

## Summary

- We propose extending DGP v1.5 up to an additional six months
- Extension will focus on infrastructure, MEV, validators, and community initiatives
- DGP will be restructured to two funding buckets and a separate operations contributor
- Changes will be made to the Trustees and Enforcer of the dYdX Grants Trust

## Proposal Timeline

07/27

- Forum Post

08/03

- AMA Call

08/09

- Deadline for contributor submissions

08/13

- Snapshot proposal

## Background

The dYdX Grants Program (“DGP”) was launched January 10th, 2022 for an initial six month term, dubbed “v1.0”. At the end of v1.0, the program was renewed for what has now been 12 months under a revised scope, which we’ve called “v1.5”. DGP v1.5 applied the lessons learned from a broader funding approach in v1.0 to narrow funding targets that maximized for longer lasting impact on dYdX. The current term for the DGP v1.5 will expire on August 15th, 2023.

Throughout its 18 months of operations, the DGP has approved a total of 120 grants with over \$3.7 million in funding. During this period, the dYdX protocol has evolved dramatically, with priorities and targets changing rapidly in light of the dYdX v4 development. Although it’s not easy to fund grants for a protocol that is constantly evolving, we’re incredibly excited by the progress the DGP has made — particularly over the last six months — towards funding grants that position dYdX v4 to succeed. To see our progress, check out some of the projects below:

- Developing the [CCTP](#) bridge to seamlessly onboard existing Ethereum based users to dYdX v4.
- Supporting a Noble-to-dYdX [relay](#) service to enable native USDC integration to dYdX v4, the collateral asset used for all trading.
- Deploying a dYdX [Indexer](#) service on testnet to support data gathering and the future implementation of a mainnet Indexer, a core piece of the dYdX v4 protocol.
- Building a [dashboard](#) that measures and analyzes MEV behavior to lay the foundation for future mitigation strategies, among the top priorities for dYdX v4.
- Researching cross-chain and validator MEV [strategies](#) on a future dYdX chain to help us define areas of improvement.
- Supporting development efforts of CosmosSDK [VoteExtensions](#), a critical piece of infrastructure that will support price oracles and MEV mitigation on dYdX v4.
- Launching dYdX [testnet](#) services to onboard contributors and provide an improved user experience.

## DGP v1.5 Extension

The DGP will be completing its third six-month term on August 15th 2023 with over \$2M remaining in unallocated funding. Originally, our goal was to transition to a new version - DGP v2.0 - at the end of our current v1.5 term, aligning with the launch of dYdX v4. We expect v4 to be a catalyst for a whole new set of productive grants, with contributors building directly into the protocol and adding new tools to the product. The open nature of v4 is an opportunity to redefine the dYdX contributor experience, and we have every intention of scaling the program to match this paradigm shift.

However, with the open-sourcing of the dYdX v4 protocol expected for Q4 this year, we feel that DGP v2.0 should be delayed until there is a full picture of what v4 architecture is and how contributors can fit in. Since v4 is not live yet, the areas of development that contributors can play a role in remain moving targets, and it seems premature to scale up the program. Instead, we’d like to propose a six month extension for the DGP, and leverage the remaining funds in DGP v1.5 to continue funding immediate priorities that will help with the launch and potential transition to v4. We are in a critical moment for dYdX,

and it's important that the protocol is able to fund and support infrastructure tied to a successful launch.

Although there isn't full visibility into longer term funding targets, there are areas of focus today that can deliver a large impact to the protocol. We have identified several high value areas to help with the potential transition to v4. Below, we highlight what we think should be the DGP's funding priorities during an extension:

#### Protocol Infrastructure

Ahead of v4, the DGP has played an important role funding critical projects needed to support the launch, including the Indexer, CCTP development, and relayers (see above). We expect to continue funding protocol infrastructure that improves the success of v4. Projects in this category include:

- Client deployment support (e.g. iOS, Android, Programmatic)
- Cosmos SDK and CometBFT Development
- Full node and validator infrastructure
- API and additional indexing services

#### MEV Research and Mitigation

MEV research and mitigation strategies remain among our top priorities heading into v4. The in-memory orderbook state will [introduce](#) opportunities for MEV on behalf of validators, which could significantly impact the trading experience. We are working closely with Skip and Chorus One to cover all areas of research, and will continue to fund areas of improvement to mitigate its negative impact. Additional projects include:

- Improving data gathering and analysis for MEV measurement
- Researching new areas of mitigation (e.g. Threshold Encryption, FHE, TEEs)
- Supporting development efforts (e.g. VoteExtensions, Threshold Encryption)

#### Validator/Staking Tools and Resources

The launch of v4 will also introduce two new roles to dYdX: Validators and Stakers. Though existing Cosmos infrastructure exists, we intend to fund dYdX-specific tools and resources to improve the experience for all protocol participants. Projects in this category include:

- Validator monitoring tools
- Staking resources and guides
- Delegated voting power strategies (e.g. Endorsed Delegates)

Beyond these targets, we expect more funding needs to emerge in the next few months as more information on the infrastructure and needs of v4 appear. As an example, the DGP funded several grants that have played an important role in supporting the launch of the v4 testnet. Grants like the Indexer, the CCTP bridge, and relayer services have been critical, and their funding needs only became known as things progressed with development. As we get closer to v4 launch, we expect new funding needs and dependencies to emerge in a time sensitive way. It's important the community is able to commit funding efficiently to support the launch.

