

# dYdX Ecosystem Development Program

## Summary

- We are requesting \$12M in DYDX tokens from the community treasury to fund the dYdX Ecosystem Development Program (“DEP”), an evolution of the dYdX Grants Program (“DGP”). Based on anticipated funding needs, we project this will support an additional 24 months of support for the Program.
- The DEP’s primary goal is to serve as a partnerships and funding arm of dYdX, helping support infrastructure, chain services, protocol development, and growth. The DEP will collaborate with other individual contributors, entities, and subDAOs including dYdX Trading, dYdX Foundation, and the dYdX Operations subDAO, to identify impactful areas of support.
- We propose continuing the Strategic Initiative and Community-Initiative buckets.
- The DEP will also assist with the creation of longer-term initiatives (E.g. dYdX MEV Committee), for any areas that require longer-term, recurring contributions.
- The DEP’s day-to-day operations will be overseen by six contributors, five trustees, and one enforcer.

Why the name change?

Now that dYdX Chain is [open-sourced](#), a new chapter unfolds for dYdX contributors. Contributors can dig into the weeds of the protocol’s underlying infrastructure, getting a much better understanding of the dYdX Chain and how it all comes together. For the first time, contributors can integrate their ideas directly into the protocol. This evolution supports rebranding the current ‘dYdX Grants Program’ to the ‘dYdX Ecosystem Development Program’ (DEP), reflecting the broadened mission to cultivate a vibrant ecosystem comprising protocol contributors and strategic partners. The DEP is designed to foster innovation, collaboration, and growth within the dYdX community, aligning with the evolved objectives and capabilities of the open-source software.

Below, we’ll explore the historical activities of the dYdX Grants Program, what the new dYdX Ecosystem Development Program’s design includes, and what the funding priorities for the next 24 months look like today.

## Background

The dYdX Grants Program was launched in January 2022 for an initial six-month term and has since been renewed four times for additional terms, totaling over two years of dYdX contributions. The current term, running a version dubbed “v1.5” for its improved structure of the original program, expires on March 1st, 2024.

The DGP’s mission was to grow the dYdX protocol through community contributions. Growing the protocol comes in different shapes, including onboarding top-tier contributors, building new tools and services for dYdX users, researching new areas of development, supporting core protocol infrastructure, and boosting community engagement. Ultimately, grants were disbursed with the goal of maximizing positive impact on the dYdX protocol in whatever way possible.

Throughout its two years of operation, the DGP approved 144 grants with over \$5.6 million in funding. Grants were disbursed to 106 unique contributors, many of which continue to participate in the ecosystem today. The average funding amount was \$39,000, ranging from small community grants at \$300 to core protocol infrastructure services at \$365,000. 116 of the funded grants have been completed, representing a 92% success rate on final milestones so far.

### Previous Grants

Below, we’d like to highlight some of our most impactful projects. We believe these grants highlight the breadth of contributions made to dYdX through the DGP. Our full set of approved grants can be found [here](#).

### Protocol Growth

- Chaos Labs launched a six-month, \$20M [incentives program](#) to improve the transition and adoption of the dYdX Chain launch. As of today, Chaos has already [distributed](#) \$5M of DYDX from the community treasury to early users of the protocol
- Overall, the program has seen overwhelming success in engaging new users and attracting more volume.
- Coinbase is adding IBC forwarding for direct USDC transfers to and from dYdX across all Coinbase Exchange products. We anticipate a growth in deposits stemming from easier accessibility between centralized exchanges and dYdX v4.
- Xenophon Labs conducted research on the dYdX v3 rewards program, which resulted in major [revisions](#) to the distribution formula. These revisions improved the efficiency of rewards distributed, maximizing the return on investment for the community. The proposal is expected to have increased protocol revenue by roughly 20%, or over \$3M per month.

