

Hey @everyone,

I hope you're all well!

Given that it's been a few weeks since the start of my tenure as Enforcer of the dYdX Operations Trust, I thought it best to provide community members intending to apply for such a role with a bit of a primer in relation to the role, its functions, fiduciary duties, and also some insight as to how to perform this role to an optimal level. Naturally, this is not to say that I myself am performing this role to an optimal level, as I see a lot of areas to improve upon in my current state as an Enforcer - but this will also serve as a good post to outline some guiding principles that even I can keep in mind for the coming months (and we do have some exciting months ahead!).

Disclaimer: this might be very boring.

1. The Trusts (Guernsey) Law, 2007

Your first go-to document if you want to learn more about what the role entails is the Trusts (Guernsey) Law of 2007. This piece of legislation sets the stage in relation to your rights and obligations when you sign off on acting as an enforcer on a Trust established within the jurisdiction of Guernsey. So, prior to even applying for such a role - make sure you go through (at least), the enforcer-specific provisions stipulated in this legislation. Firstly, one must keep in mind that the regulatory strategy adopted for the progressive decentralisation of the dYdX Protocol is that of setting up legal vehicles (not entities) called 'Non-charitable Guernsey Purpose Trusts' (non-charitable being the key word there

).

Firstly, one must venture to Article 12 of the legislation - this is where you come in. Every non-charitable purpose trust must have an enforcer in place at all times - but why do you ask? At a high level, as established by the law itself, "It is the fiduciary duty of an enforcer to enforce the trust in

relation to its non-charitable purposes". So, your first link should be that you have a fiduciary duty to make sure that all actions inherent or incidental to the trust abide by its purposes (as a sidenote, the purposes of the trust are set out in the trust deed - which you will have to sign off of if you are chosen to act as an enforcer). Naturally, it goes without saying that one cannot be an enforcer and a trustee at the same time in the same trust - furthermore, an enforcer also cannot perform trustee functions (basics, yet they need to be outlined - these can also be found in the aforementioned article 12).

Article 12 (9) is an important provision to mention. "Where the trustee of a trust which includes non-charitable purposes which is valid and enforceable has reason to believe that the enforcer in relation to those purposes; *

** (a) is unwilling or is refusing to act,

** (b) is bankrupt or otherwise unfit to act, or*

** (c) is incapable of acting,*

the trustee shall apply to the Royal Court for the removal of the enforcer and the appointment of a replacement."

Hence, at all times, you have to be able, and willing, to perform any actions that are aimed at upholding the purposes of the trust. If not, trustees can pursue legal action in the Royal Court to remove an enforcer as per the above-cited article.

An important article is the one hereunder - self-explanatory in nature but again, very important to read.

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Venture to article 26 of the aforementioned Trusts law and here you will find a right you have in relation to the trust's property. In the case of dYdX, the trust property will be initially dYdX tokens, and subsequently, a mix of dYdX tokens and the stablecoin of choice (currently USDC for all trusts within the ecosystem).

It is never, and I do mean never, an excuse to state that as an Enforcer, you do not have the necessary information in relation to certain transactions which have taken place, or in relation to the trust property as a whole. It is also never an excuse to state that the trustees did not divulge information in relation to the trust property or any transaction in relation thereto - you have a right, granted to you by a primary piece of legislation, to request the necessary aforementioned information. Naturally, the trustees then have an obligations to divulge the requested information. (you can refer to section 22 of the dYdX Ops Trust's deed to see how this is implemented in the trust instrument).

1. The Trust Deed / Trust Instrument

The Trust Deed will lay out the rights, powers and responsibilities of the Enforcer in a bit more detail. You should know the trust deed (and most importantly the enforcer-specific provisions) to a very very high degree. No, this is not an exaggeration, but you need to make sure that the deed is second nature so that you always have it at the back of your mind when assessing transactions, trustee actions, contracts, etc. The deed is your framework, you have to act within that framework at all times while making sure trustees also act within that framework.

For example:

*"The Enforcer shall have a right to disclosure of information from the Trustees, more specifically: *

(a) in respect of distributions made and spending by the Trustees from the Trust Fund; and

(b) on conflicts of interests that may have existed in connection with any action of the Trustees."

Let's proceed to take a look at the purposes of the first iteration of the dYdX Ops Trust so as to see what you'll be working with as an enforcer.

These purposes are your *raison d'être* (reason for being in French). An enforcer exists to uphold these purposes and make sure that trust property disbursement is always made to further, or accomplish the listed purposes in the trust instrument. However, how does one uphold these purposes and make sure that the Trustees are acting in furtherance of such purposes (especially when they may seem broad in nature)?

