

# IOTA Treasury governance - an overview of how others do it

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All the Information in this doc is what I found out using google and reading what is out there. I have tried my best to collect solid facts, but I might also be wrong on some points. **This document is open for comments, so please feel free to use this commenting function to make the best available version for the community.**

**IOTA has a fantastic opportunity**, and I would like to shed some light on possible structures and models that could serve as a good concept for treasury **governance**.

After some deep research in how other projects tackle the challenge of democracy and community voting during the last couple of weeks and discussion with the fantastic IOTA community in Discord and our Community - Governance Github, I think it is time to give some information to those that have not yet looked deeply into this thematic.

**The challenge the IOTA community faces is not new**, and similar questions came up in other projects and solutions. The discussion we had the last couple of weeks has also shown that the IOTA community might need to find its way of doing things **because our demands are also a bit different than those of other projects**.

## Fundamental problems of “community decision making” in Distributed ledger projects...

If you research how others approach governance (Mainly had a deep dive into Polkadot, Cardano, Dash, Monero, Yfi, Uni, Cosmos), It becomes clear that, even if all those projects take different approaches to governance, some problems occur again and again:

- 1.) **Low community participation** - Most votes generally have pretty low voter counts (10 - 100 voters) compared to what someone would have thought how popular the project is and how huge the community “seems to be.” The exception is ADA which seems to have participated in the thousands (based on ADA accounts - have not found out how good Sybil protection for that is)
- 2.) **Centralizing voting power** in a few “rich and important” personalities that de facto “rule the project through governance” - often founders and initial developers of the protocol who are still actively working on the project and own significant stake or large influence/followers.

- 3.) **Proposal spamming** - if everyone can easily propose something, it leads to an overflow and spam of junk proposals that have no intention of bringing the project forward and are purely fun and junk.
- 4.) **Multi voting attempts** - bad actors will always try to find loopholes in the process to enrich themselves personally or damage others or the whole governance system by attempting to gain massive voting powers and influence through system weaknesses.
- 5.) **The complexity of the protocol and the proposals** - Most community members, don't have the skills to rate and research if a proposed change or project can deliver what it promises. This might be one reason for low participation rates because topics that are too complex most likely will make it difficult to form a clear opinion on...

## What different projects typically do:

- 1.) **Implement a “cost” for proposals of changes** - this is used to prevent proposal spamming and is done in different ways, but mainly **token locking** is used:
  - Proposers need to deposit and lock a minimum amount of funds to create a proposal. Some projects return these funds always to the proposer after the vote. Others return it only if the proposal is receiving a successful “Yes” vote from the voters.
  - Deposit is usually roughly linked to the asked funding amount (more funding - more deposit).
- 2.) Nearly all projects that I have found have the **voting power directly linked to token holdings**. So your stake in the project decides how many votes you can bring into the decision. Votes are cast through depositing funds on an address for “Yes or No,” At a specific time, the majority of deposited funds decide if the proposal is accepted or declined.
  - **Different approaches try to level out this pure monetary voting with other attempts** but objectively seen, even if they invent complex structures, it is a clear economic value voting in the end. Some have formed councils or committees with voting power or veto rights not to lose total control over the votes...
- 3.) To create an incentive and “seriousness” and also a “risk” for voters, **deposited voting funds are usually locked for some time** to increase the monetary risks and **fight the “vote-buying” phenomena**. Otherwise, rich entities could just buy enormous amounts of tokens shortly before the vote, deposit these funds for voting, reclaim the tokens, and sell them back to the market. **Locking the votes over several days or weeks** brings a risk due to volatile changing token prices and therefore is hoped to reduce the attempts of whales influencing the outcome with a quick cash grab.<sup>2</sup>

- 4.) **Delegating your vote to someone else is usually possible.** It is hoped to let voters still raise their voice and opinion even if they don't have the time to participate in every vote or follow the process closely. Typically they delegate the votes to "persons" that are influential in the project or community and seem trustworthy for them, and they believe that these persons will act in their best interest.
- 5.) **Different kinds of "councils, teams or committees are formed** to either...
- Have an oversight entity that removes apparent spam proposals
  - Have a gremium of "trusted ones" that formulate their opinions about a project and give recommendations
  - Have a gremium of tech experts that can oversee the technical details of a proposal and provide recommendations
  - Have those gremium members vote with increased voting power or significant delegated stake
  - Let the committees create their own proposals
  - Often project founders or core developers are present in these committees and play a leading role in decisions.
  - Gremiums decide on their own scope about proposals without community voting - depending on the type and budget of the proposal. Sometimes teams have formed that focus on specific topics and can self-regulated decide about proposals without putting everything up to a public vote.
- 6.) **Members of those Teams or councils are usually voted into the gremium by public votes.** Systems of periodical rotation are put in place sometimes, but not always.
- 7.) Some projects leave all decisions entirely in a **pure token-based and unregulated system (mainly in new Defi projects common)**, votes are collected, Smart Contracts release funds on successful voted proposals, very unregulated direct actions.
- 8.) **All systems (exception ADA) offer the possibility to change (all, or most) rules of the system by a majority decision of the voters.**
- 9.) Many of these "decentralized" projects do things very similarly. Nearly all **those governance systems are in place mainly to rule the project in total, so primarily to decide which protocol changes to take, which code parameters to change, which way to continue in the development...So mostly, they try to put the work that the IOTA Foundation is doing in the IOTA project into community governance voting...** Decide yourself if this seems to be an optimized approach.

