

DRC: dYdX Foundation Fundraising Proposal

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dYdX Foundation Proposal - WINNER

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1. TLDR

We are requesting \$30M in DYDX (10,581,228 DYDX tokens at 30-day TWAP of \$2.86 as of 23/1/2024) of funding from the dYdX Chain [community treasury](#) to be transferred to the dYdX Foundation's cold storage wallet to fund the Foundation's operations for an additional 36-month term. Note, the number of tokens and 30-day TWAP will be updated before the on-chain vote is created. This funding will provide 3 more years of runway for the dYdX Foundation to execute its roadmap, which - in line with the dYdX Foundation's statutory purpose - includes:

- Enhancing dYdX Chain's governance velocity and impact
- Fostering DAO enablement
- Supporting appropriate technical and strategic integrations for the dYdX Chain infrastructure and its applications
- Helping to scale the adoption of the dYdX Chain
- Enhancing global marketing and communications around the dYdX brand
- Hiring and retaining an A-player dYdX Foundation team
- Supporting operational excellence across the entire dYdX ecosystem

The dYdX Foundation does not charge fees or have a profit-making purpose, and does not seek any profits in general. The funds will be used to hire and retain the best talent, to help scale the adoption of the dYdX Chain, and to continue further decentralizing the dYdX ecosystem such that it can propel itself forward.

Next Steps:

1. An AMA will be held on Friday, January 26, 2024 at 12:00 UTC. Register using this [link](#).
2. Depending on dYdX community feedback, the dYdX Foundation is targeting an on-chain proposal on Jan 29, 2024.

2. The Story of dYdX: A Journey Towards Decentralization

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The launch of the dYdX Chain marked a pivotal moment for both dYdX and the broader DeFi ecosystem. The dYdX Chain introduces a software infrastructure for a permissionless exchange governed entirely by code and controlled by its stakeholders, enhancing transparency and security in non-custodial derivatives trading.

Central to dYdX's ethos is the belief that decentralization and disintermediation are fundamental to democratizing access to financial opportunity and essential for the health of the crypto ecosystem.

The dYdX Foundation's journey commenced with the launch of the dYdX v3 protocol, a non-custodial trading platform for perpetual smart contracts operating on the Ethereum blockchain and StarkWare's Layer-2 infrastructure. The dYdX Foundation was established as an independent non-profit organization based in Zug, Switzerland, and launched the governance token of the dYdX v3 protocol (ethDYDX token) on August 3, 2021. The ethDYDX token aligned traders, liquidity providers, and partners of dYdX to work collectively towards enhancing and governing the dYdX v3 protocol.

The dYdX Foundation is governed by its council members, who include Arthur Cheong, Rebecca Rettig Waldman, and Markus Spillmann.

The most recent step in dYdX's decentralization journey was the launch of the dYdX Chain, an open-source perpetuals exchange built as a proof-of-stake app-chain leveraging the Cosmos SDK and CometBFT. The dYdX Chain is customized for high-performance trading, achieving full decentralization and greater alignment between different stakeholders. The standalone, fully sovereign app-chain enables complete customization of the technology stack, enhancing the network's functionality and allowing independent third-party validators to play a significant role in the dYdX ecosystem.

Today, the dYdX DAO is thriving but nascent, supported by independent entities and other participants that contribute to the ecosystem in different forms. These include:

1. dYdX Trading, the core development team behind the open-source software of the dYdX Chain;
2. dYdX Foundation, a Swiss foundation whose main purpose is to support and grow the dYdX protocol ecosystem by enabling communities, developers, and decentralized governance;
3. dYdX Grants subDAO, a grant-making body that is responsible for the administration of grants to dYdX contributors; and
4. dYdX Operations subDAO, an operational arm of the dYdX DAO that the community voted to fund to provide key infrastructure and to build operational capabilities for the dYdX DAO at large.

In a broader context, beyond the more formal group and players mentioned, the dYdX ecosystem includes but is not limited to validators, stakers, community members, grantees, token holders, infrastructure providers, investors, market makers and, most importantly, traders.

