

Summary

- The dYdX Ecosystem Development Program (“DEP”) has another 14 months left on its existing term and only about \$4M remaining in available funding. Given the pace of grant distributions and development on the dYdX Chain, there is likely insufficient funding for the DEP to finish its term.
- The Treasury subDAO, under its current [mandate](#), can make discretionary distributions to fund operational expenses across the dYdX ecosystem. We are requesting a \$4M contribution from the Treasury subDAO to fund the DEP for the remaining 14 months of our current term. The funding will be reserved as eventually payable to the DEP, and delivered within reasonable timing depending on DEP’s runway, allowing the DEP to forecast its budget capabilities and continue paying contributors. The Treasury subDAO meanwhile can continue using undeployed capital as intended.
- Instead of requesting DYDX from the Community Treasury, an allocation from the Treasury subDAO will transition the DEP to a more sustainable funding model, allowing the protocol to redistribute revenue towards scaling and maintaining itself through the DEP.

Background

The dYdX Ecosystem Development Program (DEP) (formerly known as the dYdX Grants Program) was launched in January 2022 with a mission to grow the dYdX protocol through partnerships, growth initiatives, and community contributions. We use grants funding to onboard new contributors, partner with professional providers, and grow the ecosystem. These grants are disbursed with the goal of maximizing positive impact on the dYdX protocol in whatever way possible.

Now completing its third year of contributions, the DEP has approved over 200 grants to more than 150 unique grantees with over \$13M in funding. Grants have been funded across a wide range of categories, including core chain development (e.g. market mapper, CCTP bridging), protocol infrastructure (e.g. Mintscan support, indexer), growth initiatives (e.g. launch incentives, affiliate program), research and development (e.g. MEV solutions, LP vaults), and community engagement (e.g. local events, tooling).

For more information on the program’s design, structure, and contributors, please refer back to our most recent [proposal](#) completed in March of this year, and our [website](#). That proposal approved the DEP for an additional 24 month term with a budget of \$12M DYDX, which is set to expire in March 2026. We are now ten months into this term.

This current term has been our busiest one yet. We’ve approved 65 grants with over \$7M in funding, averaging 6 grants and just under \$700k per month. Roughly 50% of the funding distributions in our three years of operations have come from these past ten months. The transition to and growth of the dYdX Chain have radically changed the opportunities available to contributors and the scale at which we can help the protocol grow.

Below, we’d like to highlight some of our most impactful projects funded this term. We think these grants highlight the scale and breadth of our contributions to the dYdX Chain. A full list of all our approved grants, including previous terms, can be found [here](#).

Grants Funded

- The Skip team integrated their ABCI++ oracle, [Skip:Connect](#), to the dYdX Chain. The addition of Skip:Connect’s sidecar oracle solution, leveraging vote extensions, has improved both stability and speed of price updates for the chain. This integration also introduced the [Market Map](#), a custom solution for listing and updating markets on dYdX. This solution will allow the protocol to exponentially scale market listings, allowing users to launch hundreds of markets. Ultimately, we expect this feature will attract more volume and onboard new users looking for new markets to trade.
- Skip:Connect also [expanded](#) the price feeds available for launching new markets, including decentralized exchanges on protocols like Solana and Base. Partnering with a group of dYdX validators and Helius, the dYdX Chain now supports [markets](#) from these protocols. Our hope is to add as many price feeds as possible, allowing dYdX users to trade perpetuals on any token they want. Again, the goal is to attract more volume and new users wanting to trade new perpetual markets.
- [MegaVault](#) was launched in November, a feature that enables users to deposit USDC to provide liquidity to markets and receive yield in return. We recruited Greave, an affiliate of Gauntlet, to onboard as the operator, responsible for allocating liquidity and maintaining the trading parameters to maximize yield and reduce risk. MegaVault will add liquidity and reduce trading spreads across all active dYdX markets, improving the trading experience for users. It also offers dYdX users an additional yield-bearing product, adding to the protocol’s stickiness for users and deposits.
- dYdX Unlimited has also added functionality for affiliates to earn trading fees generated by their referrals, a popular mechanism among exchanges to incentivize promotion and improve user onboarding. Kuyen Labs joins dYdX to build custom frontends, directly integrated into the primary frontend, and launch a [VIP program](#) with the goal of targeting high-impact KOLs and partnering institutions.
- Before market specific vaults and MegaVault were released, we experimented with DMM agreements with Raven and

Velar Technologies. Both provided liquidity and improved spreads on long-tail dYdX markets through dedicated market making services. These engagements helped support the launch of new markets, including popular memecoins like MOTHER, laying the foundation for the future growth of vaults and MegaVault. Eventually, the DEP transitioned to providing [liquidity](#) directly via LP vaults, with over \$1.5M deployed to support the launch of new markets and improve liquidity across the protocol.

