



# Arbitrum Foundation

## 2023 Transparency Report

Highlighting Substantial Ecosystem Growth and Contributions

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# | Executive Summary

The Arbitrum Foundation (the “**Foundation**”), a Cayman Islands foundation company serving and governed by the ArbitrumDAO, has published its annual Transparency Report, providing the Arbitrum community with a transparent view into the Foundation actions since March 2023, and the impact those contributions have had on Arbitrum, its developer community, and its user base. The Foundation exists to foster the growth and development of the Arbitrum ecosystem, and even in its nascent stages, the Foundation has already taken a significant role supporting any and all DAO activities. The initial transparency report stemming from the formation of the Arbitrum Foundation can be found [here](#).

Since its founding, The Arbitrum Foundation has upheld its role in supporting the Arbitrum ecosystem and enforced the guidelines and general framework outlined in the [ArbitrumDAO Constitution](#). While The Arbitrum Foundation doesn’t lead the DAO, it provides critical support to the delegates and DAO members who are working to continue Arbitrum’s surge as the Layer 2 blockchain of choice for innovators in the web3 space. Ultimately, the Foundation and DAO exist to decentralize Arbitrum and put power in the hands of its community – a feat successfully accomplished in 2023.

Throughout the year, The Arbitrum Foundation has worked closely with the DAO, community, developers, ecosystem projects, and other parties to ensure that Arbitrum continues to pioneer blockchain development. Financially, the Foundation provides promising projects with capital and guidance to support and enhance ecosystem development through its grants program and through strategic ecosystem support. From a tech perspective, the Foundation oversaw the proposals of multiple developer innovations proposed to the community, including the potential implementation of Arbitrum Stylus, a tool that provides immense scalability and also seeks to simplify the coding process for developers looking to build with their coding language of choice. The Foundation has been active champions of the technology, supporting projects that want to migrate to the Arbitrum Nitro tech stack and is excited by the prospect of more communities launching Orbit chains developed with Arbitrum Technology.

To uphold its commitment of operating as a fully transparent organization, the Foundation has released its 2023 Transparency Report in full. The Foundation has remained paramount to the success, security, and growth of Arbitrum and is excited to continue working hand-in-hand with the ArbitrumDAO and Arbitrum’s dedicated community members.

Please find the full transparency report below.

## | Disclaimer(s)

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# Foundation Strategic Priorities

The Foundation is focused on executing against its strategic priorities as laid out in [its bylaws](#):

01

## Technical Advancement

Enabling the development of technical improvements and feature development to maintain and increase Arbitrum capabilities to provide low cost, high throughput scaling solutions with best-in-class user experience.

02

## Grants and Strategic Partnerships

Fostering ecosystem growth through strategic grants to align with partner projects including, but not limited to, infrastructure providers, application developers, artists, creators, brand partnerships, creative studios, and strategic growth partners.

03

## Educational and Community Initiatives

Organizing educational initiatives and both participating in and hosting events to increase awareness of and promote Arbitrum's technology and ecosystem.

In addition to the aforementioned strategic priorities, as part of fostering governance of ArbitrumDAO approved chains, the Foundation views DAO enablement as a key priority of the Foundation. The goal is to support the DAO in implementing and executing, where reasonably possible, on DAO-approved initiatives and proposals, to enable and empower the realization of it, all in accordance with the ArbitrumDAO Constitution.



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# **Foundation and ArbitrumDAO Overview**

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To best understand the relationship between The Arbitrum Foundation and ArbitrumDAO, it's important to first note the DAO's mission.

