

Polkadot GIGAHydration Campaign

Decentralized Finance (DeFi) plays a foundational role in any healthy blockchain ecosystem, with Polkadot not being an exception. As the broader crypto market enters a phase of maximum competition, strategic incentives are essential to attract users, deepen liquidity, and strengthen the competitive edge of Polkadot's ecosystem.

This proposal seeks Treasury support to fund DeFi incentives that will catalyze growth, foster adoption of ecosystem based products, and reinforce Polkadot's position as a foundational layer for open, interoperable finance. For this purpose, we propose to allocate 5M DOT towards DeFi incentives on Hydration, the liquidity backbone of Polkadot. These incentives will be distributed over the course of 12 months to the following initiatives:

1. [2M DOT stablecoin incentives](#);
2. [2M DOT LP incentives](#);
3. [1M DOT incentives to mint GIGADOT](#) (More about GIGADOT, the composite yield bearing product formed through a collaboration of multiple Polkadot products can be found below).

This document begins by laying out the motivation behind the proposed incentives, together with a brief reflection on the success of the previous Polkadot liquidity campaign which kicked off in June 2024. Building upon that, it examines the three buckets of incentives that we propose for the upcoming 12 months, together with their success metrics. It concludes with some details on the execution of the proposal.

Motivation

Over the past 2+ years, Hydration has become one of the most widely used and beloved products built on Polkadot. With \$130M+ TVL and [daily volumes ranging between \\$2 and 10M](#), Hydration is now the go-to place for all the liquidity needs of the ecosystem. Our users range from normies arranging their day-to-day finances to DAOs who leverage Hydration for their liquidity operations.

The Hydration DAO itself has taken non-trivial risks to support and boost the Polkadot ecosystem as much as it could; by bringing 22M DAI from Ethereum as Protocol Owned Liquidity - a reliable source of on-chain liquidity for ecosystem assets. With an ecosystem first mindset, Hydration became the biggest holder of iBTC from Interlay shortly after going live, as well as one of the biggest holders of vDOT and an essential partner for integrations with Bifrost. Furthermore, Hydration has been instrumental to the launch of native stablecoins on Polkadot, having subsidised the launch of native USDT and USDC on Polkadot from the Hydration Treasury after OTCCing with a premium the DAI that it had acquired on Ethereum.

A notable user is the Polkadot DAO itself, which has thus far accumulated \$37M+ worth of stablecoins using Hydration, with open orders to diversify another 5M DOT (see an analysis of

the 2024 DOT Treasury operations [here](#)). Thanks to Hydration's on-chain DCA, the Polkadot Treasury has been able to build up its stablecoin holdings in a consistently cost-efficient manner, leveraging the best exchange rates on the market and without any hidden fees. This has enabled Polkadot to offer OpenGov payouts in stablecoins, which has arguably saved the Treasury millions from payouts in DOT at a subsequently lower price, not to mention the avoidance of top up requests by grantees to offset the falling DOT price (or, in the less common case of short-term DOT appreciation, avoiding the unjustified enrichment of grantees who would not return the surplus).

There are several factors underpinning Hydration's success. Our DeFi-savvy team is working tirelessly to deliver the most efficient, cutting-edge financial primitives and tools which are shipped in a UX-friendly package with interfaces that put users first, making users appreciate all interactions with our app. The Hydration Protocol is backed by a strong community of power users who participate in a fully decentralized decision-making process powered by the world's most advanced governance system (OpenGov), and characterized by some of the highest participation rates that any blockchain ecosystem has seen thanks to the alignment of voting incentives (with turnouts being a multiple of what is seen on Polkadot). All in all, Hydration is well on its way on the mission to make DeFi simple, efficient, and unstoppable.