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The dYdX community's decision to adopt DYDX as the Layer 1 token of the dYdX Chain has expanded the token's utility functionalities. Once migrated to the dYdX Chain and staked to dYdX Chain validators, DYDX secures the network and allows its holders to take part in the governance system.

The dYdX v3 protocol achieved significant milestones, including processing over \$1 trillion in total trading volume, distributing ethDYDX tokens to approximately 70,000 distinct addresses, and maintaining an average daily volume of around \$1 billion. However, it is important to note that the protocol still represents only 1-2% of the global crypto perpetual market. This suggests that, despite the successes of dYdX v3, the dYdX Chain has substantial room for growth.

We view the successful launch of the dYdX Chain as just the beginning. The dYdX Chain's capacity to handle around 2,000 transactions per second while maintaining full decentralization is a groundbreaking development in DeFi. With this infrastructure in place, we as a community can now turn our focus toward the future growth of the dYdX Chain.

The dYdX Foundation can help support and accelerate the growth of a robust dYdX ecosystem. The Foundation's vision is that the dYdX Chain will become the underlying infrastructure of the largest DeFi protocol in the world, where any asset with a price feed can be traded. Thus, the dYdX Chain shall become the exchange layer of the Internet, governed entirely by code and controlled by its stakeholders.

We're excited to work together with the dYdX community to help make that happen.

Our Mission

Our mission is to support and grow the dYdX protocol ecosystem by enabling communities, developers, and decentralized governance.

Our North Stars

1. Market Share

: Support the growth and consolidation of dYdX's global market share of perpetual volume.

1. Active Traders

: Provide resources to increase weekly active user metrics and improve cohort retention.

1. Protocol Revenue

: Promote and encourage reflection about diversifying the protocol revenue streams via strategic integrations, enhanced protocol functionalities, new market listings, and front-end integrations.

Why is the dYdX Foundation important?

Since its inception on June 22, 2021, the dYdX Foundation has established itself as one of the many important contributors and participants in the dYdX ecosystem and as an independent and autonomous legal entity. True to the Foundation's mission to support and grow the dYdX protocol ecosystem by enabling communities, developers, and decentralized governance, it has scaled its activities according to its founding purpose with visible success.

The dYdX Foundation's purpose is to support and grow every aspect, technical or otherwise, of the current implementation and all future implementations of the dYdX protocol, including but not limited to the ecosystem related to the dYdX protocol (the "dYdX Ecosystem"), and to foster participation from others who seek to support and grow any aspect, technical or otherwise, of the dYdX ecosystem or the current implementation and all future implementations of the dYdX protocol. Specifically, the dYdX Foundation's mandate empowers it to, among other things:

- Support and finance appropriate research and development activities and projects;
- Promote and educate the public on the dYdX ecosystem and/or dYdX protocol;
- Issue, receive, spend, and hold digital assets;
- Engage with various businesses, partners, banks, regulators, authorities, and other third parties to the benefit of the dYdX ecosystem;
- Acquire, hold, or grant trademarks, copyrights, and other intellectual property rights or licenses;
- Organize conferences and other events that support and promote the dYdX ecosystem and/or the dYdX protocol; and
- Conduct and promote all business and/or enter into all transactions, and generally perform all acts as may be necessary, appropriate, incidental to or desirable to assist in achieving or promoting the objects described herein.

The Foundation's statutory purpose, structure, and overall legal mandate ensures that any funds and resources held or controlled by the Foundation must be used in furtherance of the Foundation's mission and purpose and, therefore, for the ultimate benefit of the broader dYdX ecosystem.

In its 2.5 years of operations, the dYdX Foundation has experienced significant growth, expanding its team and stakeholder base. The dYdX Foundation team has focused on the following areas of the dYdX ecosystem: DAO development, protocol governance, user support, dYdX Chain business development, brand building, dYdX community enablement, education, user research, and go-to-market.

Past Impact

Governance

On August 3, 2021, the dYdX Foundation introduced ethDYDX, a governance token that allows the dYdX v3 protocol's community to govern certain aspects of the dYdX v3 Layer 2 protocol. The ethDYDX token was issued as a utility token in line with Swiss law. ethDYDX aligned incentives between traders, liquidity providers, and other users of the dYdX v3 protocol. ethDYDX enabled a robust ecosystem around governance and rewards – each designed to drive growth and decentralization of the dYdX v3 protocol. Since then, the dYdX Foundation has supported the ecosystem by guiding proposers, voters, and other governance participants through drafting technical [documentation](#), contributing to the visibility of dYdX governance processes, and promoting active governance participation.

