



REWARDS, FEES & BOOTSTRAP FUND

The Orbs V2 incentive layer is built to incentivize a maximum overlap between the two committees. A high overlap implies a higher stake backing each committee. Guardians are incentivized to meet the requirements and earn additional rewards associated with participation in the certified committee. Certified Guardians are incentivized to accumulate a high stake to enjoy the rewards of the General committee.

The fees and rewards in the Orbs Proof-of-Stake architecture serve two important purposes. The first is compensation for operating a validator node. The second is a reward for contributing to network security by staking. The V2 rewards model is targeted to award the ones who deserve it - participants that contribute to the network operation and security.

Operating a validator node has a cost that includes both computational resources cost and operations cost. Two forms of compensation are designed to cover these costs. First, Virtual Chain fees are paid in the form of Orbs Tokens by the network users who launch a virtual chain. The fees paid for each Virtual Chain are expected to represent the cost withalong a profit margin. As the network matures and runs more Virtual Chains, the cost per Virtual Chain is expected to be almost constant, representing the cost of the computational resources allocated to the Virtual Chain.

This will provide a scalable solution, as the Guardians profit increases as the usage increases.

In order to incentivize Guardians to participate in the Certified committee by covering their costs, V2 includes an additional bootstrap fund for Guardians who join the Certified committee. The bootstrap fund is distributed in DAI, stable to USD, popular in many Defi applications. Having a fund stable to the dollar, provides profitability even if the token value fluctuates. The fund is designed to cover the cost of operating a validator node while running a small number of Virtual Chains during the network early stages. This is important as it provides enterprises with the ease of mind that the network will continue to operate even under unexpected price fluctuations.

A Guardian that operates a validator node and goes through the certification process to participate in the Certified committee will be entitled to receive the annual total of 3000 DAI. This fund provides an incentive for Guardians to participate in the Certified committee, thus increasing the participating stake in this committee and making the network more attractive to enterprise users, while covering the reduced cost of operation as further described in the next episode.

Virtual Chain fees and the bootstrap fund are awarded for the validator nodes operation. Therefore, unlike staking rewards, the fees and the bootstrap fund are distributed directly to the Guardians operating the validator nodes. The fees and the bootstrap fund are not staked or shared with the Delegators, allowing the Guardians to utilize them to cover their costs. The fees and the bootstrap fund are awarded for the time period that a Guardian participates in the applicable committee. The rewards can be claimed by the Guardian at any time.

Staking rewards are awarded for the stake that elected Guardians and their Delegators allocate to contribute to the network security. It is important to note that **Only the top 22 elected Guardians are eligible for the rewards, fees and bootstrap funds.**

A maximum annual reward equal to 12% of total delegated stake is awarded, addressing the tradeoff between an appealing award and sustainable inflation. $\frac{1}{3}$ of the rewards are guaranteed to the Guardians (i.e., up to 4% annual reward maximum), while the default values for the distribution application grant the remaining $\frac{2}{3}$ to Delegators (i.e., up to 8% annual reward maximum).

The staking reward is capped at 80M ORBS annually. If a larger percentage of ORBS token holders participates, the reward will be allocated pro-rata according to the Guardians' effective delegated stake. Rewards are calculated continuously based on the effective delegated stake in each time period.

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