**The ArbitrumDAO has two primary responsibilities:**

**01**

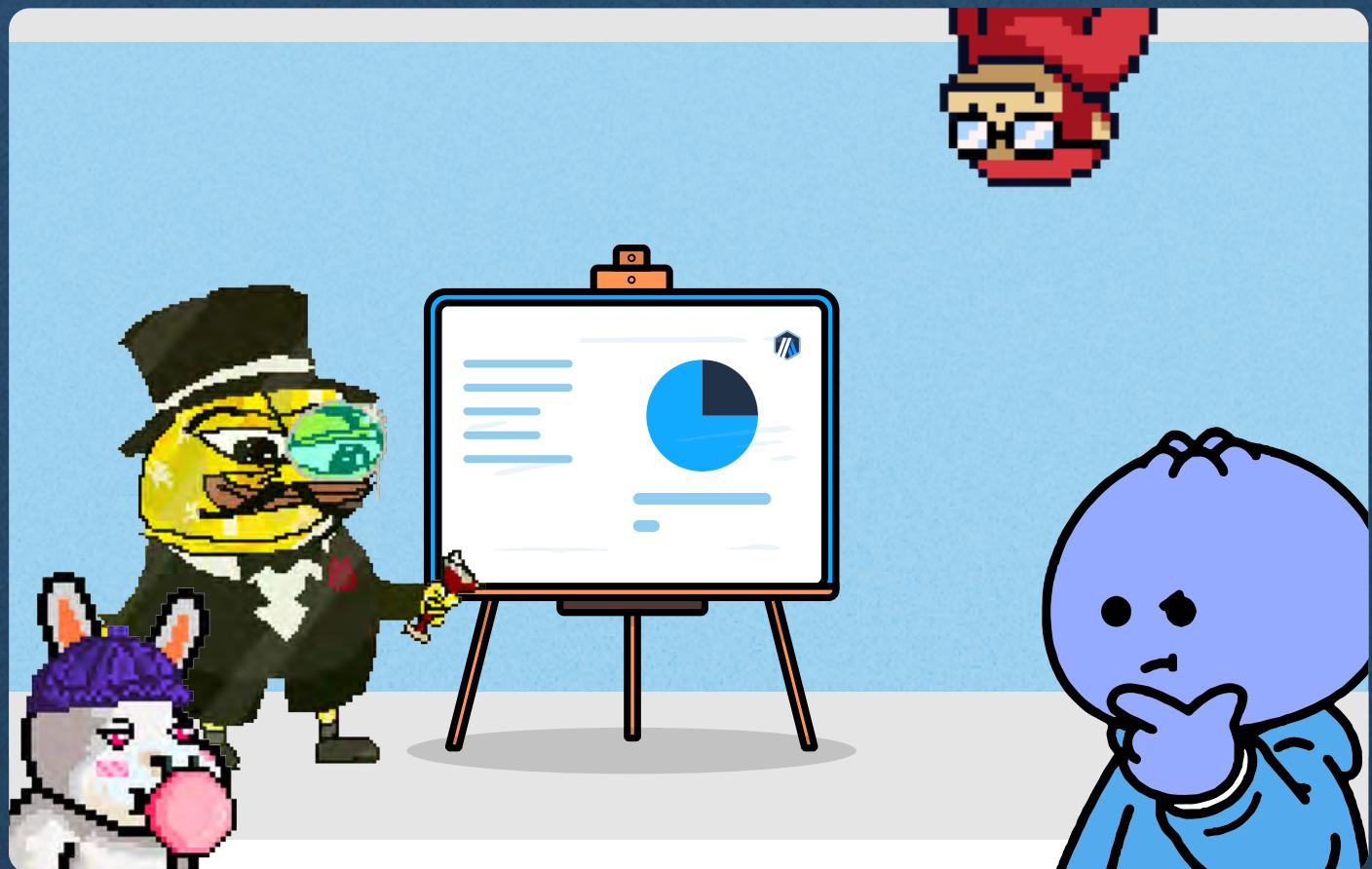
Protect the Arbitrum Protocol and deliberate on and approve upgrades to the protocol

**02**

Allocate its treasury to contributors who seek to grow the Arbitrum community and ecosystem

The Arbitrum Foundation acts as a platform of enablement for the ArbitrumDAO. If the ArbitrumDAO makes a decision and approves a community proposal, then The Arbitrum Foundation will endeavor to do all that is reasonably possible to support the realization of it, in accordance with the ArbitrumDAO Constitution and applicable laws. In this way, The Arbitrum Foundation is effectively acting as the ArbitrumDAO's civil service.

This section of the report highlights the actions of the ArbitrumDAO, in addition to any involvement from The Arbitrum Foundation that supports a DAO-approved proposal.



# Testimonials From Key Delegates in the ArbitrumDAO



The ArbitrumDAO emerged as one of the most exciting parts of the crypto space this year. Arbitrum truly embodies the meaning of D (decentralization) A (autonomous) in DAO. Delegates and contributors worked together in a bottom-up fashion to drive ecosystem growth via incentives, kickstart grants programs, and secure the Arbitrum chains via security council elections. I can't wait to keep building together in 2024!