Go-To-Market, Growth, & International Business Development

We've spearheaded go-to-market, growth, and business development efforts in numerous jurisdictions. Between 2022 and early 2023, our team focused on user research and partnerships, gathering and analyzing feedback for dYdX v3. Based on this experience, we've established long-standing high-impact relationships with key regional partners, giving us an in-depth understanding of the market and strengthening our ability to enable the growth of the dYdX Chain. In early 2023, all internal resources were strategically realigned to support the international development, growth, and adoption of the dYdX Chain open-source software.

dYdX DAO Acceleration

The dYdX Foundation has been at the forefront of thought leadership on DAO development. We introduced a [framework](#) for the creation of a Guernsey purpose trust that solves several issues for DAOs. This structure was ultimately implemented by the dYdX Grants Trust and the dYdX Operations Trust and approved by the dYdX Community via governance. Further, we have supported community [discussions](#) around the development of various subDAOs. We've also been a close partner for both of the existing dYdX subDAOs, the dYdX Grants subDAO and the dYdX Operations subDAO, supporting them in their evolution towards becoming fully autonomous, community-controlled subDAOs.

dYdX Chain Enablement

A major focus for the dYdX Foundation has been supporting the enablement of the dYdX Chain. In our blog post, [Exploring the Future of DYDX](#), we detailed our commissioning of:

- The development and open sourcing of an Ethereum smart contract (the “wethDYDX Smart Contract”) that the dYdX Community voted ([Snapshot](#) and [on-chain](#)) in support of adopting and then deployed to enable a permissionless and autonomous one-way bridge for the ethDYDX token to be migrated from Ethereum to the dYdX Chain.
- The development and open sourcing of source code for a “User Interface” to interact with the wethDYDX Smart Contract (the “User Interface Code”). On October 30, 2023, the dYdX Operations subDAO deployed an instance of the User Interface Code to provide a front-end for ethDYDX holders to interact with the wethDYDX Smart Contract and migrate their ethDYDX tokens from Ethereum to the dYdX Chain.
- The development and open sourcing of a GovernanceStrategyV2 smart contract (the “GovernanceStrategyV2 Smart Contract”) that the dYdX Community voted in support of and deployed to upgrade the existing dYdX v3 GovernanceStrategy Smart Contract to enable the wrapped version of the Ethereum-based DYDX token (“wethDYDX”) to have the same governance and utility function as ethDYDX in dYdX v3.
- The development and open sourcing of a TreasuryBridge smart contract (the “TreasuryBridge Smart Contract”) that the dYdX Community voted to adopt and deployed to enable the migration of ethDYDX in the dYdX v3 Community Treasury, the Rewards Treasury, and each respective vester smart contract to the dYdX Chain.

Education & Documentation

The dYdX Foundation has been pivotal in enhancing education and documentation for the broader dYdX ecosystem. The dYdX Foundation’s commitment is exemplified through initiatives like the dYdX v3 [epoch reviews](#), annual and semi-annual ecosystem [reports](#), monthly [town halls](#), and the creation and development of governance [documentation](#). These initiatives help to foster a transparent ecosystem, an informed community, and decentralized governance.

User Support

On March 20th, 2023, the dYdX Foundation published [Improving User Support in the dYdX Ecosystem](#). Over the past year, we have consistently delivered exceptional User Support services in collaboration with [ACX](#), a prominent User Support service provider. Since the introduction of the dYdX User Support program, the dYdX Foundation has been dedicated to refining documentation, bolstering capabilities, and applying insights gained from direct interactions with users. For example, the [dYdX Operations subDAO](#), the entity responsible for hosting one of the dYdX Chain’s Front-Ends, [dydx.trade](#), established a partnership with the dYdX Foundation to offer User Support to users of their front-end application.