1. Supervisory Role

To make sure that actions performed by trustees are consistently made in accordance with the trust deed, you need to be a supervisor of sorts. This is where it gets a bit tricky. Personally, I have had the pleasure of working with trustees who are diligent and who, disclose their conflicts of interest (when they did arise), before I even carried out a COI check - however, this may not always be the case and thus, here are some things to keep in mind.

Firstly, make sure that you have a good communication platform in place to facilitate active communication and remove any information asymmetries that could be present. In this regard, we recently chose to set up a slack as it helps coordinate better due to trustees being in different timezones (kudos to Joanna here for setting it up!). Naturally, messages get lost in transition in platforms such as telegram and you'd be surprised as to how a slight change (being that of using slack as opposed to TG), leads to users being able to catch up in a more seamless manner to any conversations that would have taken place (this also applies to you as the Enforcer).

Secondly, make sure that, as much as possible, all trustee topics and discussions are discussed openly and not in private one-to-one chats. Your control over this is minor, but if you see that an action has been taken based on a discussion not publicly discussed you have the right (as previously mentioned), to request the necessary information - use this opportunity to highlight the importance of public discourse. Again, fortunately, I have had the pleasure of being part of a trust where this issue is not that prevalent and discussions (even contentious ones) are discussed and settled with the visibility of all parties.

Thirdly, take stock of trustee availability. Given the global nature of our industry, and given that you will be using a multi-sig which requires more than one trustee signature, you need to make sure that you always have readily available signatories on proposed transactions. Coordinating timezones to make sure this happens would naturally be the ideal - in this regard, I recently requested trustees to divulge their availabilities wherein they'd be readily available to sign off on transactions and will be finding some common time-frames wherein we can propose transactions and get them signed off efficiently.

Fourthly, set some internal policies. Currently finalising a governance parameters policy (when can the trust act autonomously, when is the trust bound to go for snapshot consent, when is the trust required to get consent via on-chain votes, when is the trust merely required to notify the community etc.), and also a best execution policy for OTC deals and service providers (a 2/3 quote system wherein we make sure that we get the best bang for our buck when 1. doing OTC deals - rare but needed, and 2. using service providers to make sure we get the best SP for the best going-rate - this has already been implemented *de facto* but i'm writing the policy so that it may also be used by other Trusts).

Fifthly, track progress and make sure that trustees are carrying their weight - something that we are currently struggling with but something that will be rectified. A kanban board is useful in this regard (the great Joanna set this up for us and it's a great tool to use on Notion to keep track of all tasks and post progress updates). Also, a great tool to see if a trustee is overloaded with tasks - make sure they're disbursed equally as much as possible and, don't be afraid to get your hands dirty and contribute given the task is not one which make you overreach and act outside of your purview as an enforcer.

1. Regulatory and Legal

Naturally, having a legal background helps - it really helps. It helps to make sure that Independent Contractors have effective enforceable agreements in place, it helps to understand the laws, deeds, trust deed amendments, etc. and it also helps to make sure that you understand the regulatory landscape you're operating in.

However, if you are chosen as an enforcer and do not have a legal or regulatory background, initiating a discussion with trustees to get a retainer-based legal counsel is not at all a bad idea. Retainers normally lessen the cost in comparison to getting billed per request made / per memo provided and you'll have peace of mind that you'll have an individual who's familiar with the trust's internal legal and regulatory affairs that is readily available to provide insight in relation to any

questions you may have.

Naturally, due to my background, I am more active in this regard myself and am able to provide advice when prompted (which is often - thankfully!), to the trustees. This also helps in realising when a firm has provided good legal advice or otherwise (an important tool to have in your repertoire obviously).

1. Community Updates

Short and sweet - but always keep in mind that apart from trustees, you have settlors who have endowed the trust with funds to be used for a particular set of purposes. In our case, settlors are all dYdX token holders. Make sure that you do your utmost to keep the settlors updated. Naturally, the ideal channel in this regard is to host AMAs, and by also, maybe, taking inspiration from my Enforcer's notes and posting bi-weekly updates in relation to the trust's progress. This helps to set expectations and always keep everyone in the loop. It also helps to get a third party pov of your role and leverage the community's collective intellect to get feedback and suggestions!

1. Conclusion

I hope the above helps to shed some light in relation to the role of the Enforcer and also encourages community members to apply for the role!

Should any of you have any questions - i'm always available for a chat (albeit my very late replies sometimes).

Wishing you the best,

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