

We're excited to publish our first monthly update since the extension of the grants program, which went [live](#) in September. In this report, we highlight our work in the past two months including the grants approved, RFPs published, applications reviewed, financial standing, and operational updates.

The extension introduced eight new contributors to the program; four new Trustees, one Enforcer, two Grantors, and our first Operator responsible for managing payments and reconciliation. In this report, we'll hear from a few of these contributors on their work across the program this past month.

## A word from our Grantors

September and October were exciting months for the DGP with lots to explore, but also challenging from the perspective of navigating the unknowns surrounding the launch of dYdX v4. Having chased a moving target for upwards of a year now, we have been very cautious with committing to projects before knowing the final state of the new protocol. Now that the protocol is live, we can really kick things up into high gear. We can now more comfortably fund infrastructure and protocol development projects that integrate and build into the dYdX Chain.

– Carl, Strategic Initiatives Grantor

October was packed with some fantastic developments on the community front! The addition of [Mackay as a new community grantor](#), alongside Robo McGobo, will ensure increased operational efficiency in funding and supporting new community projects. The community grantors are proud to work with new grantees who are undertaking some amazing projects. "Four Pillars" is set to simplify the complex upgrade to dYdX v4 by creating an in-depth report in both English and Korean, aiming to make the technicalities more understandable to non-English speakers. Meanwhile, Toyoji Ltd. is refreshing the dYdX merchandise lineup, building on past successes to further boost community and brand engagement. Lastly, Considered Finance will keep the community informed of dYdX's financial standing through regular reports, adapting to cover the new elements introduced with dYdX v4.

Looking forward, the community grantors aim to gather increased feedback from the community in forums through ["Requests for Comment."](#) They have also launched the [dYdX Grants Twitter AMA Series](#), which aims to be a monthly call to gather feedback and interview grantees on their initiatives and progress.

- Mackay and Robo, Community Initiatives Grantors

## New Grants

Below, we highlight the grants approved in the last month. Batches are compiled by Grantors and submitted for approval by our Trustees at the end of every month. This was our first batch since the extension, having merged September and October to improve our knowledge of dYdX v4 before approving certain v4-related grants.

As a reminder, the program allocates funding between two buckets, Community Initiatives and Strategic Initiatives, to improve the program's efficiency and allow for more contributors. Community initiatives focus on projects that grow the dYdX ecosystem and active contributor set. Strategic initiatives target larger scale projects that contribute to the development, growth, and improvement of the dYdX protocol.

### Strategic Initiatives

Launch Incentives Program Administration

(Chaos Labs)

We are funding the design, deployment, and administration of an incentives program to promote the launch of dYdX v4. This is the implementation of a successful proposal to [allocate](#) \$20M in DYDX to launch incentives. We're excited to see Chaos lead this project with research on optimal distribution and wash trading prevention methods, a custom portal for transparency on data gathering and reward calculations, and the monthly proposals to distribute rewards. We expect this initiative to play a big role in improving the adoption of dYdX v4.

Data Services and Analytics

(Numia

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This grant will fund the development and support of data indexing services for dYdX v4, and the deployment of a dYdX v4 analytics dashboard with custom queries. Numia has tremendous insight and experience on Cosmos related data structure and pipelines. Through their work, the community will be able to leverage both pre-built data analytics through the dashboard, and do their own digging using in-depth data tables updated regularly.

USDC Withdrawals

(Strangelove Labs)

We're extending the scope of our [existing](#) grant with Strangelove to also support the withdrawal of USDC back to Ethereum. As users start to deposit USDC to dYdX v4, we want to make sure they can also withdraw these funds back to their original Ethereum-based accounts. Allowing users to withdraw may increase the size of deposits as traders get more comfortable depositing with the knowledge they can easily withdraw at any moment.

Observatory (Validator Monitoring)

(RockawayX Labs)

With the launch of dYdX v4, the protocol is introducing a new set of participants: validators. The health of our protocol is dependent on a well-rounded and performant set of validators. This grant will fund the support of a dYdX instance on the Observatory dashboard, which is used to monitor the health, performance, and diversity of validators.

dYdX MEV Dashboard Maintenance

(Skip Protocol)

We are extending the existing grant to support Skip's MEV [dashboard](#) that will play a significant role in measuring MEV activity on dYdX v4. Through this dashboard, the community will be capable of identifying validators manipulating and censoring orders for profit at the expense of traders.

