

Summary

This proposal aims for the dYdX Treasury subDAO to take control over the stDYDX in the [dYdX Community Treasury](#) and any stDYDX or DYDX accrued through autocompounding staking rewards. If this proposal passes, the Treasury subDAO will receive all stDYDX from the dYdX Community Treasury, redeem stDYDX, and receive DYDX (exact amount will be determined at the rate at redemption).

The consolidation of the programs will maximize yield by minimizing third-party fees (the 7.5% fee on staking rewards charged by Stride Protocol), streamline management, and align treasury operations under a unified framework.

The proposal builds upon the successful establishment of the dYdX Treasury SubDAO to fulfill its mandate.

Background

Stride Community Staking Program

In March 2024, the dYdX community [approved](#) a [proposal](#) to stake 20,000,000 DYDX using Stride's liquid staking mechanism. The program aimed to: 1/ Enhance the economic security of the dYdX Chain by leveraging idle treasury funds and 2/ Earn passive yields via auto-compounding staking rewards into DYDX, concomitantly creating buying pressure for DYDX. Stride also offered discounted 7.5% fee (from standard 10% fee).

The dYdX Community Treasury currently holds 19,461,950 stDYDX, redeemable for 21,635,610.16 DYDX, reflecting 1,635,610.16 DYDX earned since March.

This represents 92.5% of the total staking rewards earned, while Stride has retained approximately 132,617.04 DYDX as fees (7.5%).

Stride's original proposal outlined that the community could redeem stDYDX for DYDX by directing stDYDX tokens to the dYdX Community Pool ICA address as the recipient. Any stDYDX deposits sent to this address are automatically detected via Interchain Queries (ICQs) and redeemed through Stride. After the unbonding period, the unbonded DYDX, along with all earned and auto-compounded staking rewards are returned to dYdX Chain.

Treasury subDAO

In September 2024, the dYdX community [approved](#) karpatkey's [proposal](#) for the creation of dYdX Treasury subDAO. The Treasury subDAO was established with the [initial goals](#) of : 1/ Creating a legal entity that will remove tax and regulatory uncertainty of holding and managing the Community Treasury, 2/ Developing a staking program, and 3/ Overseeing financial planning, including execution of diversification and yield generation activities on the treasury assets.

Since its establishment, the Treasury subDAO has created a legal entity (Cayman Foundation) and started its [Staking Program](#).

Objective

The Treasury subDAO and its legal entity (Cayman Foundation) have successfully been set up, mitigating earlier tax and legal concerns with respect to the Community Treasury. As such, the Treasury subDAO would like to expand assets under its control.

This proposal will have no impact on fees that karpatkey is currently receiving. karpatkey [charges](#) 5% fee on the net (after validator fees) staking yield, payable in USDC, with a lower bound of \$300k per year and upper bound of \$1M per year; additional 20M DYDX tokens will increase dYdX Treasury SubDAO's purview to 66.7M DYDX tokens. However, given current price and staking yield, fees will remain at lower bound of \$300k per year, thus resulting in net saving for dYdX.

Potential Next Steps

The process will involve the following steps:

1. The Treasury SubDAO will submit a proposal to transfer all stDYDX to an address controlled by the Treasury SubDAO (dydx1vx93pwuxf7j5c90tukj084ka26fclcljuqdmw2a).
2. The Treasury SubDAO will send the stDYDX tokens to the dYdX Community Pool ICA address for redemption via Stride.
3. After the 30-day unbonding period, the redeemed DYDX will be received in the Treasury SubDAO's address and

subsequently staked with dYdX Chain validators.