

Hello dYdX Community,

I am proposing a fundamental shift in our governance structure that decides the outcome of proposals. In my opinion, we should consider adopting a council system similar to the one implemented successfully by Synthetix as an alternative to our current one-token, one-vote system.

The proposed council, which we'll call the Trading Council, would consist of 11 elected members responsible for voting on all future proposals. The goal is to ensure that our governance system is more streamlined and more representative of the collective will of the dYdX community.

Why Change?

My decision to propose this fundamental shift in our governance system stems from the observed limitations of the current token-based voting mechanism. The one-token, one-vote system, although democratic in principle, has some inherent issues that can hinder balanced decision-making. Here are some of the reasons why I believe a shift to a council-based system will be beneficial:

1. Token Concentration:

In the current system, decision-making power is concentrated in the hands of a few large token holders. This can lead to decisions that disproportionately reflect their interests rather than the broader interests of the dYdX community.

1. Low Participation:

Given the sheer size of our community, not all token holders participate in every vote. This could be due to a lack of time, expertise, or simply the inability to keep up with all proposals. This often results in votes that don't truly represent the sentiment of the entire community.

1. Informed Decision-making:

Each proposal requires a thorough understanding of its implications, which requires time and expertise. As we're proposing, a dedicated council would be better positioned to invest the time needed to fully understand and deliberate on each proposal.

In contrast, the council-based governance system, successfully implemented by protocols such as Synthetix, concentrates voting power in the hands of a few dedicated individuals elected by the community. This can foster thoughtful, informed decision-making and a more dynamic, representative, and responsive governance process.

The Council Election Process

Establishing the Trading Council requires a transparent and inclusive election process. Here's how I propose this should work:

1. Nomination Phase:

Nominations for council members should be submitted through a form on the governance website. To ensure a manageable number of candidates, I propose accepting the first 100 applications submitted after a specific date and time, which would be announced in advance.

1. Terms of Nomination:

Each nominee is required to submit responses to a series of questions about their qualifications and reasons for wanting to join the Trading Council. This allows the community to understand each nominee's perspectives and qualifications before voting.

1. Candidate Announcement:

After the nomination phase, the candidates will be announced to the community. A dedicated 'Trading Council' section on Discord & Discourse will be created to facilitate this process and provide a platform for the nominees to introduce themselves to the community.

1. Election Phase:

The election of the council will be carried out by the dYdX endorsed delegates, with the number of votes an endorsed delegate has to be proportional to their token holding, to ensure fair representation, and they can not vote for themselves:

- 1,000+ dYdX: 1 vote
- 5,000+ dYdX: 2 votes (1 per member)

- 50,000+ dYdX: 3 votes (1 per member)
- 250,000+ dYdX: 4 votes (1 per member)
- Announcement of Elected Council:

The elected council members will be announced on the governance website once voting is complete.

This process ensures that our community is actively involved in forming the Trading Council. It also provides a model for creating other specialised councils in the future, such as a Grants Council, an Ambassadors Council, a Marketing, Communications & Growth Council, a Validator & Market Maker Council, and a Risk Committee.

How the Council Votes on Proposals

Once elected, the Trading Council will carry the responsibility of voting on all future proposals. This critical task will influence the direction of the protocol, making it essential to establish a fair, efficient, and transparent voting process.

To facilitate this, each elected council member will receive a special non-fungible token (NFT) for voting purposes. This NFT will serve as their digital identity within the council and will be used to cast their votes on proposals.

Here is how I propose the council voting process should unfold, complete with a proposed timeline for each step:

1. Proposal Submission (Duration: Open indefinitely):

Any member of the dYdX community can submit a proposal for the Trading Council's consideration. Proposals are submitted through the governance website, ensuring all voices in the community have the opportunity to be heard.

1. Proposal Review (Duration: 1 week):

Upon submission, the proposal enters a review phase. During this time, the Trading Council thoroughly analyses the proposal's merits, potential impact, and alignment with the strategic goals of the dYdX protocol.

1. Discussion (Duration: 1 week):

After the review, council members engage in an open discussion about the proposal. This deliberative process involves offering insights, raising questions, and addressing concerns and is conducted with the utmost transparency to keep our community engaged and informed.