Liquidity incentives are another factor that has contributed to a better DeFi product offering on Polkadot. While some may question the incentives as a form of subsidy, the reality is that all major ecosystems are providing a hefty share of incentives (which are orders of magnitude larger than we have seen on Polkadot) to boost their DeFi ecosystem. Recent examples here are Berachain and Aptos, with the latter one committing over \$200M in DeFi grants and investments for 2025 alone. With the recent expansion in the essential infrastructure components such as Ledger support and custodians, we believe that Polkadot is now well positioned to absorb a noticeable growth in user activity triggered by the next wave of incentives.

One year ago, [the Polkadot Treasury provided 1M DOT](#) that was used as LP incentives on Hydration, helping grow our TVL, volumes, active users (more info below), and overall traction. It also benefitted the TVL on Bifrost, as the incentives were distributed to users in the form of yield-accruing vDOT. Now that this program is about to run out, and having shipped Lending and Borrowing with the HOLLAR stablecoin, it is time for the next growth phase. We believe that more natively composed powerful primitives enhanced by the Polkadot SDK stack will have an explosive impact on traction driven by ordinary but also institutional users who expect nothing less than secure, robust, and scalable products.

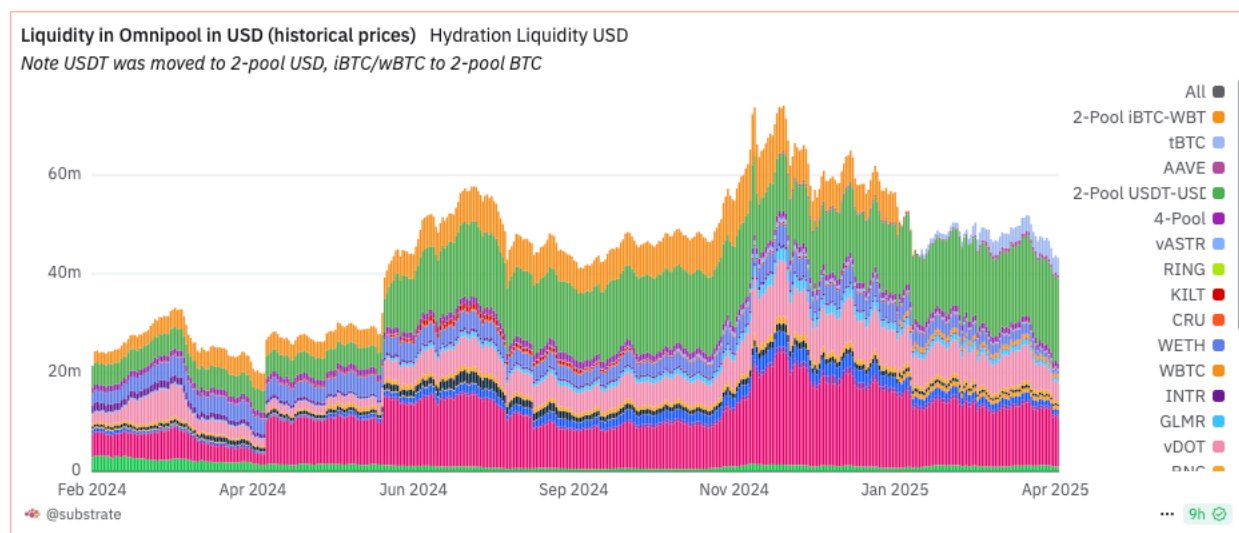
With the incentives proposed below, our aim is to create a compelling use case for anyone to come to Polkadot, bring their liquidity, increase TVLs, and drive volumes. Besides redistributing rewards to existing Polkadot users and onboarding new users, this will pave the way for many integrations which are currently blocked by the low liquidity and DeFi activity on Polkadot. Several instances of important integrations which we currently see materialize in the ecosystem were unlocked thanks to the launch of our first campaign, and the liquidity it has onboarded.