**Frisson (Tally)**



The ArbitrumDAO is unlike any other network and ecosystem out there. It has been a transformative force for Treasure and helped foster our growth to emerge as one of the leading decentralized gaming ecosystem in all of web3. Since our inception in 2021, we've grown hand-in-hand with Arbitrum as one of its earliest projects. This was made possible in large part due to the DAO through our shared values of collaboration and decentralization, bottom-up approach, access to deep liquidity, and focus on innovation and experimentation. As the largest delegate to the DAO, Treasure has taken up the charge to further advance and build with Arbitrum in the hopes of propelling our collective ecosystems to new heights as we head into 2024.

**Karel (Treasure)**



Arbitrum is one of the most active and passionate DAOs in crypto with almost 100 regular contributors from a wide range of backgrounds. So far the DAO has mainly focused on utilization of the treasury. Continuing to take "big swings" in this regard in an attempt to build a brand moat and competitive advantage which will be particularly important in '24 as the number of rollups exponentially increases. The appetite from delegates for framework creation has been an interesting theme throughout the year that will likely continue.

One weakness of the DAO thus far has been the lack of conversation around creating a unified vision for the future of the rollup from a technical perspective. Important topics like the future of the sequencer, stylus, gas mechanism, fraud proofs, and more go largely unaddressed. Given the DAO's control over upgradeability, this is a key area in need of improvement.

**Matt (Blockworks Research)**



ArbitrumDAO is running one of the most interesting experiments in crypto right now - handing over ownership of the entire chain infrastructure to the DAO, without setting up any DAO structures in advance. We are trying to bootstrap and form those structures right now, and we have to come to an agreement within the voting power distribution we have. It's a huge responsibility for us as delegates, but also a super exciting experience. We've accomplished a lot in the past few months, and I can't wait to see what we come up with in the coming year.

**Krzysztof Urbański (L2Beat)**

# ArbitrumDAO Treasury Recap

The ArbitrumDAO has a substantial treasury. Currently, the treasury holds 35% of all ARB tokens and over 9,000 ETH from Arbitrum One and Arbitrum Nova's chain revenue (as of December 31, 2023). Since its inception on March 23, 2023, beyond the initial funding of The Arbitrum Foundation the DAO has approved proposals totaling **75,901,531 ARB** (as of December 15).

Arbitrum One Fees Collected (ETH)



Total: 9419.7639



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# **Progress of the ArbitrumDAO**

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## AIPs that have been voted on by the ArbitrumDAO can be roughly classified into the following categories:

1. Funding the Arbitrum Foundation
2. Grant Programs
3. Integrations With Arbitrum

Below is an overview of the proposals approved by the ArbitrumDAO as of December 31 2023.

### Onchain AIPs Since the Inception of the ArbitrumDAO

AIP	Impact	DAO Spending (ARB)	Author/Proposer
<a href="#">[UPDATED] AIP-1.1 - Lockup, Budget, Transparency</a>	<p><b>Proposal passed</b></p> <ul style="list-style-type: none"> <li>Foundation deployed <u>smart contract vesting wallet</u> in the specified configuration and transferred 700 million \$ARB (7.0%) to it</li> <li>Proposed due to the failure of AIP-1</li> </ul>	750,000,000	Arbitrum Foundation / L2BEAT
<a href="#">AIP-1.2 - Foundation and DAO Governance</a>	<p><b>Proposal passed</b></p> <ul style="list-style-type: none"> <li>Amendments to the <u>Constitution</u>, <u>Foundation By-Laws</u>, and <u>A&amp;R M&amp;A</u></li> <li>Proposed due to the failure of AIP-1</li> </ul>	0	Arbitrum Foundation / L2BEAT
<a href="#">AIP-2: Activate Support for Account Abstraction Endpoint on One and Nova</a>	<p><b>Proposal passed</b></p> <ul style="list-style-type: none"> <li>Config value change from PR # <a href="#">1474</a> to the load balancer</li> <li>The new endpoint's <u>design</u> allows for up to 1,000 slots. To accommodate this increase for conditional transactions, PR 1474 removed this 0 restriction for Nitro and for the testnet</li> </ul>	0	Jason Windawi (Alchemy) / Yoav.eth
<a href="#">ArbitrumDAO Grants - Delegated Domain Allocation by Questbook</a>	<p><b>Proposal passed</b></p> <ul style="list-style-type: none"> <li>800,000 ARB transferred from DAO Treasury to Questbook's <u>multi-signatory address</u></li> <li><u>Grant program</u> launched with gaming, education, community growth and events, new protocols and ideas, and dev tooling domains</li> </ul>	800,000	Saurabh (Questbook) / bobrossi.eth
<a href="#">AIP - 3 [Non-constitutional] Fund the Grants Framework Proposal Milestone 1</a>	<p><b>Proposal passed</b></p> <ul style="list-style-type: none"> <li>3,360,000 ARB transferred from DAO Treasury to <u>Plurality Labs multi-signatory address</u></li> <li>Aims to provide capture-resistant, scalable, sustainable and progressively decentralized methods for distributing funds to grant applicants, to best suit the specific needs of the Arbitrum Ecosystem</li> </ul>	3,360,000	DisruptionJoe / Frisson
<a href="#">AIP 4: Update Security Council Election Start Date to Ensure Time for Security Audit</a>	<p><b>Proposal passed</b></p> <p>The following revisions were made to the <u>Security Council Elections section of the Constitution</u>:</p> <ul style="list-style-type: none"> <li>'The first security election is scheduled to begin on the 15th September 2023 or the earliest possible date. The election can only begin upon the availability of an onchain election process that was approved and installed by the ArbitrumDAO. This first election replaces the 'First Cohort'. The next election replaces the 'Second Cohort' and so forth.'</li> <li>'The date chosen for the first election will form the basis for all future elections. Every election should begin 6 months after the previous election has started and it will replace its respective cohort of 6 members.'</li> </ul>	0	Arbitrum Foundation / Blockworks Research

