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Summary

With the initial term for the dYdX Operations subDAO ("OPS subDAO

") expiring on June 19, 2023 ("DOT 1.0

"), we are creating this DRC on behalf of the dYdX Operations Trust ("DOT

") to discuss a potential proposal to request $6.6M of funding from the dYdX community treasury to be transferred to the DOT's multi-sig to fund operations of the OPS subDAO for an additional 18-month term ("DOT 2.0

").

TL;DR

- To run the DOT for the next 18 months

, we plan to request $6,600,000

from the dYdX Treasury to cover costs and contributor compensation

- We plan to recruit an Operations Lead, a Technical Project Lead, and a Site Reliability Engineer to scale the Ops subDAO and to provide technical support to prepare the dYdX DAO for the future

- We plan to Identiy an indexer operator and contribute to deploying an indexer in the potential future version of the dYdX protocol

- We plan to contribute to deploying open-source software and the running of a version of the iOS app, Android app, and website (browser) front-ends for the potential future version of the dYdX protocol

- We plan to engage a third-party auditor to assess DOT's finances and performance, as well as increasing the number of trustees on DOT's multisig

- Remaining funds at the end of the DOT 2.0 mandate will be sent to a community controlled wallet at the discretion of the dYdX community

Abstract

dYdX Operations subDAO is starting this discussion to renew the DOT for an additional 18-month term with a fresh mandate.

On December 19, 2022, the proposal to create the DOT as a dYdX subDAO passed, and 225,000 DYDX were transferred from the dYdX community treasury to fund the DOT's operations during an initial 6-month term. DOT's initial 6-month term ends on June 19, 2023.

On 15 May 2023, the dYdX Foundation posted "Exploring the dYdX Operations subDAO's near future" and explained that the dYdX ecosystem is approaching a critical juncture with the potential launch of dYdX V4 mainnet and the initial 6-month term of the DOT expiring on June 19, 2023.

To prepare the dYdX DAO for the potential launch of dYdX V4 mainnet, the dYdX Operations SubDAO is creating this DRC on behalf of the DOT to discuss a potential proposal to request $6.6M of funding from the dYdX community treasury to be transferred to the DOT's multi-sig to fund operations under the mandate described below.

We would appreciate any community feedback on the proposal outlined below. After the discussion has reached a rough consensus, a Snapshot vote will be created in accordance with the proposal lifecycle. If the Snapshot vote is successful, an on-chain vote will be created under the short timelock executor.

Context and Motivation

On November 9, 2022, Reverie posted a DRC outlining the potential creation of an Operations subDAO with the primary purpose, among other responsibilities, of building and iterating on a DAO playbook, establishing fiat banking capabilities to cover non-crypto expenses (e.g. legal expenses, providers, etc…), and managing a DAO communication channel (e.g., Slack or community-managed Discord).

On December 19, 2022, the proposal to create the DOT as a dYdX subDAO passed, and 225,000 DYDX were transferred from the dYdX community treasury to fund the DOT's operations during an initial 6-month term. The vote represented "DYDX Consent" (as defined in the Trust Instrument) to form the DOT, a Guernsey non-charitable Purpose Trust, with Reverie Reserves, LLC, Joanna Pope, and Callen Van Den Elst appointed as trustees and George Beall appointed as the

enforcer.

On 15 May 2023, the dYdX Foundation posted, "Exploring the dYdX Operations subDAO's near future" In that post, the dYdX Foundation explained that the dYdX ecosystem was approaching a critical juncture, and that it is probably in the dYdX community's best interest to discuss a potential second mandate for the DOT to increase the likelihood that the dYdX DAO is prepared for the potential mainnet launch of dYdX V4.

Before we discuss the DOT 2.0 proposal, we want to highlight the progress made so far in the DOT 1.0 mandate.

DOT 1.0

In the initial proposal to form the dYdX Operations subDAO, the DOT received a total of $360,000

(225,000 DYDX) from the dYdX community treasury to operationalize DOT 1.0. The key deliverables, status, and details for each main responsibility outlined in DOT 1.0 are included in the table below.