Success of the Previous Liquidity Campaign

The success of the past campaign can be tracked using the four metrics [defined in the previous proposal](#):

Omnipool TVL

Before the start of the previous campaign in June 2024, the Omnipool had a TVL of ~\$27M. At its peak in December 2024, the Omnipool TVL reached ~\$73M. This is well aligned with our initial aspiration to attract \$50M TVL using the incentives. The current TVL is quickly recovering towards that higher watermark, despite the (50 - 70%) decrease in DOT value which, together with vDOT, forms the biggest share of liquidity on Hydration. We have managed to offset this difference in value thanks to the increased traction and the confidence displayed by our growing user base.

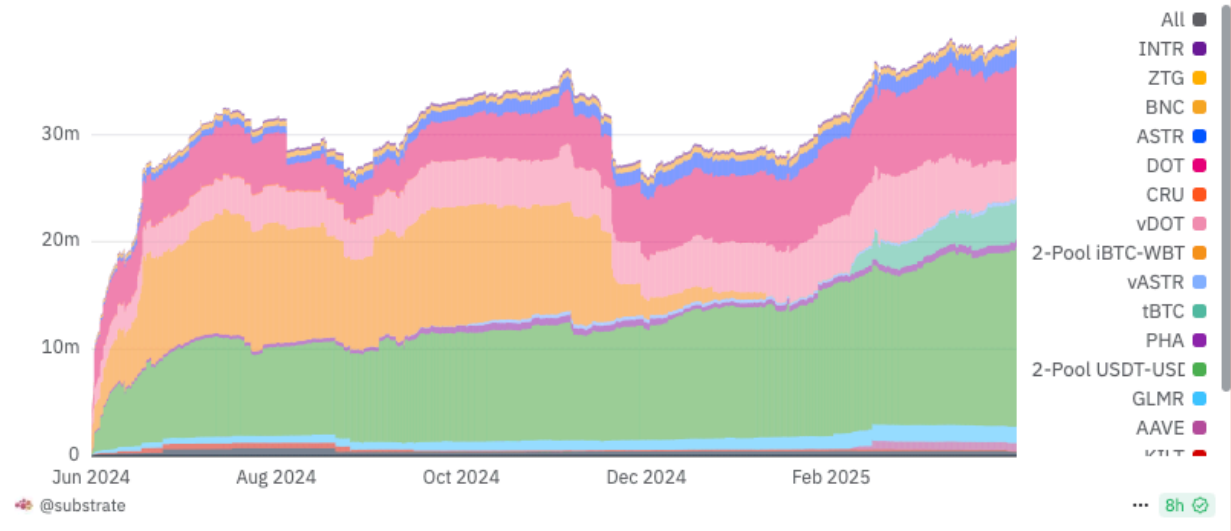


For a detailed overview please consult [this dashboard](#).

Adjusting the prices to those from March 2025 shows that TVL has been consistently rising when this variability is removed - check out [this dashboard](#).