\*Continued from previous page

AIP	Impact	DAO Spending (ARB)	Author/Proposer
<a href="#">AIP6: Security Council Elections Proposed Implementation Spec</a>	<p><b>Proposal passed</b></p> <ul style="list-style-type: none"> <li>The smart contract system enables onchain voting for the Security Council nominees. It was activated within the broader <a href="#">Arbitrum governance architecture</a></li> </ul> <p>Resources:</p> <ul style="list-style-type: none"> <li><a href="#">Architecture</a></li> <li><a href="#">Full audit report</a></li> </ul>	0	Arbitrum Foundation / Blockworks Research
<a href="#">AIP-7: Arbitrum One Governance Parameter Fixes</a>	<p><b>Proposal passed</b></p> <ul style="list-style-type: none"> <li>The Arbitrum Foundation identified 3 independent, non-emergency issues and proposed to deploy fixes without going through a temperature check</li> </ul>	0	Arbitrum Foundation / Yoav.eth
<a href="#">AIP-8: Building the Future of NFTs: The Rarible Protocol - Arbitrum Integration</a>	<p><b>Proposal passed</b></p> <ul style="list-style-type: none"> <li>The proposal involves integrating Arbitrum One with the open-source Rarible protocol, which is an indexer, orderbook and SDK powering NFT-based applications, which, once integrated, can be freely and easily used by the Arbitrum builders</li> </ul>	127,351	Janabe (Rari Foundation) / L2BEAT
<a href="#">AIP 9: Arbitrum Short-Term Incentive Program (STIP)</a>	<p><b>Proposal passed</b></p> <ul style="list-style-type: none"> <li>The STIP proposal outlines a one-time, community-created consensus framework to distribute up to 50,000,000 ARB of DAO-funded incentives targeting active Arbitrum protocols</li> <li>Aimed at fulfilling short-term community needs, the program plans to allocate DAO-owned ARB towards incentives while ensuring transparent consensus and distribution methods</li> </ul>	50,094,000	Tnorm / Frisson
<a href="#">AIP 10: Proposal to Backfund Successful STIP Proposals</a>	<p><b>Proposal passed</b></p> <ul style="list-style-type: none"> <li>This proposal outlines a one-time backfund to all approved but not funded proposals from the Arbitrum STIP program</li> <li>This increases the total budget by 21.52M to 71.52M while increasing the total participating protocols by 26, for a total of 56 funded projects</li> <li>In Round 1, these 26 projects, despite fulfilling voting requirements, did not receive funding because the DAO-allocated 50M budget was exhausted</li> </ul>	21,520,000	SavvyDAO / Frisson
<a href="#">AIP 11: Empowering Early Contributors: The Community Arbiter Proposal</a>	<p><b>Proposal failed</b></p> <ul style="list-style-type: none"> <li>This proposal outlines an allocation of 500,000 ARB to acknowledge and reward the outstanding contributions of 24 early Arbitrum community members known as "Arbiters". (20,833 ARB each)</li> <li>The Arbiters have contributed through a wide range of activities, including translation, promotion, event organization, community guidance, safety assurance, and collaboration with other communities over the past 2 years (<a href="#">examples here</a>)</li> </ul>	0	Mysterymen / Frisson
<b>Total Spending From the DAO Treasury</b>		<b>825,901,351</b>	