- Xenophon Labs conducted research on two dYdX v3 staking modules, ultimately sunsetting both programs through their analysis. The modules proved inefficient, and an unnecessary expenditure for the community. Thanks to the successful sunsetting proposals (1, 2), the community saved 19,220,392 DYDX from the Liquidity Module and 19,710,061 DYDX from the Safety Module. At current prices, this research saved over a \$100M DYDX from inefficient spending, redirecting it to the treasury instead for future use.

## Infrastructure

- Emperor launched the first testnet instance of the [dYdX Indexer](#) to support the development and eventual launch of dYdX Chain. Emperor are now responsible for the mainnet indexer support through the dYdX Operations subDAO, a service that came about as a result of our grant.
- Strangelove Labs developed a Noble CCTP [relayer](#) used to deposit funds into dYdX Chain. We anticipate a growth in deposits and participation by improving the onboarding experience for non-Cosmos users. A few months in, millions in USDC have already been transferred through this relayer.
- [Numia](#) improved the accessibility of dYdX Chain on-chain data with consistent indexing for SQL queries, which includes mempool CheckTX level data. Their [dashboard](#) is also actively used to review and monitor adoption of dYdX v4.
- AllThatNode added support for testnet RPC and Node [services](#) to support testnet development and usage.
- Cosmostation is supporting dYdX Chain on [Mintscan](#) with custom features and analytics, improving the accessibility to users.
- RockawayX Labs is supporting dYdX on its [Observatory](#) product, giving the community access to in-depth data of the validator set.
- Contributors built multiple new trading SDKs across popular languages, including C++ (v4), Rust (v3), and C# (v3), with more to come for dYdX Chain.
- Wallets added support for dYdX Chain native-DYDX, including Forest and Keplr multisig.

## Research and development

- Skip Protocol researched methods for quantifying MEV on dYdX Chain, and launched a custom [dashboard](#) for tracking proposer MEV activity, allowing us to accurately measure MEV.
- Chorus One [explored](#) in-depth MEV opportunities on dYdX and the cross-chain ecosystem, improving our understanding of the problem.
- Skip Protocol accelerated the development of [VoteExtensions](#) technology in the CosmosSDK, which will be implemented across different dYdX protocol functions.
- Chaos Labs [explored](#) opportunities to develop permissionless markets on dYdX Chain.
- The MEV council is proactively investigating and responding to malicious and inefficient block proposers on behalf of the community, improving the product's trading experience. Recently, the Council [identified](#) and helped resolve issues related to a validator, improving the overall trading experience for users.

## Community Initiatives

- Content creators have repeatedly promoted dYdX across different languages, distribution networks, and crypto communities – including China (in-process), [Japan](#), [Korea](#), [France](#), [Belgium](#), Germany (in-process), and [Mexico](#).
- Toyoji launched the [dYdX Merch](#) program to promote the brand and enhance community engagement. The merch has received overwhelmingly positive feedback across the ecosystem, and is used as a powerful incentive mechanism to engage users and promote participation.
- 0xCLR shared monthly [reports](#) on the state of dYdX and the community's financials. These reports play an important role for community awareness of the protocol's financial state and ongoing expenditures.
- Multiple contributors worked together to launch a dYdX Academy page (which has since been taken down in favor a new [page](#))
- Ar00 developed [dydx.vote](#), a gasless voting portal popular for voting on v3 proposals. This became the most popular voting tool on v3, increasing the number of voters for on-chain proposals.
- Shipoor launched [@dYdXInfo](#) on Twitter, regularly updating the community and ecosystem with stats on dYdX.
- Chainspaces designed a [custom](#) dYdX Gather town space for community gatherings and events. The space was popular among community members, used weekly for gatherings and discussions.

## The dYdX Grants Program

Launched as a dYdX community-funded program, the DGP has operated as an extension of the community treasury with the goal of sourcing and funding contributors that deliver growth to the protocol. To accomplish this goal, the team has repeatedly iterated over its structure and processes to improve our success. This includes establishing a legal entity, refining our screening process, leveraging KPIs, and improving transparency. Below, we explore a few of these measures to highlight the work done in the past two years.

