

Overview of Issue

On 2023-11-18T00:00:00Z

, a series of events lead to liquidations, causing the insurance fund to lose around 9.5M USD. (See [2BEAT dYdX Explorer](#))

[

image

983×342 52.1 KB

](https://europe1.discourse-cdn.com/standard21/uploads/dydx/original/1X/e47d1744efafb2a4897d9841d20bef62934a5701.png)

At the same time, trading rewards massive gapped down by approximately 56% for all users of v3 dydx.

Description of Bug

It appears that there is a bug which classifies insurance fund losses to be part of “Trading fees” which contradicts the purpose of the existence of Trading rewards, namely to incentivise trading. The insurance fund losing money most definitely should “not” be rewarded for doing so.

Looking at a breakdown of Trading fees by address of Epoch 29, it appears that as of the moment, a whopping 55% ended up being attributed to the address “0x271bdA3c58B9C1e6016d1256Dad1C8C3Ca0590eF” which corresponds to the eth address of the insurance fund. (see [Metabase](#))

[

image

1789×675 123 KB

](https://europe1.discourse-cdn.com/standard21/uploads/dydx/original/1X/3bbbfc08a2c72fd17d22e0260dfa6c6ae6191365.png)

Loss from Dydx users

Without doing anything, this means that true trading users of Dydx v3 will receive 55% less trading rewards in Epoch 29. Given that 1,582,192 DYDX tokens are currently rewarded in this Epoch, this will equate to a net loss of approximately 870,205 DYDX (around 2.8M USD) tokens for all v3 trading users

.

Proposal

I propose that we need to slash the rewards of the insurance fund with address 0x271bdA3c58B9C1e6016d1256Dad1C8C3Ca0590eF in Epoch 29 and redistribute this amount back to all the other users of Dydx.

In addition to this, Trading rewards of v4 protocol should be checked and all future Epoch’s should have the rewards of the insurance fund to be slashed.