# | Notable AIPs

## Security Council Elections

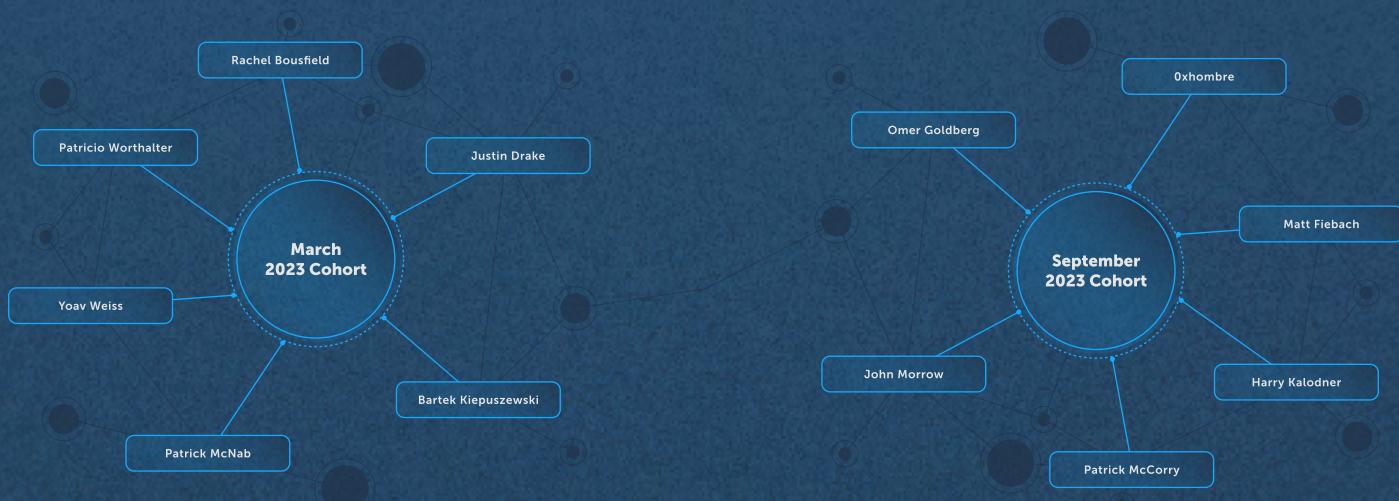
The [Constitution](#) of the ArbitrumDAO outlines the process for electing members to the Security Council, a group of individuals who are responsible for addressing risks to the Arbitrum ecosystem through the selective application of emergency actions and non-emergency actions.

The Arbitrum Foundation commissioned the implementation of the security council elections in line with the system proposed in the ArbitrumDAO Constitution. This includes a smart contract suite and a new feature on Tally's user interface to enable the onchain voting system. A [smart contract system](#) (architecture is final and available for full review) has since been deployed by the DAO through the approvals of [AIP4](#) and [AIP6](#), and six new members of the Security Council have been elected for Cohort 1.

In addition to the smart contract suite, the Foundation plays a supporting role to screen all nominees in the Security Council elections through compliance checks. This ensures that all nominees comply with the legal requirements, service agreements, and additional rules dictated by the Constitution.

To maximize awareness and participation in the election, the Foundation proactively amplified the importance of the election through written summaries and easy-to-digest content about the Security Council (as seen on [Twitter](#) and the [Forum](#)) and the election process, and organizing 2 AMA sessions (example [here](#)) with qualifying nominees.

**As of 31st December 2023, the following individuals are members of the Security Council:**



## DAO Approved Grant Programs

The ArbitrumDAO is unique, from a grants standpoint in that there are five separate grants programs that are running in parallel. Only one is administered and managed by The Arbitrum Foundation, and the other four are led by members of the DAO and community. This is highly encouraging from a decentralized governance and coordination perspective, and is representative of the grassroots, community-led culture that the ArbitrumDAO has inspired. Based on early results, it is highly probable that Arbitrum will have an expansive ecosystem of grant programs in the coming months and years.

