

Note, this thread was [re-posted from Commonwealth](#).

Summary

On January 10th at 5:00 PM UTC, Müller created a [Snapshot poll](#) to [adjust the LP rewards formula by adding more weight to the spread](#). Although more individual addresses voted in favor of the proposal (153 v. 37), the majority of DYDX (5.9M DYDX/stkDYDX and 67% of votes) voted in favor of keeping the formula the same.

The Snapshot poll highlighted several issues with using Snapshot polls to change the LP rewards formula and off-chain variables more broadly. The dYdX Foundation recommends several minimum requirements below for Snapshot proposals to be binding without an on-chain vote. These changes are effective immediately.

Minimum Requirements

The following minimum requirements apply to Snapshot polls that are binding and result in changes to off-chain variables:

- Voting Choice – Binary voting options,
- Voting Delay – 6570 blocks,
- Voting Period – 4 days,
- Minimum Quorum – 1M (0.1% of total supply),
- Minimum Vote Differential – 67% of votes, and
- Execution Grace Period – 1 Epoch.

Note, the minimum requirements outlined above will not impact Snapshot polls used for sentiment signaling.

Abstract

For most decisions, a Snapshot poll acts as signaling, while an on-chain vote is required for a binding outcome that changes the smart contract(s). For decisions that don't require an on-chain smart contract call, notably changes to the Trading and Liquidity Provider rewards formulas, Snapshot votes are considered the binding and final vote. If a majority of voting community members vote in favor of a proposal, the change will be implemented by dYdX Trading Inc. While this process has helped push through important changes, the vote to change LP rewards by adding more weight to the spread has highlighted some shortfalls in the integrity of our governance process that need to be addressed.

Current Issues

- There is no minimum quorum or minimum vote differential for a Snapshot poll to be binding. As a result, proposals that do not reflect the views of most DYDX/stkDYDX holders may pass and contentious proposals that require further community discussion may pass prematurely. Overall, dYdX community consensus from a Snapshot poll is undefined and any ambiguity undermines the governance process.
- The absence of a formal voting delay prevents dYdX community members from preparing for a Snapshot poll by acquiring tokens, delegating voting power, and moving tokens between wallets. stkDYDX held in StarkProxy contracts were not eligible to vote on the recent Snapshot poll to adjust the LP rewards formula, as StarkProxy contracts do not support voting on Snapshot at this time. Although this issue only materially affected one market maker, a voting delay needs to be in place to ensure that dYdX community members have time to delegate voting power before the snapshot of DYDX/stkDYDX holdings takes place and the vote becomes active.
- Investors who custody their DYDX with some major custodians can't participate in Snapshot polls at this time. The dYdX Foundation is working with the major custodians to ensure that all DYDX holders may each exercise their right to vote on proposals.

Reasons for Minimum Requirements

- Voting Choice

– Binding Snapshot Polls need binary voting options. For clarity, an address is either voting for or against a proposal.

- Voting delay

– A 6570 block delay, approximately 1 day, from when the Snapshot poll is created to when the proposal becomes active for voting. Before the snapshot of each address' respective voting power, the Voting Delay gives DYDX/stkDYDX holders time to acquire tokens, delegate voting power, and move tokens between wallets (moving tokens between wallets only applies to DYDX holders).

- Voting Period

– dYdX community members need enough time to review, consider, and discuss the proposal before voting. Also, the Snapshot Voting Period will match the on-chain Voting Period.

- Minimum Quorum

– A Snapshot Minimum Quorum of 1M contributes to the decentralization of decision-making. We recognize that larger DYDX/stkDYDX holders have more voting power, but the quorum requirement protects against unilateral decision-making. The Snapshot Minimum Quorum is significantly less than the on-chain Minimum Quorum for a Short Timelock (5M) because off-chain variables do not involve on-chain smart contract changes and off-chain variables are less central to the governance process.

- Minimum Vote Differential

– A Snapshot Minimum Vote Differential of 67% assists with filtering out proposals that are highly contentious and require further discussion.

- Execution Grace Period

– Updates to governance parameters require a lot of resources. The Execution Grace Period provides sufficient time for engineers to make relevant changes and enables the dYdX Foundation and dYdX Trading Inc. to collaborate on governance parameter updates to ensure the self-sustainability of the dYdX protocol. dYdX Trading Inc. will have up to 1 Epoch (28 days) to implement changes from a successful Snapshot poll.

Background

So far, Snapshot polls have served two purposes: binding votes for variables controlled off-chain and sentiment signaling for future on-chain DIPs. For matters that do not require on-chain smart contract changes (variables that are controlled off-chain), Snapshot polling has been an efficient method to implement community-driven changes without gas fees. The following Snapshot votes resulted in binding and final changes to the Trading and LP rewards formulas:

- On December 20th, 2021, the Snapshot vote to adjust the Trading and LP rewards formulas to increase the rewards for stakers of DYDX concluded with over 99% of DYDX (865K DYDX) voting in favor of the proposal. This [proposal](#) would have met the minimum requirements and passed.

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Screenshot 2023-08-12 at 13.09.12

1014×1094 166 KB

](https://europe1.discourse-cdn.com/standard21/uploads/dydx/original/1X/911ca99797c2b7301ecec8b1cab794deb22e4c13.jpeg)

- On October 1st, 2021, the majority of the dYdX community (86% of voters and 27M DYDX) supported reducing the LP rewards volume threshold from 5% to 1%. This [proposal](#) passed but should have included binary voting alternatives.

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Screenshot 2023-08-12 at 13.09.42

1010×1092 202 KB

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In sum, the [Snapshot poll to adjust the LP rewards formula by adding more weight to the spread](#) has highlighted several issues with using Snapshot polls to change the LP rewards formula and off-chain variables more broadly. To rectify these issues, the dYdX Foundation has included several minimum requirements for Snapshot proposals to be binding without an on-chain vote.

Relevant links

- DRC: [Commonwealth](#)
- Adjust LP rewards on spread Snapshot poll: [Commonwealth](#)
- Increase rewards for stakers of DYDX Snapshot poll: [Commonwealth](#)
- Rewards Threshold Snapshot poll: [Commonwealth](#)
- On-chain Voting Requirements: [Proposal Lifecycle - Governance Documentation](#)

Thank you,