### dYdX Grants Trust

Soon after launching, the DGP [established](#) a Guernsey purpose trust structure – the dYdX Grants Trust – to formalize our role in the community. A purpose trust gives the community control and ownership of the program while explicitly defining its goals, which, as our [agreement](#) states, is to “make distributions to such persons identified by the Trustees in furtherance of the dYdX protocol and ecosystem.” The community can govern the DGP, its contributors, and its purpose(s) through the dYdX DAO, voting on legally binding proposals to continue, change, or cancel the program.

The trust structure also provided the program with a legal entity, allowing us to engage with professional service providers through off-chain legal agreements. The scope of our program grew tremendously as a result, giving us an opportunity to improve impact with better partnerships and engagements. The DGP was among the first to embrace this entity type, which has since been adopted more widely across DAOs. We’re proud of the innovative step taken towards normalizing DAO operations in an off-chain setting.

### Our Process

The DGP has continuously iterated on its processes to improve the contributor experience. Given the abundant grant opportunities for talented crypto contributors, our goal is to ensure a smooth experience for prospective and current dYdX contributors, increasing incoming applications, repeat applicants, and contributor satisfaction. Since the DGP’s launch, we’ve funded multiple recurring contributors who have repeatedly delivered high quality products, and are now regular contributors to dYdX. For example, Skip led the research into MEV on dYdX v4, helped build methods for [measuring](#) discrepancies, and is now an active contributor to MEV [monitoring](#). Xenophon Labs has also served as a leader in protocol research and new developments, [submitting multiple](#) grants-funded proposals to improve the protocol’s parameters and [modules](#).

Over time, we’ve iterated on the best approach to identify high-impact initiatives, recruit quality contributors to manage them, and allow them to continuously improve the protocol. Our current focus is on releasing targeted RFPs, quick response times, and direct, short feedback cycles. We regularly release detailed [RFPs](#) to guide applicants toward specific projects we aim to fund, outlining clear requirements and qualifications. Our target is to respond within a week to maintain enthusiasm and engagement. We speak with applicants directly via email or chat, fostering a connection with potential contributors. If applicants aren’t a fit for the RFP, we encourage them to explore new opportunities and offer other areas of interest.

If an applicant is a good fit, we follow a quick onboarding process that minimizes bureaucracy while still adhering to best practices (including KYC, grant agreements, and necessary approvals). The goal is to make them an active contributor as quickly as possible, with little overhead.

Throughout the grant lifecycle, the team proactively seeks updates and progress reports from our grantees. In these discussions, we also serve as an initial sounding board for feedback and ideas, helping them maximize the impact of their work. The DGP acts as a support system, aiding contributors with improvements and necessary resources. Our overarching goal is to enhance the experience, encouraging contributors to re-apply and participate beyond the grant’s initial scope.

For more information, a detailed breakdown of our application process can be found [here](#). A similar breakdown of the grant lifecycle can be found [here](#).

### Funding Buckets

In our last term, the DGP introduced funding buckets to our application process. Two buckets, Strategic Initiatives and Community Initiatives, separate application screening and funding objectives among DGP contributors. Our experience running the program demonstrated the importance of having different workflows between smaller, community-oriented grants and larger-scale, long-term projects. The former can be acted on quickly, responding to community needs and developments to foster a productive ecosystem. The latter, on the other hand, needs prolonged discussions and long-term planning to find the most impactful scope, sometimes taking months to complete.

By funneling applications to their relevant buckets, the DGP assigns contributors with relevant expertise to focus on accomplishing the goal of their respective category. We found this very helpful in streamlining the application process, allowing for quicker feedback and responses to all applicants.