Hydration Farms TVL at constant prices

Prices kept constant as of 2025-03-01

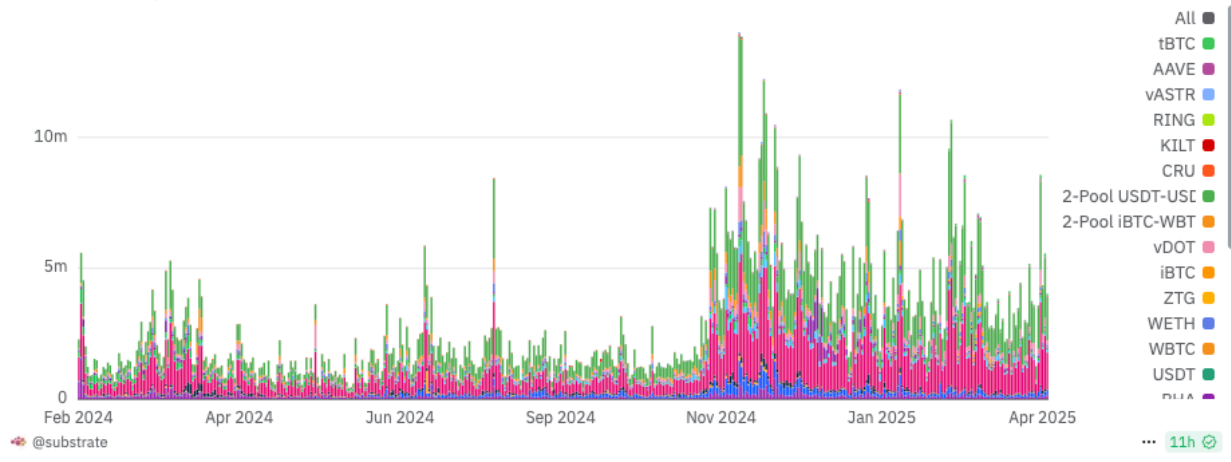


24h Trading Volume

Prior to June 2024, the 24h trading volume on Hydration was in the range \$0.5M - \$2M. With current daily volumes in the range \$2M-\$10M, also this metric suggests a significant improvement.

Trade volume in USD Hydration trading per day per token

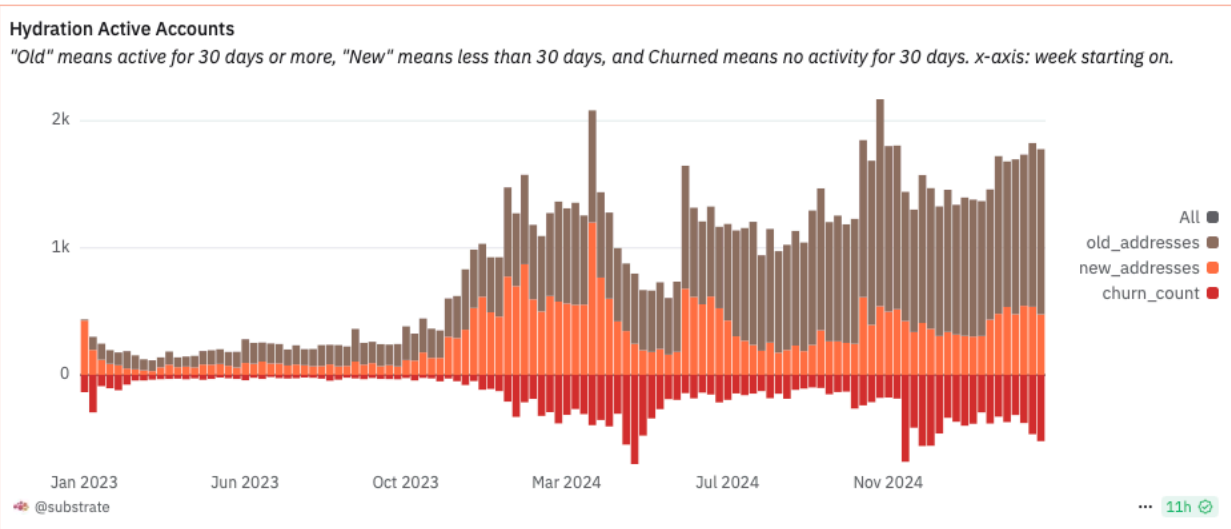
Based on all omnipool trades valued at 10 H2O or more



For a detailed overview please consult [this dashboard](#).