## A short overview of some governance systems in Crypto:

### Dash

- One of the first established systems ever (early 2017)
- Votes are cast by **big node operators** (Masternodes) that carry out all decisions in the Network
- To become a Masternode operator, you must hold a **minimum of 1000 Dash (currently 260.000 USD)**
- Everyone can propose changes to the network or ask for funding. **The fee for submitting is 5 Dash (around 1100 USD)** and is non-refundable and burned no matter the outcome of the vote
- No “normal users” have a voting right

### Compound (Atom)

- Votes are cast using the Comp token - **1 token = 1 vote**
- **Votes can be delegated** to any other address in the network
- Proposals can be brought up by anyone that has a **minimum of 1% of the total Comp** supply in his address (owned or delegated)
- **The voting period is three days** per proposal, and proposals are accepted if **a majority has agreed and a minimum of 400.000 Comp (~ 8% of the circulating supply) has cast votes in the proposal**. 2 days after the proposal is accepted, it will be executed.

### UNI

- Users can suggest a change by bringing it up in a **governance forum in a so-called “temperature check.”**
- Users that like the idea can vote for it by **depositing UNI tokens in the “Snapshot” application**
- **If a minimum of 25.000 UNI Votes (~625.000 Dollars) is collected in 3 days** voting period for a “yes” majority, the idea is moved into a decision-making process.

- The proposer needs to create a new thread in the forum and bring the topic forward as a “**proposal,**” and **five days after the voting process starts**. After five days, the option with the most UNI tokens (**but a minimum of 50.000 UNI**) wins the poll and can be moved forward to the next step.
- The 3rd step is a **governance proposal**. This is the intention to change the protocol code. The proposer must submit the code changes and post the proposal now as a “governance proposal.” To do this, **the proposer needs a minimum of 10 million UNI (250 million USD) held or delegated in his address**.
- The voting period is now **seven days with a two days time lock for tokens in the vote**. After these seven days are over, the majority decision wins.

## ADA

- ADA holders vote on proposals based on token holdings using an app **1token = 1 vote**
- Voters need to deposit ADA and **lock an amount for a given time to cast a vote**.
- **The minimum requirement to be allowed to vote is holding 500 ADA** (around 800 US Dollars atm)
- Voters that participate in voting get **rewards paid out in ADA** similar to staking, the tokens that are deposited to vote still receive also their staking rewards
- Every six months, a predefined amount of ADA is released into a **Fund and made available for voting and distribution**.
- **Every fund is set up to solve a different problem** / provide solutions for a different topic.
- **Decisions are made on several ( 6 - 10) predefined Thematics per fund**. A fund only accepts proposal for a vote that follows the defined topic of the fund - **Thematics are formulated as Questions**: ”How can we create a positive developer experience that encourages more developers to create dApps on Ada” or “How can we encourage Defi teams to build Defi Solutions on ADA in the next six months?”
- **Every Thematic has a fixed amount of money** (a fraction of the total fund amount) available - like 50.000 Dollars for topic 1, 50.000 Dollars for topic 2, etc.
- The IOHK organization formulates all those topics and Fund thematics and the available fund amounts. However, users can also vote on different suggested topics/thematics of the next funding round for the more recently released funds.
- **Everyone can propose projects** that help answer these questions or focus on solving the task and ask for funding for these topics.
- Proposed projects go through **different phases of discussions, receive ratings from experts** from IOHK, and finally be brought up to vote to the community of ADA holders.

## Polkadot

- **Three different bodies have a say in the decision-making:** 1. Public referenda chamber, 2. The council, 3. The technical committee
- Every DOT holder can bring up public referendums, and every DOT holder can vote on them **weighted to the amount of DOT held. One token = 1 vote, but algorithms are in place that can lower or increase this.**

### Proposals:

- To create a proposal, someone needs to **deposit a minimum amount of DOT**. to make a proposal successful. Others need to **support the proposal by depositing** at least the same amount of DOT towards the proposal.
- The deposited tokens of the proposer and everyone that seconds the proposal will stay **locked until the proposal is brought up for a vote** and cannot be retrieved until the proposal is up for a vote **even if the proposal never gets into a voting state**
- At the end of every month, **the proposal with the most locked tokens** will be moved to the voting stage and **become a referendum**. All other submissions will have to wait until the end of the following month and continue to collect token support deposits to get a chance of being voted on.
- **Only the most successful proposal of every month will be moved to a public referendum vote** - the previously locked funds will be released back to all users who seconded the proposal and the proposal initiator.