Marketing & Events

The dYdX Foundation has been instrumental in enhancing brand recognition for dYdX, engaging communities, and educating users about the dYdX Protocol.

In 2023 alone, our team attended over 70+ in-person events and 10 major events across Asia, Europe, and South America including but not limited to Paris Blockchain Week, DAO Tokyo, B-Dash Camp, IVS Kyoto, WebX, Eth CC, Nebular Summit, Atom Istanbul, Web3 GOA and Korea Blockchain Week, Cosmoverse, or India Blockchain Week. Collectively, these events attracted over 40k attendees. Additionally, the team hosted 195+ AMAs, podcasts, webinars, weekly trading floors, and Hedgie huddles, among other activities. The Foundation launched a series of developer and educational content initiatives, available on multiple platforms and Youtube. Further, our collaboration with a PR firm has significantly boosted our brand visibility achieving over 14 million media impressions in 7 months of activity and enhancing media relations with Tier 1 Publications (e.g., Blockworks, Bankless, Wall Street Journal).

The dYdX Foundation planned and funded dYdX Connect, which proved to be a significant development within the dYdX Ecosystem to support and promote growth by enabling dYdX Chain ecosystem partners, collaborators, and developers to meet IRL to facilitate relationship building and celebrate collective achievements. dYdX Connect events were a hit in Paris, Tokyo, and [Istanbul](#) in 2023. We look forward to continuing and expanding dYdX Connect in 2024.

IP Protection

Moreover, the dYdX Foundation has proactively taken steps to protect intellectual property by registering or filing for registration of the DYDX trademark in dozens of key markets. We’ve also granted licenses over the DYDX mark to select ecosystem participants to enable a consistent, robust and compliant utilization of the mark across the ecosystem. We continuously monitor our trademark filings, applications, and licensing agreements while regularly reassessing our approach to intellectual property, including trademarks and domain names.

Legal

Lastly, the dYdX Foundation has spent considerable time and resources on ensuring that a robust, resilient, and compliant collaboration set-up with other key ecosystem partners is in place to enable smooth cooperation and interactions. We’ve also worked with numerous legal firms in multiple jurisdictions to optimize the Foundation’s legal and regulatory compliance status, keeping the broader dYdX ecosystem in mind and striving to address risks appropriately.

In summary, the dYdX Foundation has evolved significantly, cementing its role as one of the pivotal players in the dYdX ecosystem. Moving forward, we remain dedicated to our mission to support and grow the dYdX protocol ecosystem by enabling communities, developers, and decentralized governance.

Why are we raising capital?

The dYdX Foundation is requesting funding to continue to fulfill its statutory purpose and focus on the following initiatives:

- Enhancing dYdX Chain's governance velocity and impact
- Fostering DAO enablement
- Supporting appropriate technical and strategic integrations for chain infrastructure and applications
- Help scale the adoption of the dYdX Chain
- Enhancing global marketing and communications around the dYdX brand
- Hiring and retaining an A-player dYdX Foundation team
- Supporting operational excellence across the entire dYdX ecosystem

dYdX Foundation Team

Foundation Council Members

The Foundation Council is comprised of the following members:

1. [Arthur Cheong](#), Founder, CEO & CIO @ DeFiance Capital
2. [Rebecca Rettig](#), Chief Legal & Policy Officer @ Polygon Labs
3. [Markus Spillmann](#), Chief Executive Officer @ Sielva Management SA

Operating Team

The Foundation's core team is currently comprised of:

- [Charles d'Haussey](#) - CEO

: before joining the dYdX Foundation, Charles was the Global Head of Business Development at ConsenSys, a leading blockchain engineering company. He also has experience as an entrepreneur and as the Head of Fintech with the Hong Kong government. In 2018, Charles was elected as a Top-50 fintech influencer in Asia, and in 2023, he was named by Cryptoast as one of the 21 French people who positively influenced the crypto space.

- [David Gogel](#) - VP Strategy & Operations

: David, a startup operator, entrepreneur, and investor, joined the dYdX Foundation team in 2021 as the first team member, bootstrapping and scaling the organization. He formerly founded a consultancy advising crypto and fintech founders and worked in Corporate Development and M&A at Fortune 500 financial and tech companies. He holds an MBA & BSc from Wharton and is a Senior Fellow for the Wharton Blockchain & Digital Asset Project.

