Last updated: 3rd June, 2023

Hello dYdX Community,

Following our recent discussion and insights shared by Matt from Synthetix, We'd like to propose a new governance structure for dYdX. This structure borrows from the well-tested structure of Synthetix while adding some unique elements tailored to our community's needs.

We have crafted a flowchart illustrating an ideal initial structure for dYdX to provide a comprehensive picture of our vision and simplify comprehension. This structure has been customised to suit dYdX's unique needs and goals. As we progress, elements like the Marketing and Legal Councils may need to expand geographically to enhance their effectiveness.

Furthermore, it will be crucial for the Treasury Council to devise a suitable funding strategy for each council. This could be achieved by allocating a certain percentage of fees generated, ensuring the sustainability and financial autonomy of the DAO. This financial infrastructure will allow us to maintain and strengthen our operations and adjust dynamically to any shifts in our ecosystem.

We view this structure as a stepping stone, an initial framework that we can adapt and evolve as our DAO matures and our needs change. This flexibility is key to fostering a robust, resilient DAO that can thrive amid the challenges and opportunities we will undoubtedly encounter in the future.

The full-size flow chart can be viewed [here](#).

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dYdX v4 Governance Structure

1920×1096 89.6 KB

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Laying the Foundations: Phase 1

We must establish critical components to initiate this transformation and set the stage for this structure's implementation. This is essentially the first phase of implementing this structure:

Trading Council

Made up of eleven members, each compensated with 5,000/month, will play a critical role in assessing and deciding on proposed changes to the protocol. Their duties include:

- Assess and discuss proposals.

- Vote on proposals.

- Evaluate Endorsed Delegate applications.

- Approve Endorsed Delegates.

Treasury Council

Comprised of three members, each compensated with 7,000/month, will oversee the financial health of the protocol, ensuring that all councils and their members have the necessary resources to function optimally. Their tasks would include:

- Allocate budgets to, and manage the finances, expenses, and payments for all councils and their members.

- Fund incentives and strategically manage resources.

- Engage in strategy and deal-making.

Endorsed Delegates

They will have a unique role in this governance structure, acting as a bridge between the community and the councils. We suggest dividing 2.5% of rewards among Endorsed Delegates for their contributions. Their primary responsibilities will be to:

- Assess council member applications.

- Elect all council members.

Funding and Site Updates

As part of this transformation, requesting funding from the treasury to allocate towards product development and technical work will be necessary. One key area of focus will be updating the official governance site [community dashboard](#). Fox Labs would be available to help with this product development work.

Our recommendation includes adding a dedicated councils section where all councils and their member's profiles can be viewed publicly. This would allow for transparency and visibility into the operations and membership of each council. It should be possible for any member of the community to nominate for council membership directly from the dashboard. This would facilitate the endorsement process, enabling Endorsed Delegates to elect new council members using their delegated tokens.

In parallel, we propose creating a comprehensive list of all Endorsed Delegates, complete with profiles and relevant details. This would be accompanied by a formal application process for those wishing to become an Endorsed Delegate and a mechanism for Trading Council members to approve these applications.

Trading Council Discussion

We have begun outlining the operations of the[proposed Trading Council in a forum post](#) We strongly encourage all community members to review this document and provide feedback. Your insights and suggestions will be invaluable in shaping how the Trading Council and the entire governance structure will function as we move forward. Your participation is not just welcome – it's vital.

Next Step: Phase 2

In Phase Two, the focus should shift to establishing the Grants Council and the Risk Council.

We currently have a Grants Program, run by Reverie, which should be transitioned smoothly into the council structure. Given the expertise and experience of Carl and Alexios, we recommend their automatic inclusion as two of the five members of the Grants Council for the initial term. The remaining three positions should be filled through the newly formed election process with the Endorsed Delegates.

After this we recommend future grant applications be posted as individual Discourse posts, creating an open and public forum for discussion. This will allow the community to monitor the proceedings around each grant application, evaluate the performance of council members, and ensure the highest governance standards. We suggest polls for each grant application post to involve the community further. These polls will enable community members to express their views on the value/worthiness of the proposal and the reasonableness of the funding amount.