Because there is a strong need to fund initiatives going into v4, but also a lack of perfect clarity on what the scale and specific funding areas are, we are proposing to extend the program up to six months based on funding availability and protocol developments. The goal of this extension is to carry us through the prospective migration and into v4, where we can begin to assess new priorities and the future role of the DGP.

As part of this extension, we also suggest revising the structure, with the goal of introducing more distributed ownership and decision making into the DGP. We believe that this extension is an ideal time to trial a new structure that includes more contributors and controls ahead of a larger scale DGP v2.0. A small, but important, change in the structure will push the DGP in the right direction while maintaining efficiency in this critical period.

Below, we outline a formal proposal for extending the program.

#### DGP v1.5 Extension Proposal

##### Term

We propose the DGP is extended up to an additional six months based on funding availability. At the time of writing [DGP v1.5](#) has ~\$2M (\$1.8M DYDX and \$277k USDC) in unallocated funding. If the funding is used up before the six months, we can reassess the protocol state and collectively decide if a v2.0 program can be launched.

## Structure

We've received a lot of feedback over the last few months on the DGP's structure. In particular, there's one piece of feedback that kept coming up — integrating other community members to be part of the DGP. We heard all of that feedback, and as part of this extension, we're introducing a new process to allow additional contributors to participate in the DGP.

We think it's important that as the protocol opens up and grows its contributor set with v4, so should the DGP. We also view this as a measure of adding more controls to the DGP's processes. As the program increases in scale, it's important that more checks are in place to hold contributors accountable. Below are the new roles and responsibilities we propose be added to the DGP to welcome new faces to the program.

### 1. Grantor

Responsible for drafting RFPs, screening applications, recommending grants for approval, and managing approved grants. Grantors will be assigned to specific categories of applications based on their expertise. The idea here is that contributors with different skill sets will be better suited to draft RFPs and assess relevant applications.

- Drafting RFPs
- Screening, conducting diligence, interviewing, and negotiating with applicants in their category
- Submitting grants for approval
- Assessing recommendations from other Grantors
- Engaging and monitoring the progress of approved grants

We introduce two funding buckets in this extension: Community Initiatives and Strategic Initiatives. Funding buckets will be managed by grantors to focus efforts on specific objectives. Each funding bucket will be allocated a set amount of funding by the Trustees based on the expected impact and objectives. The success of these buckets will be measured based on individual metrics and assessments relevant to the grants approved, some of which may mirror previous [measurements](#).

#### a. Community Initiatives

Building on the early success of our [Community Cauldron](#) program, this bucket will focus on projects that build the dYdX ecosystem, grow the brand, and onboard new protocol contributors.

Funding targets:

- Events and workshops
- Promotional and educational content
- Tooling and technical resources
- Analytics

Objectives:

- Onboarding and incentivizing active contributors to the ecosystem
- Fostering community engagement
- Promoting the dYdX brand and ecosystem
- Building useful tools and resources for protocol participants

Funding Allocation: 10% (~\$200,000)

#### b. Strategic Initiatives

This bucket will focus on larger scale projects that contribute to the development, growth, and improvement of the dYdX protocol. We will build on the demonstrated success in partnerships with professional contributors to deliver services and development to dYdX.

Funding targets:

- Protocol research
- Protocol development and technical contributions
- Infrastructure and architecture support

- Protocol integrations

#### Objectives:

- Supporting the launch and maintenance of dYdX v4
- Enabling the development and integration of new features
- Onboarding professional service providers as contributors to the protocol
- Researching new areas of improvement and development

Funding Allocation: 90% (~\$1,800,000)

Initially, we expect three grantors to participate in the new structure - two with the Community Initiatives, and one for the Strategic Initiatives. We believe that adding two more contributors to the grants process accomplishes the goal of openness without damaging the program's effectiveness.

#### 1. Operator

Responsible for payments, financial reporting, and transparency updates.

- Financial reporting and tracking (e.g. balances, invoices)
- Initiating payment batches to the Multi-sig on a scheduled basis
- Updating all transparency dashboards
- Publishing monthly reports and updates
- Trustees

We also propose slightly adjusting the role of our Trustees to account for new contributors and changes to the structure. The Trustees will be responsible for:

- Assessing and approving grants submitted by the Grantors
- Deciding on and maintaining funding allocations between each bucket
- Approving transactions submitted by the Operator
- Holding each contributor accountable to their responsibilities

Given the added responsibilities, Trustees will need to take a more active role in the DGP. Most importantly, the Trustees will need to make sure funding is distributed efficiently across each bucket to maximize the impact from grants. That means weighing the submissions from each bucket against each other to make sure funding is being allocated effectively within the agreed allocations.

