

This proposal is authored by core contributors to pSTAKE Finance (addressed as 'we' in this forum post).

## Overview

In the interest of further enhancing economic security, diversification of the dYdX Community Pool's risks, and decentralization of the dYdX network, it is proposed that 5M DYDX tokens be liquid staked with pSTAKE Finance.

This is a separate discussion from our previous suggestion to [split the potential dYdX Community Staking with Stride and pSTAKE Finance equally](#), as the authors of the [original proposition](#) have chosen to ignore the dYdX community's feedback.

There are no deadlines for this discussion and the consequent on-chain proposal. We believe that such matters of high significance warrant ample time for the following outcomes:

- The community isn't rushed to make decisions and considers all aspects carefully
- The involved fee and its possible effects are evaluated thoroughly
- The suggested amount is proposed in a staged manner as compared to a hostile takeover

## Proposal

We propose that 5M DYDX tokens be liquid staked with pSTAKE Finance to bolster the dYdX Chain's economic security further, diversify the risk of the community pool, and decentralize the network with pSTAKE Finance's custom-built delegation solution.

Liquid Staking DYDX on pSTAKE Finance can be done through a multi-sig comprising community advocates. The multi-sig will be a mere executor with instructions to only liquid stake tokens and send stkDYDX back to the dYdX community pool, ultimately controlled by the DYDX governance.

As highlighted in our previous post too, to further align with the dYdX community, we propose the following (subject to PSTAKE governance):

- pSTAKE Finance will take a 0% fee for liquid staking 5M DYDX from the Community Pool (~\$3.5M rewards will be directly realized by the dYdX Community Pool)
- Additionally, pSTAKE Finance will share 20% of its entire DYDX liquid staking revenue with the dYdX Community Pool till the agreed-upon term of this proposal. This will go into effect if, and only after, PSTAKE governance decides to introduce any protocol fee. The DYDX Liquid Staking fee on pSTAKE Finance is 0% for all users.

To summarize, stkDYDX TVL will have two components: The dYdX community pool and non-community pool.

The community pool component will enjoy 0% fees.

If and when a fee switch is turned on, 20% of the revenue from non-community pool TVL will be shared with the dYdX community pool.

The proposed 0% fee for the dYdX Community Pool comes after considering various suggestions and concerns raised by dYdX community members and validators in previous forum discussions on this topic.

Furthermore, we propose that the dYdX Community liquid stakes DYDX with pSTAKE in a staged manner based on milestones:

- 3.5M DYDX is liquid staked at the beginning
- 0.75M DYDX is liquid staked after the dYdX Community has performed a security overview of the stkDYDX implementation, which Halborn, Oak Security, and Notional have already audited.
- 0.75M DYDX is liquid staked after total stkDYDX TVL crosses \$20M

Such a milestone-based approach aligns the dYdX and pSTAKE Finance communities stronger than ever before as the success of each gets directly intertwined.

The dYdX community can evaluate liquid staking more DYDX with pSTAKE Finance depending on the positive results it brings to the dYdX Ecosystem in the future.

## Final Thoughts

This proposal advocates improving economic security, derisking the dYdX community pool, and enhancing network decentralization.

Further, it considers all active suggestions provided by the dYdX community with the proposed 0% fee and a milestone-based approach of liquid staking DYDX with pSTAKE.

pSTAKE Finance is committed to being a community-first dYdX liquid staking provider. We believe in and act accordingly to be a net positive to the dYdX Ecosystem.

We kindly request the dYdX community's feedback and look forward to engaging in active discussions.