Deliverable

Status

Details

Trust formation

Completed

A Guernsey Purpose Trust was established with three Trustees and one Enforcer.

Open a fiat bank account for the Ops Trust

Ongoing

The OPS subDAO now has a fiat bank account via REAP.

Specifically, this serves as a crypto-offramp, which allows for credit card payments and transfers to a bank account. This setup is unlike a traditional bank account where the Ops subDAO has an IBAN and cannot receive payments in fiat.

A separate banking application with BCB is still pending, which is working on IBAN as a backup.

A larger account balance received through community treasury funding would likely facilitate the acceptance of a banking application.

Hire and manage external legal staff for ongoing guidance

Completed

The OPS subDAO has worked with Ogier, a Guernsey-based Law Firm, on ongoing legal matters.

Payments and Financial Reporting

Completed

The OPS subDAO has made its balance sheet and transactions public.

Create communication channels for the Ops subDAO, as needed, which can serve as the standard dYdX DAO's communication channel(s) going forward

Completed

On April 4, 2023, the vote to transition the dYdX community forums from Commonwealth to Discourse passed with almost unanimous support from the dYdX community.

As a result, the Ops subDAO has launched dydx.forum on Discourse.

Build and share a DAO playbook for launching new dYdX subDAOs

Completed

The Ops subDAO has released the first version of the dYdX DAO playbook.

The DAO playbook may be revised and updated based on community feedback and new developments.

Looking Ahead: DOT 2.0

On 15 May 2023, the dYdX Foundation posted, "[Exploring the dYdX Operations subDAO's near future](#)" We agree that the dYdX ecosystem is approaching a critical juncture with the potential launch of dYdX V4 mainnet and the initial 6-month term of the DOT expiring on June 19, 2023.

From our perspective, it is critical for the dYdX DAO, and specifically the OPS subDAO, to take steps before the potential launch of dYdX V4 on mainnet to ensure that the dYdX DAO has the resources, tools, and infrastructure it needs to lead a fully decentralized version of the dYdX protocol. As a result, we believe it's necessary to kickstart a discussion about DOT 2.0.

Proposal - DOT 2.0

Summary

The main responsibilities of DOT 2.0 will include:

- Recruiting an Operations Lead, a Technical Project Lead, and a Site Reliability Engineer to scale the Ops subDAO and to provide technical support to prepare the dYdX DAO for the future

- Identify an indexer operator and contribute to deploying an indexer in the potential future version of the dYdX protocol

- Deploying open-source software and running a version of the iOS app, Android app, and website (browser) front-ends for the potential future version of the dYdX protocol

- The dYdX community values transparency and accountability highly. In light of this, the mandate includes engaging a third-party auditor to assess DOT's finances and performance, as well as increasing the number of trustees on DOT's multisig

Recruitment

[Operations Lead](#)

As a priority, we believe sourcing an Operations Lead ("OL") is imperative for scaling the OPS subDAO.

In "[Exploring the dYdX Operations subDAO's near future](#)", the dYdX Foundation explained that the next potential mandate for the DOT could include, among other things:

- "managing a DAO communications platform,

- managing accounting, payroll, and payments infrastructures,

- creating and executing a strategy to increase the transparency of dYdX DAO communications and decision-making, and

- developing and operationalizing a budget and transparently publishing documentation to justify spending."

We agree with the mandate and think that the OPS subDAO requires an OL to effectively scale the OPS subDAO.

The main responsibilities of the OL would include but are not limited to:

- Managing the dYdX Operations Trust's operations and workflows,

- Identifying potential auditors for the dYdX DAO and serving as the primary point of contact and leading the relationship with the auditor,

- Oversee the tracking of financial and payment workflows,

- Create best-practice documentation for future subDAO SOPs,

- Support with treasury management strategies to mitigate risk,

- Setting up and managing accounting, payroll, and payment infrastructure, and

- Assist with building and enabling a small team including a technical project lead and a site reliability engineer, to provide operational support to the dYdX DAO.

- Manage the DAOs communication channels, such as Discourse and Discord, any others,

- Manage vendor relationships relevant to User Support.

