

Proposed Changes:

- Reduce Trading Rewards by ~45% to 1,582,192 per epoch.

Summary:

As part of our [V4 Vanguard Post](#), we proposed to reduce Trading Rewards by ~45%. In the current market downturn, we believe Trading Rewards remain excessive and are the highest contributor to yearly token inflation.

Description:

DYDX Emissions - Present & Future

Before recommending changes to the allocation of DYDX, it's important to understand the current state of emissions. For a quick recap, 50% (500,000,000 DYDX) of the total supply of DYDX is allocated to the community over 5 years, and the remaining 50% to investors, employees, dYdX Trading, etc. More information can be found [here](#). For this proposal, we will restrict our focus to community allocation as it's likely the only thing the DAO can change.

Figure 6 outlines the DYDX community emissions schedule and the change in emissions with the passing of DIP 14,16, and 17. The excess emissions (1,726,028 DYDX each epoch) are retained in the Rewards Treasury and are accessible by the DAO via on-chain votes. But more importantly, it highlights the DAO's available capital to be spent on V4 necessities e.g. subDAOs, grants, etc.

Figure 6: DYDX Community Emissions Schedule

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Evidently, Trading Rewards are ~44% of all community emissions per epoch, even after its recent 25% reduction. We'd argue this remains excessively high given the current market conditions and dampening of volume across the entire ecosystem. On the other hand, the wind-down of the SSM and LSM has significantly reduced the supply pressure of DYDX as their emissions are now retained within the Rewards Treasury. Therefore, we propose to reduce current Trading Rewards from 2,876,712 DYDX to 1,582,192 DYDX per epoch.

As illustrated in Figure 8, Trading Rewards are reduced by 45% aligning it with the newly proposed emission schedule in V4 Vanguard. The excess DYDX is retained within the Rewards Treasury which can then be used by governance as they see fit.

Next Steps

Pending community discussion, we will look to initiate a Snapshot Vote on Monday 13th of Feb.

This will be a simple binary vote, with:

- Yes - Reduce Trading Rewards by 45%.
- No - Do nothing.