### Referendum voting:

- **The voting time for a referendum is 30 days.** At this time, DOT holders can deposit DOT in the vote for “Yes or No” - these tokens are not locked directly, and it is possible to change your vote and opinion. **Counting of votes is done at the end of the 30 days**, and the **majority of deposited funds at this time decides the outcome of the vote.**

### The “power” of a vote depends on:

- 1.) **Amount of tokens** deposited into the vote by a voter
  - 2.) **Chosen time (conviction) that these tokens will be locked** after the voting period is finished - which creates a multiplier on the voting power. **The longer a vote is chosen to stay “locked” in the voting decision, the more times the number of deposited tokens will be multiplied**
- **Choosing to not at all lock your deposited tokens** gives your token amount a multiplier of 0,1 (**100 Tokens = ten votes**)
  - **Choosing to lock your vote for eight days** after the voting period is finished gives you a multiplier of 1 (**100 Tokens = 100 votes**)

- **The maximum locking period is 256 days** which will produce a multiplier of 8 (**100 Tokens = 800 votes**)

#### **Delegating votes for referendum votings:**

- **Users can delegate** amounts of tokens to other users who should vote on their behalf and choose the conviction (locking time) for those delegated tokens. **The user that receives the delegation can then vote with the delegated tokens** and the locking period of the tokens he received from someone else.

#### **The council:**

- The council currently consists of 13 members (planned to increase to 24). **Elected in a stake based voting by DOT holders**
- Along with **controlling the treasury**, the council is called upon primarily for three tasks of governance: **proposing sensible referenda, canceling uncontroversially dangerous or malicious referenda, and electing the technical committee.**
- The council can propose referendums on its own, and those will be brought up to public voting. **Every month the public voting switches between a public proposed referendum and a council proposed referendum.**
- The council **can cancel all public referendums with a majority of 2/3rd of the council members.**
- Council members are **chosen out of a set of candidates every six months** depending on how many tokens are deposited to vote by holders on the voting account of the council member. Voters can split their holdings over several candidates.

#### **The technical committee:**

- **Voted by the council**
- Can **veto and cancel all referendums**
- Can **propose own emergency referendums**
- It consists of a team formed by the two companies that develop the Polkadot technology, **both owned by Gavin Wood, the founder of Polkadot**

#### **Polkadot treasury:**

- Funds can be requested through a proposal
- Minimum 5% of the requested funds or **minimum 100 DOT (around 2500 Dollars)** must be deposited to make a proposal.  
This deposit is burned if the proposal is declined
- Funding is granted by the **decision of the council**
- The Council ultimately controls the Treasury, **and how the funds will be spent is up to their judgment.**

## Resources:

### General:

[Liquid Democracy: True Democracy for the 21st Century | by Dominik Schiener | Organizer Sandbox | Medium](#)  
[Decentralized Governance: Innovation or Imitation? | by Ashwin Ramachandran | Dragonfly Research | Medium](#)  
[Snapshot](#)

### Dash:

<https://docs.dash.org/en/stable/governance/understanding.html>

### Compound:

[Compound Governance. Steps towards complete decentralization | by Robert Leshner | Compound | Medium](#)

### YFI:

[YIP-61: Governance 2.0 - Proposals / YIPs - yearn.finance](#)

### UNI:

[Community Governance Process - Governance-Meta - Uniswap Governance](#)

### Polkadot:

[How Polkadot's Governance Mechanism Works — 6 Key Questions and Answers | by Gilbert Bassey | Coinmonks | Apr, 2021 | Medium](#)  
[Participate in Democracy · Polkadot Wiki](#)  
[Join the Council · Polkadot Wiki](#)  
[Voting for Councillors · Polkadot Wiki](#)  
[A Walkthrough of Polkadot's Governance](#)

[Polkadot/Substrate Portal](#)

[Polkasembly | polkadot](#)

[Here's Why Polkadot Will Fail? | ProVsCons](#)

**ADA:**

[Cardano | Governance](#)

[Project Catalyst - by IdeaScale](#)

[435.pdf \(iacr.org\)](#)

[Cardano Catalyst Community Site](#)

[Cardano Part 1: Project Catalyst — The Future of Decentralized Voting | by Ruma Das | Medium](#)

[Catalyst Voting Guide \(cardanojournal.com\)](#)