[Technical Project Lead](#)

In "[Exploring the dYdX Operations subDAO's near future](#)," the dYdX Foundation advised that "it would likely be in the best interest of the dYdX community if the potential second mandate of the DOT included the necessary technical capabilities to properly position the dYdX DAO for the potential mainnet launch of dYdX V4." Based on the information available, we agree that the dYdX DAO requires technical capabilities, and a TPL would be a first step to fill this gap.

The main responsibilities of the TPL would include but are not limited to:

- Developing a plan to attract and retain builders, validators, front-end operators, and indexer operators in the dYdX community,

- Creating documentation, SDKs, tutorials, developer tools, and presentations that can be leveraged for internal and external consumption,

- Coordinating with third-party builders who are interested in building on dYdX V4 open source code,

- Supporting the deployment, operations, and maintenance of the 3 Front-Ends (iOS, Android, Website) and the Indexer, and

- Providing the necessary technical capabilities to support the potential mainnet launch of dYdX V4.

[Site Reliability Engineer](#)

Separately, we believe that hiring a Site Reliability Engineer ("SRE") is required to ensure that community infrastructure is stable, reliable, and able to handle the demands of users.

The main responsibilities of the SRE would include, but are not limited to:

- Ensuring high availability, latency, performance, capacity, scalability, and deployment of DOT infrastructure,

- Extending and maintaining a scalable infrastructure system,

- Debuging, optimizing code, and automating routine tasks,

- Assisting in the design and improvement of monitoring, alerting and remediation solutions with a focus on proactively identifying and addressing production issues,

- Investigating and leading efforts to remediate critical operational productions issues,

- Coaching teams across the dYdX ecosystem on best practices for deployment, observability and scalability,

- Maintaining and creating technical documentation of infrastructure as code/data, while also having knowledge of version control using tools, and

- Supporting services through activities such as system design consulting, developing software platforms and frameworks, and capacity planning.

On May 16, 2023 dYdX Trading published "[V4 Technical Architecture Overview](#)". The post contained information the indexer and front-ends and demonstrates the need to hire technical talent at the dYdX DAO. We believe that hiring a TPL and a SRE will provide the necessary technical capabilities to support the potential mainnet launch of dYdX V4 during the proposed DOT 2.0 mandate.

We have posted job descriptions for [OL](#), [TPL](#), and [SRE](#) roles. We invite members of the dYdX community to review the job descriptions, apply through this [link](#), or forward the job descriptions to network referrals that you think could be a good fit at the OPS subDAO.

Hiring for the OL, TPL, and SRE positions depends on a successful on-chain proposal that results in the DOT 2.0 budget being funded by the dYdX community treasury. We opened the JDs now to start building out a pipeline of applicants.

Future scope and technical capabilities

On March 27, 2023, dYdX Trading Inc. [announced](#) the completion of Milestone 3 and that it will "publish open-source deployment configurations and scripts (where applicable) for the validator (protocol), indexer, and front-end services." Subject to a successful mainnet deployment of dYdX V4 by the dYdX DAO, the Operations subDAO will likely need to hire a small team of engineers and vendors to enable the deployment and/or operate key components of the dYdX V4 architecture.

Indexer

"The Indexer is a read-only collection of services whose purpose is to index and serve blockchain data to users in a more efficient and web2-friendly way. This is done by consuming real time data from a v4 full node, storing it in a database, and serving that data through a websocket and REST requests to end-users."

Why doesn't the OPS subDAO run an indexer itself? Three reasons: (1) we think that the capabilities required to run an indexer are beyond the scope of the OPS subDAO, (2) running the front-end(s) will likely take a lot of bandwidth, and (3) to increase decentralization in the V4 ecosystem: we do not think it is a good idea to have the front-end(s) and indexer centrally operated by the OPS subDAO (even if it is a community-controlled subDAO).

Similar to the front-end, we look forward to potentially multiple indexer operators participating in the dYdX V4 ecosystem. However, to increase the likelihood that the potential launch of dYdX V4 is successful, the OPS subDAO will work with at least one-third party to run an indexer.

