

Intro to E4

We have been one of the earliest market makers on dydx -[Commonwealth](#)

We are a team of researchers, traders, and engineers coming from some of the most successful firms in traditional finance. We achieved a leading position by making volume on v3 and looking forward to provide liquidity on dYdX V4. We are very excited to participate in the exchange growth plans, and support dYdX both as a market maker and an active governance participant.

Key details:

- Firm founding date:

2021

- Markets/products:

Cash, futures, swaps, and other derivatives on main centralized exchanges and major blockchain protocols

- Website:

<https://www.e4capital.com/>

Simple Summary

We are proposing to transfer 382025 DYDX from the [Community Treasury](#) to Wintermute (dydx1aakf4gq5wep9ukeemtuvrjvccz2lhnjteerrme), in exchange for ~1M USDC to seed the [Insurance Fund](#) (dydx1c7ptc87hkd54e3r7zjy92q29xkq7t79w64slrq).

Abstract

To maintain the solvency of dYdX Chain trading system, the Insurance Fund (dydx1c7ptc87hkd54e3r7zjy92q29xkq7t79w64slrq) is used as the first backstop when an account has a negative balance. Such an account will be liquidated and the Insurance Fund will take on any losses. The Insurance Fund will be used before any deleveraging occurs.

Since Full Trading was enabled on November 28, 2023, the size of the Insurance Fund is currently at 3,997.49 USDC. With [daily trading volume](#) reaching \$260M, traders on dYdX Chain would likely benefit from a sizable Insurance Fund.

As discussed on the [Forum](#), Wintermute has expressed interest in seeding the Insurance Fund with ~1M USDC using the mid-price of ETHDYDX on Binance minus a 10% discount.

Specification

1. We propose to calculate the amount of DYDX to be sent to Wintermute's address (dydx1aakf4gq5wep9ukeemtuvrjvccz2lhnjteerrme) using the following:
2. the 5-day Time Weighted Average Price to calculate the market price of DYDX, utilizing this [script](#) (and adjusting the price for 10% discount); and;
3. round the amount above to the nearest whole number.
4. If the proposal passes, Wintermute will take the mid-price of ETHDYDX from Binance with a 10% discount after receiving the DYDX, then use this price with the 10% discount to calculate how much USDC to send to the Insurance Fund.
5. Wintermute will then write on the [Forum](#) confirming the trade has been finalized with the relevant details of the trade.

Motivation and Rationale

Since Full Trading was enabled on November 28, 2023, the size of the Insurance Fund is currently at 3,997.49 USDC. With [daily trading volume](#) reaching \$260M, we think that it is an important time to seed the Insurance Fund. Therefore we are proposing to seed the Insurance Fund (dydx1c7ptc87hkd54e3r7zjy92q29xkq7t79w64slrq) with ~1M USDC.

Test Cases and Implementation

A full implementation and test cases of the proposed change can be found [\[here\]](#).

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- numbers to be confirmed