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v4.0-Protocol_Update

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TL;DR:

We're excited to put up for consideration, the next version of the dYdX Protocol: version 4.0. This upgrade introduces significant advancements including Order Book Features, Risk and Safety Improvements, and Cosmos-related Enhancements.

Introduction:

Hello dYdX Community,

We're bringing to your attention the dYdX Protocol Upgrade v4.0, aiming to enhance platform functionality and security, pending a governance vote.

Specification:

Detailed information on the Protocol v4.0 features can be found in the [draft release notes](#).

Key updates include:

- Reduce-Only Orders - added support for Fill-Or-Kill (FOK) and Immediate-Or-Cancel (IOC) orders with a Reduce-Only option.
- Conditional Order Improvements - enhancements in telemetry and triggering mechanisms for conditional orders.
- IBC Withdrawal Rate Limiting - introducing rate limiting for asset withdrawals using a Continuous Token Bucket algorithm, with default limits for Noble USDC.
- Subaccount Withdrawal Gating - blocking transfers and withdrawals for 50 blocks under certain conditions, enhancing network safety.
- Community Enabled Slashing - a governance feature that allows community proposals to slash validators for misconduct. This would enable the MEV Slashing Committee to create a governance proposal to slash validators engaged in malicious MEV as proposed on [DIP 3 "Launch Social Mitigation Strategy for MEV"](#).
- Adding the x/authz Module - incorporating the x/authz module from cosmos-sdk into the protocol to enable granting privileges.
- Cosmos SDK v0.50 - upgrades to Cosmos SDK v0.50.3, enabling new features such as optimistic execution and vote extensions.

Next Steps:

Feedback is welcome on this DRC. We recommend a community member with enough DYDX to submit an [on-chain proposal for the upgrade](#), aiming for a block height sometime on the Monday following the dYdX Protocol v4 software release.

Resources:

- For a comprehensive overview of the dYdX Protocol v4.0 upgrade, visit the [GitHub release page](#).
- Learn more about submitting proposals: [Submitting a Proposal](#)

Your active participation is key to the governance and continuous improvement of the dYdX platform. We look forward to your feedback.

dYdX Operations SubDAO

