

Introduction

Since the genesis of dYdX Chain on October 26, 2023, dYdX Chain has generated \$232B in trading volume and distributed \$39M in USDC to dYdX Chain validators and stakers.

On August 12, 2024, dYdX Trading [announced](#) the dYdX Unlimited software featuring significant improvements to the dYdX Chain open-source software, such as permissionless market listings, MegaVault, the potential for revenue sharing, and an Affiliate Program, among other things.

Despite product achievements, the DYDX token has been facing challenges due to high inflation and significant amount of token unlocks. We believe that dYdX Unlimited presents a unique opportunity to optimize dYdX Chain and DYDX tokenomics for the protocol's long-term viability and success. Our proposals aim to (1) improve liquidity on dYdX Chain markets, (2) increase the attractiveness of the DYDX token, and (3) encourage holding and staking DYDX, all with a view to increasing the security of the dYdX Chain and driving sustainable growth in the dYdX ecosystem.

To achieve this goal, we recommend implementing revenue sharing, enhancing DYDX token utility, and reducing DYDX emissions, all while supporting the immediate growth requirements of the dYdX Chain. Implementing these changes will significantly enhance dYdX's competitiveness and reduce DYDX inflation. This will turn the DYDX token into a more robust asset, therefore benefiting the overall security and resiliency of the network.

Summary of Recommendations

1. Protocol Revenue Distribution

- a. 50% of all protocol revenue routed to the MegaVault.
- b. 10% of all protocol revenue routed to the Treasury subDAO.
- c. Above an \$80M level of annual protocol revenue, the Treasury subDAO could consider a buy & stake program.

1. Validator Profitability

- a. Reduce the active set from 60 to 30 validators.

1. Trading Rewards

- a. Reduce the Trading Rewards "C" constant from 0.90 to 0.5.

1. The Bridge

- a. Cease support for the wethDYDX Smart Contract (i.e., the Bridge) on the dYdX Chain side.

We have conducted extensive analysis on this proposal. For more details, please refer to our [research report](#)