Active Accounts

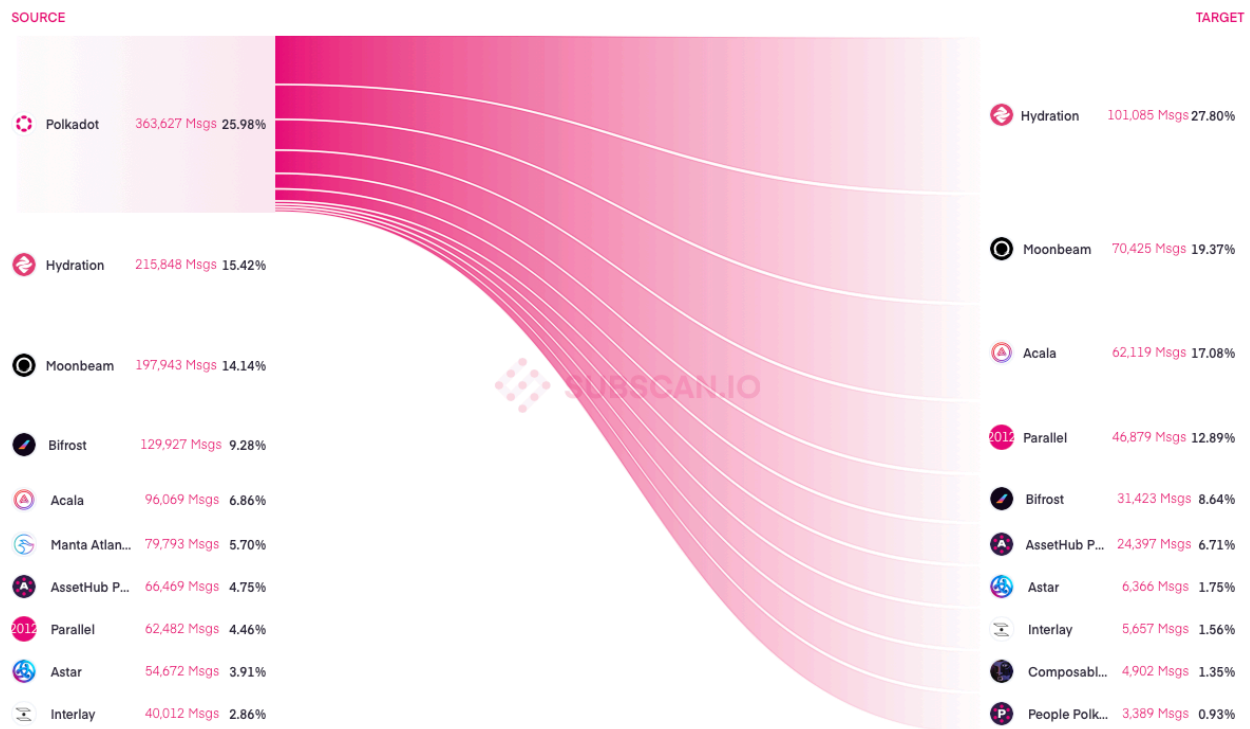
Before the launch of the past liquidity campaign, Hydration had less than 1000 active accounts. During the campaign, this metric has grown to almost 2000 active accounts - with a clear upwards trajectory.