1. Voting (Duration: 48 hours):

Following the discussion period, each council member casts their vote using their unique voting NFT. This ensures a secure, verifiable, and transparent voting process. To maintain a balanced decision-making process, each council member has one vote.

1. Outcome Determination (Immediate):

The outcome of the vote is determined by a simple majority. If a council member fails to cast their vote, resulting in a tie, the proposal will be put up for a second round of voting. If the second round also results in a tie, the proposal will be deemed rejected. If a majority of the council members vote in favour of the proposal, it will be accepted and implemented. If the majority is against it, the proposal will be rejected. A member's failure to vote may also initiate the council removal process as outlined in the 'Terms for Removal from Council' section.

1. Transparency and Reporting (Within 24 hours of vote conclusion):

The results of the vote, along with a summary of the council's discussion, are published on the governance website. This commitment to transparency allows the community to understand the rationale behind the council's decisions and fosters trust in the process.

Council Term Duration

To ensure a dynamic and evolving governance process, I propose that each term of the Trading Council lasts for six months. After this period, a new election would be held to decide the members for the next term. This will allow for a regular infusion of fresh perspectives and ideas while also ensuring that experienced council members have the opportunity to serve for consecutive terms if re-elected by the community.

The compensation of \$5,000 per month for each council member would be paid by a 'Treasury Council' (to be elected by the foundation) in USDC. This payment will be processed each month for the council member's term.

Council members serving at the end of a term will automatically be included in the next election without needing to reapply.

Their track record and contributions during their term will be considered for the re-election process. In addition, another 100 applications will be accepted for consideration by the delegates. This ensures continuity and change within the council.

Responsibilities of Council Members

As representatives of the dYdX community, council members have a responsibility to fulfil a set of critical duties during their term:

1. Active Engagement:

Council members must engage actively in the decision-making process for all proposals. This includes carefully reviewing each proposal, participating in discussions, and casting their vote using their unique NFT.

1. Informed Decision-Making:

Council members are expected to conduct thorough research and analysis of each proposal. They must understand the potential impacts, benefits, and risks associated with the proposal, considering the interests of the entire dYdX community.

1. Transparent Communication:

Council members should maintain open and transparent communication with the dYdX community. They should share their views and reasoning during proposal discussions and be responsive to community feedback and concerns.

1. Ethical Conduct:

Council members are expected to act with integrity and honesty. They should avoid conflicts of interest and make decisions in the dYdX protocol's and its community's best interest.

1. Leadership:

Council members should demonstrate leadership qualities, including the ability to facilitate discussions, manage disagreements, and foster a respectful and inclusive environment.

Failure to uphold these responsibilities may result in the council member being considered for removal. The specifics of this process will be developed and communicated by the first elected Trading Council.

Terms for Removal from the Council

While we anticipate that all council members will fulfil their responsibilities diligently, it's necessary to establish terms for removal from the council in the event of non-performance. The overarching principle is that council membership is an honour and a responsibility, and each member must be fully engaged and committed to their role.

Any council member who misses a vote on a proposal or is absent from the decision-making process over proposals may be subject to removal from the council. In addition, council members may be asked to leave for serious offences such as conflicts of interest, unethical behaviour, fraudulent activities, or disclosure of confidential information.

The process for removal could occur in a couple of ways:

1. Voluntary Resignation:

An amicable approach to relieving a member of their duties is to encourage a voluntary resignation. This approach helps the member save face, makes it easier on the other members, and generally leaves a positive view of the organisation after the departure.

1. Removal by Consensus:

This approach should be reserved for serious offences and situations. It occurs when the majority of the council votes to dismiss a member from the council. Before this, the reasons that constitute removal by consensus and the process by which it should occur would be clearly stated.

The specifics of this removal and replacement process will be developed and communicated as one of the first tasks of the elected Trading Council.

In Conclusion

The proposed changes to the governance structure, the creation of the Trading Council, and the associated processes all aim to ensure a fair, transparent, and effective governance system for dYdX. I believe these changes will bring about a more inclusive and democratic decision-making process, better representing the interests of our community and paving the way

for a successful future for our protocol.

I look forward to your thoughts, feedback, and a healthy discussion about these proposed changes. Let us continue to grow and improve the dYdX protocol together.