- We partnered with Blockaid to implement real-time detection and signature blocking of malicious applications, providing an additional layer of security to dYdX users. Blockaid was the first to [detect](#) a compromise with dYdX v3 and worked with the team to help resolve it.
- With the migration from Ethereum to dYdX Chain, trading venues and centralized services were slow to implement DYDX. We engaged popular centralized exchanges, including Binance, Bitget, and Kucoin, to incentivize the migration. By adopting DYDX, we aim to grow adoption of the dYdX Chain and improve the onboarding experience for new users.
- Nethermind developed full-feature trading [clients](#) in Python and Rust, two popular languages among programmatic traders, with in-depth code examples and sample bot implementations. Our goal is to make trader onboarding as smooth as possible, allowing market makers and retail users alike to trade programmatically.
- The dYdX frontend initially supported only a limited number of browser-based wallets, with a focus on Ethereum-based users. To help scale adoption and improve onboarding for non-Ethereum users, we recruited both [Keplr](#) and [Phantom](#) to add support for their wallets on the exchange. Our goal is to make dYdX the destination exchange for users on every ecosystem.
- Originally adopted at the launch of the dYdX Chain, Chaos Labs has returned for another two iterations of trading incentives - the original [extension](#) approved in April included a \$10 million budget and with the launch of dYdX Unlimited Chaos launched a [revised](#) program to maximize growth and liquidity on dYdX Chain.
- Newmetric has deployed a custom, highly specialized full node with the goal of improving trade execution for programmatic traders. Today, users depend on efficient peering routes with validators to optimize order gossiping and eventual execution. Through this grant, we provide dedicated access to a high performance RPC endpoint with direct peering to the majority of validators, improving trading capabilities and the overall network performance.

Looking ahead, we are targeting new areas of growth and improvement for the protocol. These are high level themes that will guide our thinking about what to fund and which contributors to partner with. Admittedly, it's hard to project forward with a lot of specifics. The protocol's needs change frequently, and quickly. In this term, a few of our largest grants (e.g. Market Map, MegaVault Operator) came suddenly based on protocol developments. It's our role to work quickly to get these initiatives across the finish line. Below, we explore a few of the themes we'll be focusing on in the coming months:

Expanding access to dYdX

As a standalone app-chain, the dYdX Chain is technically siloed from other ecosystems, and more importantly non-dYdX users. Users need to bridge assets to the dYdX Chain, typically using a third-party bridge, before they can start trading. This experience can sometimes be a bottleneck for user onboarding. Instead, we're exploring opportunities to abstract away that entire experience, allowing users to interact with dYdX directly without thinking about the chain itself.

Grants in this category may include:

- Integrating dYdX into existing platforms and products (e.g. wallets, exchanges)
- Abstracting the bridging experience (e.g. direct deposit to dYdX contracts)
- Improving access to MegaVault (e.g. integrating MegaVault to existing frontends)

Redirecting flow to dYdX

The new affiliate system enables order flow originators, such as aggregators and wallets, to earn fees from referred accounts. This creates opportunities for partnerships with leading platforms that drive trading flow to dYdX. One-time grants can incentivize protocol onboarding, encouraging platforms to prioritize dYdX, while the affiliate fee-sharing model ensures sustained incentives.

Grants in this category may include:

- Protocol integration with leading aggregators, including fee-sharing
- Additional affiliate-based incentive programs to attract more KOLs and user onboarding

Improving the trading experience

Ultimately, what matters most is that users love trading on dYdX. Throughout this term, we've funded grants that improve market liquidity, trading execution, programmatic access, and tooling for traders. Our goal is to make dYdX the best place to trade, and we'll continue funding grants that make this goal possible.

Grants in this category may include:

- Improvements to protocol infrastructure and services that impact trading UX
- More tooling and programmatic interfaces for interacting with dYdX

Funding Allocation

Our initial budget request of \$12M, approved in March of this year, may not have been sufficient to support the growth and development of the dYdX Chain. Frankly, we didn't anticipate the scale at which contributors would be able to participate in the dYdX Chain. We also had large initiatives emerge throughout the term, including the Market Mapper, MegaVault, and the Affiliate program, all of which are being led by contributors funded through grants.

