

Simple Summary

A proposal to distribute \$5M in [DYDX tokens](#) from the dYdX Chain Community Treasury to [qualified users](#) in trading season 1 of the dYdX Chain Launch Incentives Program.

Motivation

In line with the [initial proposal](#) shared with the community regarding the Launch Incentives Program, Chaos Labs will provide recommendations on the distribution of incentives to individual accounts.

These recommendations are derived following detailed analysis of the season's trading data, specifically looking to identify and address any artificial or wash trading. Our aim in this is to maintain the integrity and effectiveness of the program, ensuring that the incentives are fairly given to those participating in genuine trading activities on the platform. For a deeper understanding of how Chaos Labs identifies wash trading, please refer to our detailed blog post [here](#).

The recommendations, along with the end-of-season report and relevant data, are openly published on the dYdX Chaos Labs Risk Portal. This transparency allows community members to see that accounts receiving substantial rewards are contributing significant volume and generating actual fees on the platform. Those in the community who wish to verify this data independently can do so as all information is verifiable on-chain.

The recommendations are posted publicly, along with the [end of season report](#) and supporting data on the [dYdX Chaos Labs Risk Portal](#) for community members to observe. Utilizing these, community members should be able to easily confirm that accounts receiving significant rewards drive significant volume and accrue real fees on the platform. In addition, for any community member preferring to verify the data independently, everything can be confirmed on-chain.

Specification

In this allocation, \$5M in DYDX tokens are proposed to be distributed across 2,006 accounts.

The value of DYDX in USD for this allocation is based on a 7-day Time-Weighted Average Price (TWAP) as of the last day of trading season 1 (01/04/23), where 1 DYDX is equal to 2.942 USD.

The complete list of accounts and their respective proposed incentive allocations is available [here](#).

To view the trading data for each account, please visit the Chaos Labs portal [here](#).

DIP doc can be found [here](#)

Test Cases and Implementation

The implementation script used to generate the proposal can be found [here](#).

A proposal was submitted on the current dYdX Testnet to test the script and execution of the distribution. Two proposals were submitted ([Proposal 1](#), [Proposal 2](#)), since the first proposal did not meet voting quorum requirements to be executed. The second proposal was executed successfully.

Next Steps

The DGP will sponsor a dYdX Chain on-chain proposal for the community to vote on the proposed incentive distribution.

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Throughout the program, Chaos Labs' role is confined to providing recommendations regarding the allocation of rewards. The actual implementation and distribution of said rewards are subject to the formal approval process of the dYdX Chain governance votes. Any actions pertaining to reward distribution shall only be executed following affirmative governance votes within the dYdX Chain framework.