Grants Council

Consisting of five members, each compensated with 5,000/month, it will have the following responsibilities:

- Apply to the Treasury for Budget.

- Assess All Grant Applications.

- Vote on Grant Applications.

- Advise the Treasury Council on Grantee Payments Due.

- Oversee and Manage Grantees.

- Handle Grant Project Communications.

- Monitor and Report Grant Progress.

- Facilitate Networking Among Grantees.

- Provide Feedback to Grant Applicants.

- Promote Grant Opportunities Publicly.

Risk Council

Consisting of three members, each compensated with 5,000/month, it will be responsible for ensuring the protocol's integrity and its users' protection. Its responsibilities will include:

- Assessing the Feasibility and Risk of Proposals.

- Monitoring and Mitigating Market Risks.

- Developing Risk Models and Analytics.

- Managing Asset Listing and Delisting.

- Defining Risk Policy and Guidelines.

- Communicating and Educating on Risks.

- Creating Risk Evaluation Processes.

- Advising the DAO on Risk Matters.

Final Step: Phase 3

In the final phase of this governance structure overhaul, we would establish four additional councils, each playing a vital role in the growth and prosperity of dYdX.

Ambassadors Council

Composed of five members to start, each compensated with 5,000/month, it will serve as the face of dYdX in the wider crypto community. Their responsibilities can include:

- Advocating for dYdX Externally.

- Building Relationships with Influencers.

- Representing dYdX at Industry Events.

- Collaborating with Marketing Council.

- Ensuring Compliance in Communications.

Marketing, Communications & Growth Council

Composed of five members to start, each compensated with 5,000/month, it will play a central role in expanding our user base and fostering engagement. Their responsibilities can include:

- Managing and Expanding Affiliate Programs.

- Researching Market Trends and Audiences.

- Handling Public Relations and Communications.

- Coordinating and Overseeing Content Creation.

- Fostering Community Engagement and Support.

- Identifying and Managing Strategic Partnerships.

- Conducting Market Analysis and Planning.

- Ensuring Regulatory Compliance with Legal Council.

- Tracking and Reporting Campaign Performance.

Validator & Market Maker Council

Also comprised of five members, each compensated with 5,000/month, it will work to enhance market stability and growth. Their responsibilities can include:

- Establishing and Strengthening Market Maker Partnerships.

- Supporting and Assisting Validator Networks.

- Expanding Business through Strategic Initiatives.

- Tracking and Reporting Key Performance Metrics.

- Managing and Mitigating Business Risks.

- Ensuring Compliance with Regulatory Norms.

- Handling and Resolving Disputes.

- Providing Support for Market Participants.

Legal Council

Consisting of two members, each compensated with 15,000/month, it will ensure that all aspects of dYdX's operations remain within legal and regulatory compliance. Their responsibilities will include:

- Identifying Legal Risks in Proposals.

- Enhancing Proposal Compliance and Safety.

- Providing Risk Management Guidance.

- Advising on Legal Implications.

- Liaising with External Legal Counsel.

- Updating DAO on Legal Changes.

- Interpreting Legal Matters for DAO.

- Ensuring Compliance and Protecting IP.

With the implementation of these councils, dYdX's governance will be comprehensive, well-rounded, and prepared for any challenges or opportunities that may arise in the dynamic world of decentralised finance.

This updated idea around restructuring the governance system is subject to further discussion and refinement. We must determine each council's roles and responsibilities and establish clear expectations. We must define processes for replacing members who do not meet their obligations—establishing guidelines to prevent conflicts of interest and ensure transparency and accountability in governance bodies.

Regarding the proposed number and compensation for each council member, these numbers are initial suggestions and should also be subject to community discussion. They should reflect the complexity of the roles, the responsibilities undertaken, and the time commitment required, and they may need to be adjusted over time.

Your Voice Matters: Quick Poll on the Proposed Governance Structure

Help us gauge community sentiment about these changes. Even if you're short on time or prefer not to comment, this quick poll lets you express your opinion. Your vote can shape the future of dYdX!

- Absolutely! Bring on the new, sleek, democracy-infused governance structure!

- Nope, let's cling to the good ol' inefficient, one token, one vote system.

- Hmm, I'm a fence-sitter extraordinaire. Procrastination is my superpower.

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voters