As of today, the DEP has roughly \$4M available to fund new grants. In the past, we have typically waited until the end of our term to renew the program with additional funding. In fact, we've often been able to renew the program without any new contributions from the Community Treasury by repurposing our remaining budget. However, we now face a new challenge: our current funding is not sufficient to complete the term. The average monthly distribution over the last nine months was just under \$700,000. This accounts for big changes to the protocol, including the Market Mapper and MegaVault. We now estimate that a budget of \$500,000 per month going forward would be enough to continue funding critical projects and attract top-tier talent. With the \$4M available, we have just over \$285,000 per month to spend over the next 14 months. As such, we will likely need additional funding if we hope to maintain our current level of support for dYdX.

The Treasury subDAO is earning USDC through both DYDX staking yield and a protocol revenue share. Assuming the DYDX staking APR remains above 6% and trading fees remain at about \$50M per year or more, we anticipate that the Treasury subDAO will earn at least \$8M annually, if not more. Rather than requesting DYDX from the Community Treasury, we are requesting \$4M of funding from the Treasury subDAO's capital to support the DEP's budget for the remainder of the current term.

The purpose of this allocation is for the Treasury subDAO to earmark these funds such that the DEP can confidently budget its future distributions. An allocation of \$4M, with the existing \$4M on hand, would help us meet our target budget of \$500,000 per month. Since most grants are not paid out until completion, the DEP doesn't need access to the funds immediately, we just need to know our funding budget to approve them. The Treasury subDAO can maintain full ownership and control over all of their funds and deploy them as intended. Throughout the term, we expect to make requests for capital contributions to the Treasury subDAO based on our payment obligations, up to a maximum aggregate amount of \$4M until the end of the current DEP term. The requests will be shared with the community through forum posts that outline our spending, existing budget, and upcoming approvals or initiatives that warrant additional capital. The amount requested will be based on our needs to compensate contributors within a given time frame, such that any unused capital can remain with the Treasury subDAO. We plan to provide the Treasury subDAO with sufficient notice for funding requests, so they have enough time to ensure enough liquidity should they want to make a capital contribution to the DEP.

This approach introduces a more sustainable funding model for ecosystem growth, while also improving capital efficiency. The protocol effectively sustains its own maintenance, development, and growth by reinvesting revenue through the DEP, all without draining the Community Treasury. Meanwhile, the Treasury SubDAO's USDC remains available for other use deemed appropriate by the Treasury subDAO, subject only to the eventual timely delivery in the event of DEP's funding requests.

We acknowledge that this is an experimental approach and will likely require adjustments over time. Still, we feel it's important to take steps towards transitioning the DEP to a more sustainable funding model that allows the protocol to grow without depleting the Community Treasury.

Trust Changes

Additionally, we would like to use this proposal to ratify changes to the set of Trustees serving the dYdX Grants Trust. As a reminder, the DEP was established as a Guernsey Purpose Trust, with five Trustees and one Enforcer serving on behalf of the community. The Trust currently consists of the following members:

Trustees

Felix Lutsch

Bora Nam

Colin Chan

Abra Tusz

Wintermute Trading

Enforcer

Cliffon Lee

We propose making the following changes to the Trust:

Remove

Abra Tusz as Trustee

Felix Lutsch as Trustee

Add

Lemma Solutions as Trustee

Polkachu as Trustee

Felix and Abra have asked to step down from their roles as Trustees given new roles and priorities that are limiting their capacity. We are grateful for their contributions and support to the program.

Lemma Solutions currently serves as Operator for the DEP, a role that involves managing payments and reconciliation. However, we have found the role's efficiency to be constrained by the lack of signing authority on the multisig. We believe that the Operator role should also be a Trustee, such that they have limited authority over the multisig, including payment uploads and execution. Given their involvement in the DEP, Lemma is now experienced in the other responsibilities of the Trustees, including new grant approvals. Their broader experience with DAOs and protocols lends itself well to these responsibilities. This improvement to our workflow coincides with Abra opting to step down due to conflicting priorities.

Polkachu, an active dYdX validator and protocol contributor, has experience serving in similar roles across other grants programs. In our experience, Polkachu is among the most diligent and responsive contributors, with tremendous knowledge of protocol infrastructure. This experience will be an enormous asset to the DEP. Polkachu will abstain from any potentially conflicting decisions, like funding grants that may impact the validator set.

Proposal

We propose that the dYdX community supports having the Treasury subDAO allocate up to \$4M of their own funds to funding the dYdX Ecosystem Development Program during the next 14 months (the remainder of the DEP's current 24-month term), expiring in March 2026. Additionally, we propose removing Abra Tusz and Felix Lutsch as Trustees on the dYdX Grants Trust, and appointing Lemma Solutions and Polkachu as new Trustees to replace them.