter will distribute tokens based on the same rules in perpetuity.

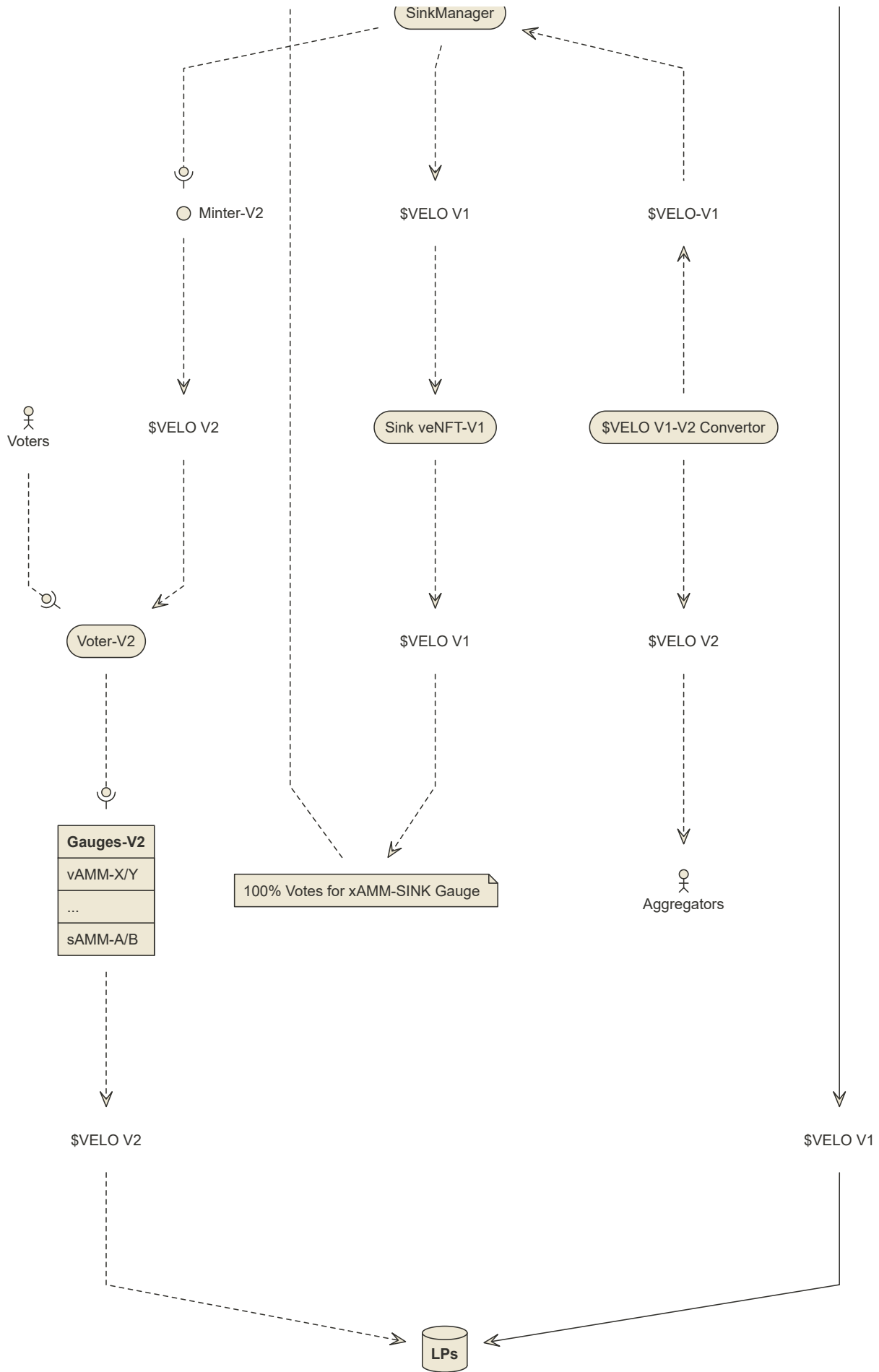
Version 2

A second version of the protocol was launched in order to enable major features such as:

- decentralization
- concentrated liquidity support
- dynamic fees
- dynamic emissions rate
- Velodrome Relay
- and enhanced performance and user experience with the new dApp

To allow the new functionality, the protocol was redesigned and rewritten from the ground up (see the simplified diagram for changes).





Velodrome V2 is still 100% immutable and brings an important architectural foundation over the limited v1:

- a liquidity pool factory registry, which allows us to add new liquidity pool types (eg. concentrated, multi-tokens, custom pools)
- updatable gauges factory, to allow us support maintenance for these new pool type gauges and reward contracts
- updatable rewards/incentives factory, to allows us in case of a security incident, to provide quick and long-term maintenance

Velodrome V2 issued a new \$VELO token, convertible 1-to-1 with the V1 token.

Both versions and tokens operate in parallel and keep the emissions running according to the expected schedule.

The old token is captured and locked in perpetuity and the new token took over the emissions naturally following the same schedule and operational purpose.

Migration

Please review the sections below before taking any V2 migration actions!

After V2 launches, users will see the new Nightride UI load on Velodrome's official domain name <https://velodrome.finance>, while the V1 UI will be available at <https://nightride.velodrome.finance>.

The Nightride UI will provide easy steps to complete all migration steps.

We appreciate all users' efforts during this transition and will do our best to make it as seamless as possible.

VELO Migration to V2

To migrate VELO tokens to V2, simply use the swap functionality on Nightride. V1 VELO will be convertible 1:1 to V2 with 0 slippage using a special pool.

Lock (veNFT) Migration to V2

Please note: the V2 UI contains a migration walkthrough on the 'Dashboard' page. Do not submit a Lock (veNFT) vote on the V1 UI if you plan to migrate in the same epoch.

Before completing the migration, please make sure you've claimed all voting rewards for your Locks (veNFTs) in V1!

To migrate veVELO, first unstake all LP positions and *reset* your votes. The reset functionality detaches the Lock (veNFT) from gauges and allows the V2 migration. V1 veVELO is convertible 1:1 to V2.

Once completed, holders will receive a veVELO NFT with the same lock time and underlying VELO. However, note that migrated NFTs will likely have a new ID number, as these follow a sequential order when created.

One of the V2 veVELO improvements will be the ability to merge NFTs without losing a vote. Once converted to V2, veVELO holders will be able to consolidate their voting power into a single or a few NFTs any time!

LP migration to V2

Liquidity Providers are encouraged to migrate their liquidity once V2 emissions start on June 29. Early movers may find attractive opportunities for providing liquidity as VELO V2 emissions flow to the new pools.

Before doing any migration, please make sure you've claimed all emission rewards for V1!

To migrate your liquidity positions, first unstake and withdraw your liquidity from V1. Then desposit your tokens into the equivalent V2 liquidity pool and stake your position.

A migration screen is available via the Nightride UI dashboard to help with the steps outlined here.

***"Don't buy upgrades,
ride up grades."***

Eddy Merckx

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