MegaVault Operator RFP

1. MegaVault Overview

On Aug 6, 2024, dYdX Trading published a deep dive on the MegaVault.

MegaVault is an upcoming user-facing feature on the dYdX Chain that enables users to deposit USDC in exchange for yield while providing liquidity to various markets on the dYdX Chain. The deposited USDC will be utilized in automated market-making strategies across markets on dYdX Chain.

MegaVault will operate using multiple “sub-vaults,” each running an automated market-making strategy for a specific market. The initial version of MegaVault will require an “operator,” elected via governance, to manually perform critical operational tasks such as moving USDC between sub-vaults and adjusting parameters that control the vault’s quoting strategies. Future iterations may automate these tasks, potentially removing the need for an operator.

2. Expected Responsibilities of the MegaVault Operator

The operator is expected to conduct preliminary research into the workings and requirements for a successful deployment and operation of the MegaVault. Preliminary research includes reviewing the vault parameter codebase, designing a playbook for how to manage allocations, and thinking through risk management strategies.

The operator will be responsible for drafting and submitting a governance proposal to launch the MegaVault and assign themselves as the operator.

If the dYdX community approves of the proposal, we expect the following ongoing responsibilities for the operator role:

1. **Managing USDC Allocation:**
    - The operator will be responsible for allocating USDC among market-specific “sub-vaults” based on the needs of the markets and the strategy of the MegaVault. This includes ensuring that the liquidity is effectively distributed across different markets to optimize effectiveness.
2. **Adjusting Sub-Vault Parameters:**
    - The operator will manually adjust the parameters of each sub-vault. These parameters control various aspects of the vault’s quoting strategy, such as:
        - **Quoting Aggressiveness:** Deciding how defensive or aggressive the market-making strategy should be, considering market conditions and risk appetite.

        - **Quote Size:** Determining the size of the quotes being offered in each market to balance liquidity provision with potential returns.
3. **Monitoring and Risk Management:**
    - Continuously monitor the performance of the sub-vaults and make necessary adjustments to improve effectiveness. This includes responding to market conditions and ensuring the vault's positions are managed prudently.
4. **Reporting and Transparency:**
    - Provide regular updates and reports to the governance community on the status of the MegaVault, including performance metrics, risk assessments, and any significant changes made to the vault's operations.
5. **Coordination with Governance:**
    - Work closely with the dYdX governance community to implement any changes or improvements to the MegaVault strategy.
6. **Transition to Future Automation:**
    - As the dYdX Chain software evolves and the MegaVault becomes more automated, the operator may be expected to assist in the transition, ensuring a smooth handover of tasks to automated systems.