How is this different from the current version?

In previous versions, the DGP has operated with a Grants lead in charge of all Grantor and Operator responsibilities. The Trustees were responsible for approving all grant recommendations and holding the lead accountable. In other words, the DGP was maintained by one contributor while the Trustees managed approvals and payments.

In this new version, the DGP is being split across different roles. In doing so, more contributors can participate in running the program and additional controls can be introduced to improve processes.

#### Outline

Here is a rough [outline](#) of how we imagine the revised Grants program operating across all contributors

[

1050×1600 59.5 KB

](<https://europe1.discourse-cdn.com/standard21/uploads/dydx/original/1X/9c780e88e649df3e3104a7fa1d6a4bf77ad1bff4.png>)

#### Contributors

We propose the following assignments and additions to the DGP using the updated structure:

## Grantors

- Community Initiatives
- TBD
- TBD\*
- TBD
- TBD\*
- The second Grantor will be appointed by the new set of Trustees once the extension is launched. The Trustees will run a new selection process.
- Strategic Initiatives
- Reverie
- Reverie

## Operator

- TBD

As part of this proposal, we invite community members and interested parties to express their interest in joining the DGP as a Grantor for Community Initiatives and the Operator role. The existing Trustees will collectively review all interested members and select their top choices as part of the proposal.

We encourage any interested community members to include the following information in their outreach on this thread:

- Background
- What role are you interested in?
- Why would you like to contribute to the DGP?
- What should the DGP prioritize as part of this extension?

How will new members be selected?

Existing Trustees will assess all applications and put forward a recommendation for new members of the DGP as part of the proposal.

## Legal Amendments to the Trust

### Enforcer

We propose replacing Reverie from the Enforcer role. Reverie was originally assigned to be Enforcer as part of our role in establishing and guiding the dYdX Grants Trust. Instead, it makes more sense for Reverie to serve as a contributor to the Trust. The Trust would now benefit from an individual or entity not involved in the day to day taking on the Enforcer responsibility.

As a reminder, the Enforcer is responsible for holding Trustees accountable and communicating activity with the community. The Enforcer reviews activity performed by the Trustees to make sure the purposes of the Trust are being carried out.

### Remove

- Reverie Reserves, LLC

### Add

- TBD

### Trustees

A few of our existing Trustees will be stepping down in an effort to invite new members of the community and ecosystem to participate in the DGP. Based on the applications received, the final proposal may replace more or less than what was originally outlined. At this time, we propose making the following changes to the Trustees of the dYdX Grants Trust:

### Remove

- GFX Labs, Inc.

- Scalar Capital Management, LLC
- Alexios Valonasis

Add

- TBD
- TBD
- TBD

As part of this proposal, we invite community members to express their interest in serving as either Enforcer or Trustee on the dYdX Grants Trust. The existing Trustees will collectively review all interested members and select their top choice.

We encourage any interested community members to include the following information in their outreach:

- What's your background? What previous work have you done?
- What role are you interested in?
- Why are you an ideal fit for the role?
- What should the DGP prioritize as part of this extension?

## Budget

At the time of writing, the DGP has over \$2,000,000 in funding available. Below, we outline a budget for operating the DGP using the existing funding available.

Compensation

Contributors

Grantor (Strategic Initiatives)

\$35,000 / month

Grantor (Community Initiatives) (2)

\$6,000 / month (\$3,000 each)

Operator

\$2,000 / month

Trust Members

Lead Trustee

\$2,500 / month

Other Trustees (4)

\$4,000 / month (\$1,000 each)

Enforcer

\$1,500 / month

Total

\$51,000 / month

Operating Expenses

Legal

\$20,000

Maintenance / Infrastructure

\$10,000

Total Budget (6 months)

\$336,000

A note on the compensation difference between the two buckets. The Strategic Initiatives bucket will encompass roughly 90% of the funding budget. We expect the majority of long term impact to be produced from this bucket. Historically, these types of grants have required significantly more time and resources to produce. They include long-term commitments with professional service providers, requiring more complex structures and management to maximize the value created for the dYdX protocol. Community Initiatives on the other hand are typically issued with a default structure and little back and forth. We believe in the value of both buckets. They can both generate impact to dYdX in their own ways. The compensation reflects the significant difference in workload and commitment between the two.

## **Proposal**

We propose extending the DGP v1.5 up to an additional six months using the remaining \$2M funding available. As part of this extension, the DGP will be restructured to onboard two more contributors to the grant management process and one member to manage operations. Finally, we also propose making changes to the Trustees and Enforcer, opening up these roles to new community members.

We look forward to everyone's thoughts and comments on this proposal. With the current term expiring on August 15th, we aim to put the proposal up by August 13th.