

[UPDATE]

Given the time-sensitive nature of launching dYdX Unlimited, Skip will be launching an expedited proposal on Oct 3rd (shortly after the passing of the software upgrade for v6) with the proposal specified below. If the proposal does not pass, there will be no new, rapid market listing functionality available on dYdX until a Market Mapper is selected.

Simple Summary

On August 8, 2024, dYdX Trading [released](#) a blog post about the upcoming dYdX Chain upgrade that will integrate Skip Protocol's Market Map, enabling dynamic market management and expansion towards permissionless markets. Recently, the dYdX Operations subDAO [released](#) the dYdX Request for Comments ("DRC") with respect to the v6.0.0 software upgrade.

In order for the Market Map to work, it needs a Market Mapper, which is a governance-elected entity that preloads and constantly configures markets that the dYdX user base can then permissionlessly list.

This forum post is a request for comment (RFC) on our upcoming proposal that we, Skip Protocol, become the first Market Mapper within the recently adopted Market Map system of the Connect oracle deployment on dYdX Chain, enabling permissionless, user-driven listing on the dYdX platform.

In return, Skip requests a 10% trading fee-revenue share (limited to 240 days after active trading for each market) on all newly listed markets that it adds to the Market Mapper. These parameters would be updated via a separate parameter-change proposal that Skip will post after the dYdX v6.0.0 software upgrade.

Abstract

To enable dYdX to scale to thousands or tens of thousands of tradable markets, we worked to integrate the Skip:Connect oracle, which was integrated in [v5.0.0](#) of the dYdX Chain software, and introduces an entirely new, scalable way to aggregate prices on-chain. The crucial element of this system was the Market Map, which we designed and was deployed to dYdX Chain mainnet in its [v6.0.0](#) release. Please read more about the Market Map on the [GitHub release notes](#).

In order for the Market Map to work, it needs a Market Mapper, which is a governance-elected entity that preloads and constantly configures markets that the dYdX user base can then permissionlessly list. This proposal represents Skip Protocol's offer to become the first Market Mapper, using our already-developed, extensive Market Map system that we achieved excellent results with on the dYdX Chain testnet.

What you would be voting on:

1. Skip Protocol operating as the initial Market Mapper, changeable at any point by a parameter change governance proposal.
2. Skip Protocol receiving a 10% trading fee revenue share on new markets configured within the Market Map, for a duration of 240 days after their initial listing of each market on dYdX (wrt to all markets that have been added in the last 240 days and were initially listed AFTER Skip:Connect went live on dYdX mainnet on June 6th, 2024)
3. To set the "admin" account on the market map module to be an address associated with a trusted dYdX-adjacent entity (more on this later)

Why does the Market Mapper need an incentive?

Given the oracle's critical dependency for the entire protocol and every trade on dYdX, the Market Mapper must be incentivized to build excellent, high-uptime systems to manage the many parameters that govern markets safely and proactively. Additionally, they should also be incentivized to proactively list and maintain new markets for the benefit of the dYdX community, pushing the boundaries on what is available for traders at any time and staying ahead of competing DEXs.

The goal of Market Mapper incentivization is to directly align the Market Mapper with the long-term success of the dYdX protocol, and tie their payments to net-new revenue they can generate for the protocol.

To do this, the incentive structure we propose is: The Market Mapper receives 10% of trading revenues on new markets, for a fixed time.

A "new market" is defined as any market (either cross-collateral or isolated) that has been added for active trading within the last 240 days.

1. The day count starts when the asset is first actively traded, i.e. is added to the x/prices

module and has had at least one trade.

1. This will be backdated and prorated to apply to all markets that have been added in the last 240 days for the remaining eligible time, provided that the market was added to dYdX AFTER Skip:Connect went live on mainnet (June 6th, 2024). (This ensures that the Market Mapper is incentivized to support and improve the data feeds for these markets

too)

2. After a market has existed in x/prices

for 240 days, the revenue share would be removed entirely.

Example 1:

- The market for “BananaCoin” is added via Connect & governance proposal on dYdX Chain v5.0.0 software, and has started trading
- This proposal passes
- 20 days later after “BananaCoin” was added, dYdX Chain is upgraded to v6.0.0 software with the Market Mapping system
- The Market Mapper, in exchange for managing the price of “BananaCoin”, parameterizing the market, and finding new providers, receives 10% of the trading fees on the “BananaCoin” market for the next 220 days

Example 2:

If we assume the Market Mapper was included at Genesis of the dYdX Chain, the Market Mapper would have earned around \$30k under the proposed fee share arrangement. The 10% fee incentives would only apply to markets added through dYdX Chain governance (excluding TIA, which recently surpassed 240 days).