Frontend

dYdX Trading announced that it is building software for three front-ends that will be open-sourced: an iOS app, an Android app, and a website (browser) front-end. All three front-ends will interact with the Indexers through APIs and Websockets. To ensure that the potential launch of dYdX V4 on mainnet is successful, we think it's fitting for the OPS subDAO to deploy the respective open-source software and run a version of all three front-ends.

The dYdX community has started discussing decentralising the V4 dYdX frontend in the dYdX forum. While we are fully aligned with eventually having multiple front-ends for dYdX V4, we think it would be beneficial to have at least one version of each front-end deployed by the OPS subDAO to ensure that users depending on a front-end will be able to access dYdX V4 at the time of the potential mainnet release.

User Support

Providing comprehensive and responsive user support is essential to user satisfaction and retention. As the Defi market continues to grow, it's crucial that the OPS subDAO stays ahead of the curve. As such, we think it would beneficial to have user support under the OPs subDAO mandate. What this fully incorporates is yet to be defined, but we feel hiring a contractor/s to support users on the dYdX exchange help-desk will be a priority. Based on the volume of queries, interaction rate, and community feedback, we could also look to provide additional support on Discord and any other communication channels that is deemed appropriate.

Budget

To run the DOT for the next 18 months

, we plan to request $6,600,000

from the dYdX Treasury to cover costs and contributor compensation.

Note we are scoping out all associated costs and thus the budget may be updated accordingly. Most of this budget is expected to be converted to USDC and/or fiat USD, and the remainder will be reserved for native token compensation. We will address the conversion of DYDX into USDC and/or USD in a future update to this proposal.

Category

Specifics

Total Funding (18 Months)

Rationale

Contributor compensation

Operations Lead

- $100-130,000 USDC / year

$195,000

Hedgey - DAO compensation

Maker SES

How much does it really cost to run a DAO? (Maker, LIDO, SUSHI)

Technical Project Lead

- $130-160,000 USDC / year

$240,000

Site Reliability Engineer

- $130-160,000 USDC / year

$240,000

Administration

Trustee Compensation

- 5 Trustees ($2000 USDC / month each)

$180,000

We believe this is an adequate compensation

Enforcer Compensation

- 1 Enforcer ($1500 USDC / month)

$27,000

We believe this is an adequate compensation

External Auditor

- DAO Auditing / Accounting

$80,000

Non-technical financial audits & potentially other auditing

Technical Contractors

Indexer

$2,000,000

TBC - Estimated on the high side for a total cost, with the addition of consulting services.

Consulting Services(Dev & Security Services)

$350,000

User Support

$360,000

5-6 FTE's at $3-3500 / month each

[Osmosis Support Lab](#)

Legal & Compliance

Legal Service

(legal services of law firms in drafting and negotiating legal documents and providing required regulatory advice)

$360,000

On the high side, but costs may add up. We believe the DAO should be prepared for this.

Legal Provisions

$1,000,000

Software and IT

Subscriptions for SaaS service providers like:

- Google Workspace (drive, email),

- Discourse (governance forum),

- Workable (HR),

- Amplitude (data analytics),
- GitHub (code repositories)
- This list is non-exhaustive.

$94,000

Cost estimation for the services described and other potential software & IT incurred costs.

Infrastructure

Frontend:

- Infrastructure deployment and maintenance costs,
- Web and mobile

$360,000

The estimated costs to set up, run and maintain front-end (FE) infrastructure and any other costs

Operating Costs

Translations

Bank Fees

Gas Fees

$468,500

Translation services, transaction costs and any deployment costs. Upper limit budgets, but costs we don't feel the Ops subDAO should skimp on

Other Miscellaneous Costs

Buffer

$450,000

Funding buffer to account for a market downturn, inflation/cost increases and/or unforeseen events or expenses.

Total

$6,404,500

Total Requested

$6,600,000

A portion of the additional $195,500 (additional to $6,404,500) will be used for token compensation

Note:

1. The Ops subDAO will be audited annually by external auditors.
2. Any remaining funds at the end of the DOT 2.0 mandate will be sent to a community-controlled wallet at the discretion of the dYdX community.
3. Part of the legal fees budget and the buffer will be utilized as justification to open the FIAT bank account
4. The DOT currently has $87,077.50 USDC remaining. We are proposing to roll over any remaining budget to DOT 2.0.