- [Javier Sanchez Valiente](#) - Legal Counsel

: Javier joined the dYdX Foundation in July 2022 taking over the most complex and challenging legal matters in the industry after 4 years at global law firm Freshfields Bruckhaus Deringer as a Corporate and M&A lawyer.

- [Gregor Mocnik](#) - Head of Finance

: joining from Meta, Greg brings a depth of knowledge and experience from his career in M&A and finance and accounting roles at Roche. He is a CFA and ACCA charterholder and advisor to Acctual. Since joining in June 2022, he has built financial infrastructure and processes supporting the Foundation's organizational pillars.

- [Joshua Watts](#) - Head of Governance & Strategic Initiatives

: before joining the dYdX Foundation in November 2021, Josh worked as a corporate lawyer and a venture capital associate. As one of the dYdX Foundation's first employees, he played a pivotal role in expanding and fortifying the team. Since joining as a cross-functional operations associate, he has assumed responsibility for governance and strategic initiatives at the dYdX Foundation. He holds a JD and an MBA from the University of Toronto.

- [James Hallam](#) - Head of Business Development

: As one of the first team members at the Foundation, James led the growth of the dYdX ecosystem, developing different markets and partnerships over the years. He is currently responsible for the global BD & growth teams internationally, focusing on key current and emerging markets in 2024.

- [Karan Ambwani](#) - Head of Solutions

: Karan joined the Foundation team in 2022 as GTM Lead for the India market and rapidly took over engineering and solutions activities to support user engagement and technical integrations. With a heavy engineering and product background, he provided solutions to clients around the world including ConsenSys and Conflux Network.

- [Tristan Dickinson](#) - Marketing & Communications Lead

: dynamic and experienced Marketing leader with a background in banking, financial services, and technology, Tristan joined in 2023 and has built and executed the Marketing and Communication strategy for the dYdX Foundation, growing community and governance participation, and onboarding and maintaining key media and partner relationships.

- [Hisashi Oki](#) - Asia Business Development Lead

: previously the Brand Marketing and Communications Lead at Kraken and the Editor-in-Chief at Cointelegraph, both in Japan, Hisashi joined the Foundation team in 2022 to drive BD efforts in Japan and has now expanded the scope to the entire Asian market. He also helps Ledger reach the Japanese market.

- [Hernan Ronchetti](#) - Finance & People Ops. Manager

: after 12 years in the oil & gas industry with different Finance and Human Resources roles at ExxonMobil, Hernan joined the dYdX Foundation in 2023 taking care of different operational processes and activities to support the growth of the company and the ecosystem.

- [Artem Shipkov](#) - Europe Business Development Lead

: with a strong focus on growth marketing for French-speaking countries, Artem became France GTM Lead in 2023 and has, since then, succeeded in developing the biggest European crypto markets. Formerly a Binance and Bybit professional, Artem also devotes his time as an investor for tech startups.

- [Mega Septiandara](#) - Governance & Strategic Initiatives Manager

: passionate about encouraging the adoption of cryptocurrency and blockchain to the masses, Mega joined the Foundation team in 2023 coming from the Nansen Research team. Her background also includes business intelligence, blockchain data analytics, and corporate law experience.

We're also grateful to work with a number of contributors who are making an outsized impact:

- [Pratik \(Vivan\) Shigli](#) - Community Manager
- [Christopher Ximenez](#) - User Support & Retention
- [Lawrence Chiu](#) - User Technical Support
- [ACX International](#) - Compliance, User Support, Community Management Solutions

3. Team Structure & Key Activities:

We have listed our current team structure and key activities below. These activities will be carried out to fulfill the Foundation's corporate purpose and they may be changed or modified in the future in order for the Foundation to continue to fulfill its corporate purpose.

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3.1 Governance & Strategic Initiatives (GSI)

Why It's Important: A robust and engaged governance community, comprising both stakers and validators, is essential for fostering a sustainable and thriving ecosystem. Active participation ensures that decisions reflect the community's diverse perspectives, leading to better outcomes.

