

Telos Improvement Proposal 35

November 15, 2023

Overview:

This proposal aims to tackle the expected depletion of the TLOS reserve funds, which were initially collected from inactive accounts one year after the TLOS Fair Launch. These funds have been utilized over the past 4 years to finance vital Telos ecosystem components, including Telos Validators, Worker Proposals, Telos Foundation (TF), Telos Core Developers (TCD), REX/sTLOS Staking Rewards, Grants, and Telos Fuel.

The reserves will be exhausted in December at which time inflation will automatically engage to finance Validator pay and the Worker Proposal System only. Under the current design, team funds and grants will no longer receive any TLOS used to finance operations. To ensure continuity, the following changes to Telos Tokenomics are proposed.

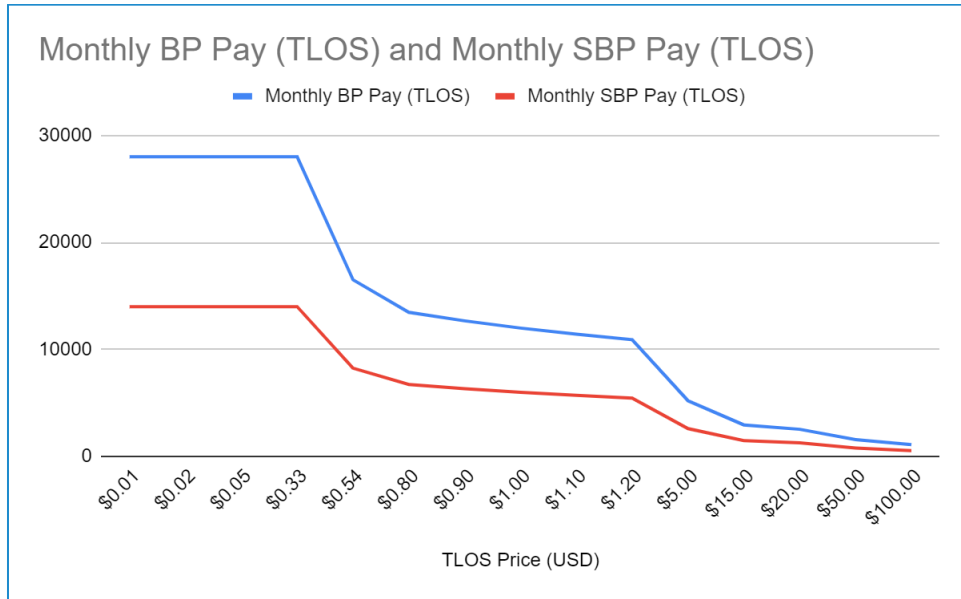
Monthly TLOS Distribution Changes:

Distribution Area	Proposed Change	Current Distribution (TLOS)	Proposed Distribution (TLOS)	Notes
Validators (Block producers)	None	882,000	882,000	The quantity of TLOS lowers as the TLOS price increases which is described in <i>Scalable BP Pay Proposal</i> . Link below.
Worker Proposal Funding (works.decide)	Remove Funding	35,000	0	The works.decide account has accumulated 1.6 million TLOS. It is proposed this be reduced to 0 as this existing funding will cover operations for the foreseeable future.
Telos Foundation (tf)	Decrease by 50k TLOS	700,000	650,000	The Telos Foundation has received 700k TLOS / month since TEDP2. This proposal reduces the amount to 650k / month.
Telos Core Development (treasury.tcd)	None	400,000	400,000	No changes for TCD funding.
Telos Fuel (tlofuelfund)	Remove Funding	1,200,000	0	Reserves of 13.9 million TLOS are enough to cover the goals of the program for the foreseeable future.
Telos Grants (ignitegrants)	None	500,000	500,000	No changes for grants funding.
REX/sTLOS	None	1,200,000	1,200,000	There are no changes to REX rewards besides what was already implemented as a part of TEDP4: TLOS daily close of \$1.00, REX emissions reduce to 800,000 TLOS/month. TLOS daily close of \$2.00, REX emissions reduce to 400,000 TLOS/month.
Max Monthly Totals*		4,917,000	3,632,000	26.13% reduction in emissions
Max Annual Totals*		59,004,000	43,584,000	
Mac Annual % Inflation of Total Supply*		14.05%	10.38%	

***It is important to note that these figures represent maximum inflation the Telos Network will experience since Validator Pay and REX/sTLOS staking emissions will decrease as token price appreciation occurs.**

Telos Scalable BP Pay:

The Telos Network will continue to observe Block Producer/Validator pay per the requirements voted on in the *Scalable BP Pay* Proposal from June, 2021. This proposal highlights the method used to reduce emissions further by reducing validator pay in TLOS as the token price rises. <https://kquainta.medium.com/telos-network-validator-sustainable-pay-proposal-9ea7f2db7f76>



Telos Token Burn Mechanism:

With a deflationary ecosystem and self-sustainability always a goal for Telos, this proposal includes burning tokens accrued from gas fees collected by the Telos EVM and future zkEVM. Burning tokens reduces the overall supply, potentially increasing the value of each individual token. As EVM traffic increases, we could be burning upward of 6 Million TLOS by the end of 2024, leading to greater demand, while enhancing market position and value. It is proposed that all EVM fees collected in the fees.evm account over the last two years should be burned upon the passing of this proposal and continue to burn those fees on a monthly basis.