Initial thoughts on measuring success:

Hiring

Objective - Attract and retain high-quality talent and build out the OPS subDAO team.

Key results -

1. Offer competitive compensation benchmarked against industry standards.

2. Hire 3 dedicated contributors as outlined above.

3. Scale the OPS subDAO team depending on the needs of the dYdX DAO.

Administration

Objective - Streamline administrative processes and optimize resources.

Key results -

1. Improve communication from the OPS subDAO and community engagement.

2. Reposition the role of the enforcer to focus on increasing disclosure and transparency for the dYdX community.

3. Engage third-party auditors to provide an impartial source of disclosure to the dYdX community.

Contractors

Objective - Work with third-party vendors to deploy the open-sourced indexer code and run an indexer for dYdX V4 mainnet.

Key results -

1. Evaluate contractor performance on SLA compliance, indexing efficiency, and issue resolution time regularly.

2. Evaluate the quality and completeness of documentation and knowledge transfer to minimize mutual dependencies.

3. Monitor and optimize resource usage, contractor costs, billing, and reporting.

4. Provide accurate and reliable data to the dYdX community.

Legal & Compliance

Objective - Ensure compliance with all relevant regulations and minimize legal risks for the dYdX protocol and dYdX DAO.

Key results -

1. Identify the main legal, regulatory and compliance risks faced by the OPS subDAO.

2. Identify and engage jurisdiction-specific legal service providers according to legal issues that arise.

Front-end

Objective - deploy the respective open-sourced code and run a version of all three front-ends (iOS, Android, Web).

Key results -

1. Infrastructure deployment and maintenance with set targets for service uptime and downtime duration.

2. Evaluate user experience metrics, page load time, and rendering speed.

3. Functioning versions of the front-end for Web, iOS, and Android. We plan to first prioritize deploying the web front-end and subsequently focus on the iOS and Android apps.

DOT 2.0 Trust Instrument Changes

Reverie Reserves, LLC, and George Beall have decided that they will no longer be involved in the DOT as a trustee and the enforcer, respectively, after the expiration of the current term on June 19, 2023. As a result, we are actively looking for a new trustee and a new enforcer.

In accordance with the Trust Instrument, we plan to include the replacement of Reverie Reserves, LLC, and George Beall as action items during this community vote for DOT 2.0. If we do not find suitable replacements during this voting period, an additional community vote may be required.

We recognize that as funding increases, adding additional security measures becomes increasingly important. As such, we are looking to increase the number of trustees from 3 to 5. If the vote is successful, we will amend the Trust Instrument to reflect the changes.

Trustees:

- Joanna Pope

- Callen Van Den Elst

- TBD

- TBD

- TBD

Enforcer:

- TBD

We invite members of the dYdX community to comment on this thread if they are interested in becoming a trustee or an enforcer in the DOT.

Please read the Foundation blog post '[Legal Framework for Non-U.S. Trusts in Decentralized Autonomous Organizations](#)" to understand the requirements and expectations of trustees and enforcers.

Separately, the DOT currently has $87,077.50 USDC remaining. We are proposing to roll over any remaining budget to DOT 2.0.

Next Steps, Specification, and Implementation

In accordance with the proposal lifecycle, once a rough consensus has been reached, we will create a Snapshot vote.

If the Snapshot vote is successful, an on-chain vote is required to transfer DYDX from the community treasury to the DOT multi-sig.

The specifics of the implementation will be addressed at a later stage of the proposal lifecycle.

Additional Resources

- [A Take on the dYdX DAO's Near Future" by dYdX Foundation](#)

- [DRC - dYdX Operations Trust](#)

- [dYdX Operations subDAO website](#)

- [Exploring the dYdX Operations subDAO's Near Future by dYdX Foundation](#)

- [Ops Lead JD](#)

- [TPL JD](#)

- [SRE JD](#)

- [Apply for the OL, TPL, SRE](#)

- [v4 Technical Architecture Overview](#)