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3.2 Business Development & Growth (BDG)

Why It's Important: Ecosystem growth and strategic partnerships are essential for scaling the reach and impact of dYdX. By expanding into new regions, supporting effective growth strategies, and leveraging a robust CRM for ecosystem management, dYdX can enhance its global presence and operational efficiency, driving user adoption and overall growth.

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3.3 Solutions & User Success (S)

Why It's Important: Seamless technical integrations with the dYdX Chain are critical for fostering a robust and interconnected ecosystem. By providing rapid and effective technical support across a spectrum of users and third-party developers and improving documentation, the Solutions team can enhance user retention and growth.

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3.4 Marketing & Communications (MC)

Why It's Important: Robust marketing and communications are essential for building dYdX's brand and enhancing user engagement. Through focused strategies in SEO, thought leadership, brand partnerships, and event management, dYdX can elevate its market presence, attract a broader audience, and solidify its reputation as a leader in the DeFi and trading space.

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3.5 Core Operations (CO)

The Core Operations team is comprised of Legal, Finance, and Talent.

Legal

Why It's Important

: The Legal team's role is critical in navigating the complex regulatory landscape of the DeFi world. By focusing on policy efforts, thought leadership, DAO legal support, IP protection, and legal strategy, the Legal team seeks to ensure that the dYdX Foundation operates within legal boundaries and continues to advance its strategic objectives effectively, keeping the broader dYdX ecosystem in mind.

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Finance

Why It's Important: The Finance team's role is pivotal in ensuring the financial health and sustainability of the dYdX Foundation. Effective fundraising, asset management, financial planning, and control are crucial for meeting the Foundation's strategic goals and maintaining its position as a leader in the DeFi space.

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Talent

Why It's Important: The Talent team is essential to dYdX's success, focusing on building a skilled and cohesive workforce that's deeply integrated with the ecosystem. They concentrate on technical training, upskilling, embedding dYdX culture, and strategic hiring, leveraging the unique strengths of our team members and partners. This approach not only fosters organizational and ecosystem growth but also cultivates a positive, productive work culture, crucial for long-term engagement, retention, and the continuous success of the dYdX Foundation and its broader ecosystem.

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3.6 Historical Financials

In terms of total assets, the dYdX Foundation currently holds \$4.8M in cash and short-term treasury bills and 2.6M DYDX tokens (2.3M of which are currently staked to dYdX Chain validators). Under the current monthly average burn of \$0.8M, this extends our cash runway for another 6 months (i.e., until June 2024).

Between 2H2021 and 2023, the dYdX Foundation spent \$11.7M to deliver on its purpose. In 2023, the dYdX Foundation incurred \$6.0M in total operating expenses. This reflects a moderate increase in activity that aligned with our internal budget for the year. Notably, we undertook a strategic budget reassessment, resulting in reduced spending, particularly in marketing, in anticipation of the dYdX Chain launch and as a response to challenging macroeconomic conditions. This enabled us to reallocate resources more effectively towards high-impact initiatives.

Despite these adjustments, we expanded our footprint by adding three new team members, bringing our total team count to 12 by year's end. The bulk of our operating expenses were directed towards compensating our global talent, followed by marketing, and professional services, which included legal, accounting, and tax. Marketing spending was strategically decreased and concentrated in Q4, coinciding with the dYdX Chain launch. Nevertheless, the dYdX Foundation successfully enhanced its brand presence by sponsoring a number of events including DAO Tokyo, Japan in April, Nebular Summit in Paris, France in July, and Cosmoverse in Istanbul, Turkey in October 2023, and numerous dYdX Connect local events. Other administrative costs encompassed corporate, payroll, recruitment, Foundation Council expenses, and other operational costs, primarily consisting of liability insurance and banking fees. Overall, we concluded the 2023 fiscal year on target, achieving notable progress in a challenging environment and eagerly anticipating future developments.

The dYdX Foundation is registered as a private, not-for-profit foundation and is regulated by the Federal Supervisory Authority for Foundations (FSAF) in Switzerland. Since its inception, the dYdX Foundation has prepared its financial statements and been subject to statutory audit complying with Swiss local GAAP.