## Community Initiatives

dYdX Research and Localization Grant

(Four Pillars)

The transition to dYdX v4 is complex, introducing new components and features to the dYdX protocol. These changes can be daunting to learn and fully appreciate, especially for non-English speakers. Four Pillars will be writing a comprehensive report on the infrastructure changes to dYdX, published in both English and Korea. Our goal is to make the complex technical transition of dYdX more accessible to the community.

dYdX Merch Renewal

(Toyoji, Ltd)

The dYdX Merch program, an initiative that was launched through grants a year ago, is back for another six months with exciting new merch and gear in store for the community. The merch program has had great success with protocol contributors and community engagement. We're excited to see Toyoji continue their work to promote the dYdX brand.

Financial Intelligence Reporting

(Considered Finance)

Considered Finance will continue to publish their monthly financial reports on the state of dYdX. These reports play an important role in helping the community understand the protocol's financial health, monthly spending habits, and distributions to community initiatives. The transition to dYdX v4 will introduce new components for these reports to track and report for the community to assess.

## New Initiatives

Below, we highlight the new [initiatives](#) that we've published in the past month. These RFPs (Request for Proposals) invite contributors to apply for specific projects and ideas that we think could have a positive impact on the protocol. We also encourage interested contributors to take inspiration from these initiatives and come up with their own ideas for high impact grants.

Insurance Fund Simulation and Analysis

The insurance fund is used to cover liquidations when an account reaches negative equity. This fund acts as the first line of defense against bad debt incurred from liquidating accounts. With the launch of dYdX v4, the community will be responsible for maintaining and funding the insurance fund to protect the protocol.

We are looking for a team to build a tool that maps the performance of our insurance fund against different market conditions. The goal is to conduct simulations such that the community can determine the optimal size of the insurance fund to protect the protocol.

Basis Trading Tool

Basis trading, also known as cash-and-carry, is a popular trading strategy that benefits from the price difference between spot and perpetual markets. Because perpetual markets sometimes trade at a premium or discount to the underlying spot price, traders can take offsetting positions between the two and profit from funding rates.

We would like to build a tool that lets users find and execute basis trading opportunities on dYdX and a Cosmos-based spot platform (e.g. Osmosis). The tool should execute both trades simultaneously, allow users to track their profitability, and make existing the two positions simple.

#### Rewards Conversion Tool

Staking lets users lock their tokens to provide economic security for a blockchain. In return, stakers receive a reward from the protocol. Typically, that reward is paid out in the same token that was staked (the protocol's native token). Users can claim rewards and immediately stake those tokens to further build their stake and accumulate even more rewards.

The dYdX Chain will reward stakers with fees collected from trading activity, which are paid in USDC. Users will stake DYDX and receive USDC rewards. We would like to replicate the experience described above by building a tool that lets users periodically claim their USDC rewards, swap the USDC to DYDX, and then stake that DYDX back to the protocol.

## Application Data

We received 40 applications in September and 37 applications in October. This represents a slight drop in new applicants from previous months, which could be a result of the DGP going on a short pause during the governance process. With dYdX v4 launching, and interest in dYdX growing, we're expecting to see applications pick back up to previous highs in November.

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## Operational Update

Balance

DYDX: 909,647

USDC: 539,477

Total USD Balance (at current DYDX price): \$2,831,787.44

Payables

Outstanding Funding Approved: \$912,942

Outstanding Operational Budget: \$200,000

Total USD Payables: \$1,112,942

Total Budget Remaining: \$1,718,845

The team intends to convert up to 50% of its DYDX balance to USDC so that we can continue to fund grantees based in the U.S. and secure its budget runway. This will be done through an OTC TWAP transaction to minimize impact on the market price.

Operational Expenses

The following expenses were paid in the past two months:

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Grant Conflict Disclosures

In this section, we highlight the steps taken to mitigate conflicts in the grant approval process in accordance with the [policy](#).

- Wintermute abstained from voting on grant approvals to RockawayX Labs and Chaos Labs, due to small investments

in both.

- Reverie abstained from recommending funding decisions related to Chaos Labs and Skip Protocol, due to small investments in both. Robo and Mackay handled funding discussions for both grants.
- Felix abstained from voting on the grant approval to Skip Protocol due to a prior conflict with a former employer.
- Abra abstained from voting on grant approvals to Numia and Strangelove Labs due to conflicts with work outside of the grants program.

#### **A Note from our Enforcer**

Since the dYdX DAO approved the extension of the DGP, the grantors and trustees have been exceptional in operationalizing this first batch. Internally, the grantors and trustees have been proactive in communicating the status of the application pipeline, timelines, and notably, areas where there are conflicts of interest (COI). The COI aspect is something that all members of the dYdX Grants Trust exercise extreme deliberation on, and proactive disclosures to the trust and abstaining from votes were carried out to ensure that conflicts were mitigated (see above for all occurrences). Overall, the trust has shown exemplary operational capabilities and high levels of integrity, and is definitely a sign of great things to come for dYdX Grants, and the dYdX ecosystem.

– Cliffton, DGP Enforcer