Even if Skip is not elected as the initial (or eventual) Market Mapper, we feel that this is the right level of incentivization for any other party that takes the role. After the 240 days end for a specific market, the Market Mapper still has the responsibility to maintain market parameters actively although they aren't compensated to do so. If they shirk this duty, they can be removed quickly and replaced with a team who will.

These parameters can be changed; if there is not enough demand or dYdX lacks a well-incentivized and excellent Market Mapper, they can be modified via governance.

Rationale

The mapping of asset-pairs to provider sets, and the fetching of metadata and parameters like liquidity, decimals, reference prices etc., require sophisticated automated and human-in-the-loop systems to perform well.

The Market Mapper has control over:

1. Adding new providers, and new asset pairs, to the Market Map on a frequent cadence, and the on-chain marketmap, at any time, represents the superset of what dYdX traders can list.
 2. Updating the mapping between the asset-pair and provider set for each asset in x/marketmap
- .
1. Updating the liquidity and reference price for each asset-pair in x/marketmap
- .

What if there's an evil/bad Market Mapper?

The Market Map system is already designed to handle a compromised or malicious Market Mapper, and verifiably remove / prevent any damage they could cause. To start, updates sent on-chain by the Market Mapper are processed through the x/delay

module, where they are queued for 5 days before being executed by the chain. This grants ample time for traders, validators, the Skip team, and other community auditors to review pending updates and alert if any incorrect or harmful updates were submitted.

In case the Market Mapper is acting maliciously, they can be instantly removed by an “admin” address set on the x/marketmap

module. The admin, and the Market Mapper, are both set by governance. Removing a Market Mapper immediately cancels all pending updates submitted by the Market Mapper, thereby removing any malicious activity they attempted to submit on-chain. The admin address will be decided in a separate parameter proposal.

Furthermore, highly stable & highly liquid markets are excluded from the market mapper's purview. These markets do not require active data feed maintenance, so giving the market mapper authority to update their data sources only risks compromising their quality. This governance proposal explicitly prevents the market mapper from updating the data sources for all current cross-margin markets.

What can the admin address do?

The market map admin account is a safeguard entity that can remove any currently active market mapper instantly, via a transaction, for any reason. Governance can also remove a market mapper, as well as the admin. Removal is done via a "MsgRemoveMarketAuthorities" transaction.

It cannot add a new market mapper (that's up to governance), and it cannot change the market map.

The admin address should be assigned to a multisig controlled by trusted actors and participants of the dYdX network, as proposed here. It cannot custody funds, add or remove new markets, or make any meaningful changes to the dYdX protocol outside removing a market mapper.

It can be updated anytime via governance proposal to be a different address. If the admin account is compromised and removes the market mapper, governance would vote in a new admin account, reaffirm the market mapper, and continue. The impact of this would be a short period of time where new markets can't be added - no funds are at immediate risk.

Note, the identity of the admin is currently unknown, but it will be specified in the upcoming governance proposal.

Implementation

If the upcoming proposal passes:

1. Skip will become the Market Mapper within the x/marketmap module on dYdX Chain mainnet.
2. Skip will begin submitting Market Map updates immediately.
3. Skip will begin receiving 10% of exchange fee revenue on newly listed markets, defined as markets that were added since Skip:Connect went live on mainnet (which was on June 6th, 2024), for 240 days after their launch.

If the upcoming proposal fails:

A large part of the dYdX roadmap of "trade anything," in the short term, will need to be remade, and new markets would only be able to be added via governance. Skip:Connect, and the x/marketmap module would remain in dYdX Chain v6.0.0 software and update prices for all markets, but the Market Map would not be used.

Who we are

Skip Protocol are long-time builders of critical infrastructure within the interchain ecosystem. We have rewritten and upstreamed code to core pillars of the dYdX Chain stack (including the Cosmos SDK and CometBFT), and have been working closely with the dYdX ecosystem for the past year.

Skip is the creator of the dYdX Skip:Connect Oracle and dYdX MEV dashboard, both of which have played crucial roles in dYdX's successful migration to its current implementation (dYdX Chain). Our goal is to help dYdX scale and grow by leveraging our technology and expertise with its current stack.

Disclaimers / Notices

Skip Protocol was funded by the dYdX Ecosystem Development Program ("DEP", fka dYdX Grants Program) to build, integrate, and maintain the Skip:Connect software that is now integrated into dYdX Chain v5. The payment for this service amounts to 700,000 \$DYDX tokens per year plus a \$USDC 500k payment upon mainnet integration, with each payment linearly vested over one year. Skip has not sold any of these tokens, and they are staked among validators in the network.

The Market Map system proposed here is the final stage of our involvement in powering dYdX's "trade anything" vision, and involves a new set of resources, risk, integration, and active engagement, and therefore is designed to have a different incentive system that directly scales with dYdX's success and our role within it.

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