We plan on continuing this system with the same two buckets described below:

#### 1. Strategic Initiatives

Focus on larger scale projects that contribute to the development, growth, and improvement of the dYdX protocol. We will build on the demonstrated success in partnerships with long-term contributors to deliver services and development to dYdX.

## Objectives:

- Enabling the development and integration of new features.
- Onboarding proven individuals and service providers as dedicated long-term contributors to the protocol.
- Researching new areas of improvement and development, in collaboration with other dYdX stakeholders.
- Growing the adoption and use of dYdX Chain.
- Community Initiatives

Focus on projects that build the dYdX ecosystem, foster community satisfaction, grow the dYdX brand, and onboard new protocol contributors.

## Objectives:

- Onboarding and incentivizing active contributors to the ecosystem.
- Fostering community engagement.
- Promoting the dYdX brand and ecosystem through international media partnerships, amongst others.
- Building tools and resources for protocol participants.

## Transparency

As a community-funded program, the DGP holds itself accountable to the dYdX community. Our goal is to make our activity accessible to community members and to maintain open lines of communication for ongoing feedback.

The DGP is proud of the work it has done to maintain high standards of transparency, which includes:

1. Monthly updates shared on our [blog](#) and the [forums](#) that include our funded grants, monthly expenses, conflicts of interest, and financial standings.
2. Hosting AMAs with grantees and attending all Foundation town hall meetings to answer questions.
3. A live [dashboard](#) that includes all applications received, grants funded, and a breakdown of every payment issued from the DGP multisig.
4. A feedback [form](#) that publishes all entries to our public dashboard, with no screening or interference on our behalf.
5. We encourage Grantees to publish their work and ongoing projects on the [forum](#) for active discussion.
6. Soliciting feedback for new initiatives and RFP plans through the forum. We have also started pushing larger initiatives through additional governance proposals to align the community prior to grant approval.
7. Making ourselves available for discussions and feedback on our Discord channel, forum posts, and DMs.

## KPIs and Success

When assessing the performance of a grant, we take a holistic approach and explore the overall impact delivered to the protocol. If we can comfortably say that a grant has had some tangible impact on the dYdX protocol, we consider it a success. Naturally, the scale of impact will vary with each grant. We find that a [power law](#) dynamic applies to grant distributions – where a handful of grants deliver an outsized impact on the protocol such that they account for a majority of the program's success. These grants may not always carry individual KPIs for quantifying their success, but the impact is undeniable.

As an example, Imperator's testnet indexer grant paved the way for a dYdX Chain mainnet launch and its required mainnet implementation of the dYdX indexer. Without this grant, it's hard to say if dYdX Chain could have launched in time. Similarly, Noble's work on the CCTP relay has reshaped the onboarding experience for new users, allowing dYdX to access a whole new set of eligible depositors. Skip pioneered the research and development for MEV measurements on dYdX Chain, allowing the community to completely reimagine the existence of negative externalities from block proposers. Other research grants like Xenophon's work to revise reward programs and staking modules have also had [tremendous impact](#) on the protocol, [saving](#) the community hundreds of [millions](#) in unnecessary expenditure.

However, we're also able to deliver meaningful impact at a smaller scale. Not every grant needs to be protocol-shaping for it to have value to the community. Our community initiatives aim to improve the community's experience and onboard a smaller set of region-specific participants. For example, 0xCLR's monthly reports have provided invaluable insights on the performance and financial health of our protocol. The overall impact on the dYdX protocol is lower, but so are the funding amounts. The ratio of funding to impact makes them successful in their own ways.

Our goal is always to evaluate grants such that the funding amount is reasonable for the expected level of impact delivered.

Still, not all funding decisions will be winners, but every now and then we'll work with a contributor that knocks it out of the park to deliver exceptional impact. We set ourselves up to look for these funding opportunities, and double down on productive contributors to maximize our likelihood of success.

In the next section, we describe our vision for the dYdX Ecosystem Development Program

(added in a subsequent comment given character limits).