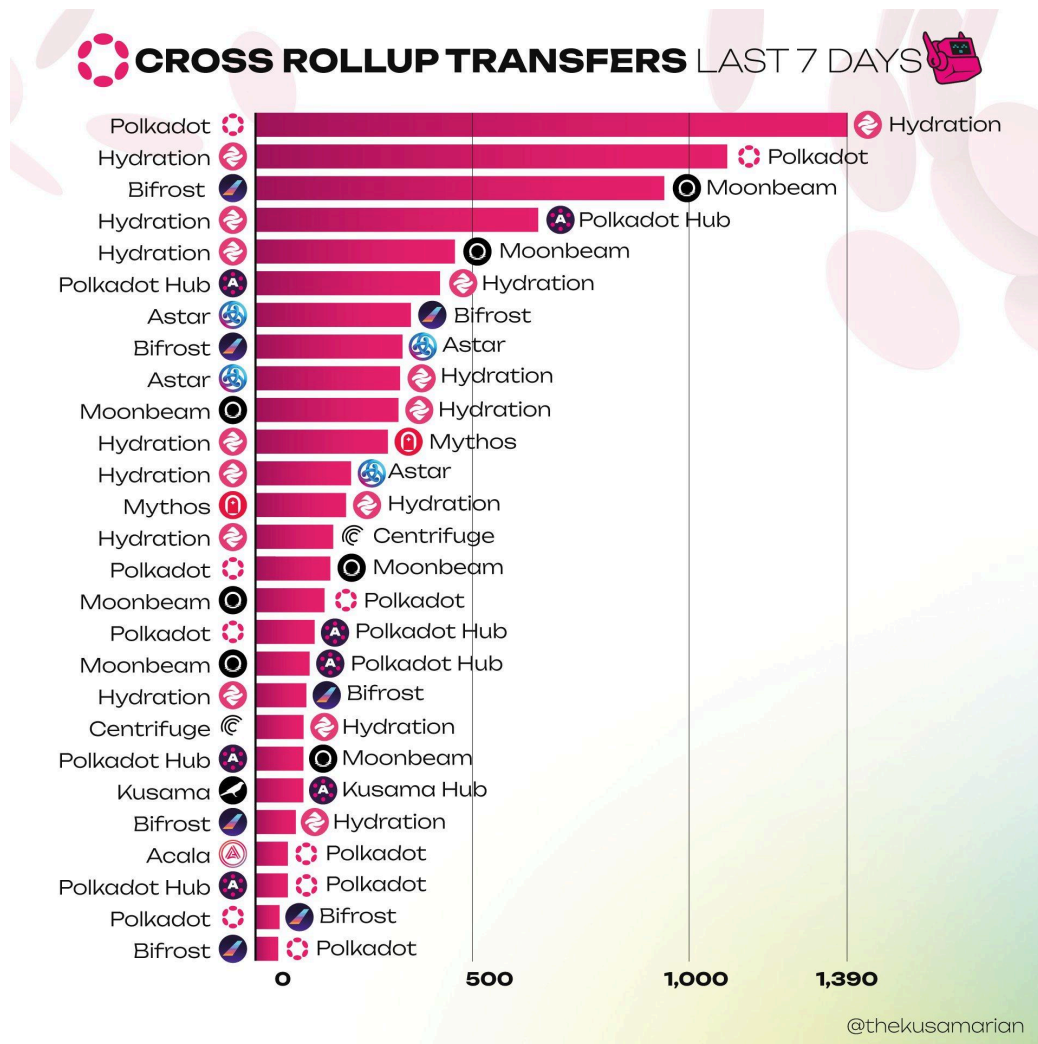


For a detailed overview please consult [this dashboard](#).

Daily XCM Transfers

Finally, the amount of daily XCM transfers has also shown a significant increase, jumping from ~400 messages to ~1000 messages - with almost a third of all XCM transactions from the relay chain coming to Hydration.





For a detailed overview please consult [dashboard #1](#) and [dashboard #2](#).

Proposed Incentives

Stablecoin Incentives

Stablecoins are back, and they are the new black. Everyone is talking about them, from (central) banks to the President of the USA. We expect that the offering and adoption of stablecoins will skyrocket in the upcoming years. The question is not if stablecoins will reach a \$1T marketcap, but when. Furthermore, stablecoins (both centralized and decentralized) are some of the highest revenue generators in crypto. It is important that Polkadot is not just a part of the stablecoins narrative, but part of the evolution.

Against this background, there is no reason for Polkadot to keep lagging behind. On the contrary, we believe that Polkadot deserves strong (native) stablecoin liquidity which signals to

the world that our ecosystem has outgrown the negative experience which has been plaguing it since the early days.

To achieve this, we propose allocating 2M DOT towards stablecoin incentives. The incentives will be distributed towards several stablecoins on Hydration, including USDT, USDC, and HOLLAR – a decentralized, overcollateralized stablecoin that is native to Hydration and Polkadot. Built upon AAVE's GHO, HOLLAR provides strong (economic) security guarantees backed by trustworthy and battle-tested smart contracts enhanced by optimisations of execution on the runtime level uniquely enabled by Polkadot SDK. Together, these incentives will support efforts to build sufficient stablecoin liquidity to cover ecosystem needs, including any future diversification planned by the Polkadot Treasury.

Success Metrics:

1. TVL (Stablecoins)
2. Volumes (Stablecoins)
3. HOLLAR Supply

LP Incentives

To continue building upon the success of the previous liquidity campaign, we propose allocating 2M DOT towards LP incentives. This will allow us to continue scaling up the TVL and Volumes in our trading AMMs.

The previous Polkadot Hydration Campaign put us well on track by attracting just about enough liquidity to accommodate cost-efficient trading of the most sought after assets in Polkadot. It also sent an important signal to our partners outside the eco that DeFi on Polkadot is alive, paving the way for integrations which would not have been possible before.

To extend the traction, we propose to allocate 2M DOT towards LP incentives over the next 12 months, with a concentrated focus on Snowbridge liquidity for high volume assets such as native ETH and tBTC. This will help us attract more liquidity to Polkadot, enable smoother trading for more assets, and provide a negotiation chip for future integrations (both CEX and DeFi), and at a lower cost. Deep liquidity is also fundamental to the upcoming launch of the Intent Composition Engine (ICE) which functions as a cross-chain order book that will utilise multiple Polkadot cores, Hyperbridge and Snowbridge.

Success Metrics:

1. TVL
2. Volume

GIGADOT Incentives

GIGADOT is a composite product that allows users to hold DOT while accumulating yield from four revenue streams: vDOT (DOT LST by Bifrost), aDOT (DOT provided as collateral on

Hydration Lending), vDOT <> aDOT trading fees, and additional liquidity incentives (this proposal). We expect that the resulting yield will be the highest that users can achieve by holding DOT.

By incentivizing GIGADOT, the Polkadot Treasury will help achieve four outcomes that are beneficial to the ecosystem. In the first place, DOT holders will be given a viable alternative to vanilla DOT staking which is subject to declining APR, thereby offering a compelling reason to hold (more) DOT.

In the second place, it will incentivize users to mint additional vDOT, leading to an increased usage of Bifrost's LST solution. Together with the underlying Stablepool that powers GIGADOT, this will lead to a much better liquidity for vDOT.

In the third place, it will incentivize users to supply more DOT to Hydration's money market. By making more DOT available for borrowing, it will unlock the possibility to loop GIGADOT <> DOT for achieving even higher, leveraged yields. The demand for leveraged yield staking through looping was proven with the launch of vDOT on Hydration's money market, which saw its capacity being exhausted (twice) in a matter of just hours thanks to users looping vDOT <> DOT. Also the recent launch of GIGADOT saw its maximum capacity being reached after just 70h.

Finally, besides earning great rewards, the supplied GIGADOT can be borrowed against, allowing users to borrow other assets such as stablecoins without the need to dump their DOT on the market.

Overall, we expect that the dynamics described above will have a flywheel effect that attracts liquidity into DOT, from normies and institutional investors alike.

Success Metrics:

1. GIGADOT supply

Details and Execution

If approved, this proposal will transfer 5,000,000 DOT from the Polkadot Treasury to the Hydration Child account - `13YMK2efcJncYrXsaJCvHbaaDt3vfubdn75r4hdVxcggU4n2`. Once it arrives, the DOT will be sent through XCM to the Hydration Treasury by a second referendum on Hydration before being swapped to vDOT, allowing it to accrue staking yield while growing the TVL on another Polkadot project (Bifrost).

All three buckets of liquidity incentives will be distributed in GIGADOT. To achieve this, the Hydration Treasury will initiate a long-running order which swaps vDOT into GIGADOT, matching the rate at which the incentives are distributed.

About Hydration

Hydration is the leading liquidity protocol on Polkadot. Its mission is to make DeFi efficient, simple, and unstoppable. To achieve this, Hydration unites swaps, lending and a native stablecoin currency (HOLLAR) under the roof of a single, scalable appchain built on Polkadot.