<b>Grant Program</b>	<b>Program Administrator</b>	<b>Description</b>	<b>Status</b>
<u>Delegated Domain Allocation</u>	Questbook	A community-created grant program with a budget of up to 1M ARB. Questbook is using the Delegated Domain Allocation model to fund projects that focus on gaming, developer tooling on Arbitrum Nova, new protocol ideas, as well as education, community growth and events.	Ongoing
<u>Pluralistic Grant Program</u>	Plurality Labs	A community driven grant program facilitated by Plurality Labs in distributing 2.8M ARB, leveraging <a href="#">ThankARB.com</a> to facilitate community sense-making and incentivized contribution.	Ongoing
<u>Arbitrum Short Term Incentive Program (STIP)</u>	STIP Working Group	<p>A community-created consensus framework to distribute up to 50M in ARB of DAO-funded incentives targeting active Arbitrum protocols.</p> <p>This program received 105 applications, of which 96 went live on Snapshot for delegates to vote on, 57 proposals passing quorum, and 29 applications receiving funding from the 50M STIP multi-sig. The STIP is now closed, and any extension of this program or further grants (e.g. Round 2) will need to be supported via a separate AIP.</p>	Completed
<u>Backfund Successful STIP Proposals</u>	Backfill Working Group	<p>26 proposals that passed funding for the STIP, but the STIP's budget was exhausted and unable to fund the successful proposals.</p> <p>The community approved a subsequent AIP to backfill the funding to the 26 proposals for a total of 21.52m ARB.</p>	Ongoing
<u>GMX Grants Program (via STIP)</u>	GMX	<p>GMX's proposal under the STIP program was accepted by the ArbitrumDAO. As a result, 12 million \$ARB tokens are being used as incentives to support the joint growth of GMX V2 and the Arbitrum DeFi ecosystem.</p> <p>To date, team has accepted 20 projects for a total of 1,553,500 ARB.</p>	Ongoing

**The community-driven approach has led to the formation of grant programs for the Arbitrum ecosystem. The Foundation's involvement is as follows:**

- The Arbitrum Foundation's grant program focuses on supporting builders, growing the ecosystem, and advancing technical research.
- Runs compliance operations for all DAO-run grant programs including Plurality Labs, STIP, and the Backfund.
- Spreads awareness of the ongoing DAO approved grant programs via the Foundation's digital communication platforms.

**The grant manager(s) approved by the ArbitrumDAO have the sole discretion on how to allocate the grant program's ARB treasury based on their own criteria. The Arbitrum Foundation focuses on the legal backend for supporting the grant programs while the DAO representatives are free to execute on their proposal and allocate funds according to criteria agreed with the community. With this assistance, the Foundation is providing support beyond the ArbitrumDAO, continuing its mission of impacting and supporting the community at large.**

**Other DAOs have also funded initiatives to help empower builders through grants, such as the Uniswap-Arbitrum Grant Program (UAGP) that aims to accelerate adoption and highlight the expansive opportunities that emerge in overlapping areas of the two ecosystems.**

# Activity on the ArbitrumDAO

## DAO-Led Working Groups

The ArbitrumDAO has put together a variety of working groups which are independent of the Foundation. The DAO spearheads the working groups, while the Foundation is available to provide backend support when requested by the DAO, allowing the Arbitrum community to lead initiatives from the front, unimpeded.

Notable DAO-led groups include:

### Incentive Program Working Group(s)

The Arbitrum Short Term Incentive Program (STIP) was the first official DAO working group. The working group that participated in framing the STIP framework consisted of ~170 members across more than 100 projects, and has been successful in implementing the first version of an iterative incentive funding framework for projects to use in future DAO Treasury funding proposals

Despite encountering challenges in operationalizing and implementing the program, such as limited time for delegates to review and vote on applications, the STIP is widely regarded as a success. A new working group has now surfaced to deliberate on the potential structure of a [V2 for the STIP program](#), and there are also early informal discussions on the [creation of an incentive framework for gaming projects](#).

### Treasury and Sustainability Working Group

The [Treasury Management and Sustainability Working Group](#), funded by Plurality Labs grants program as part of their Firestarter Streams round of funding, aims to kickstart a discussion on how to limit price impact on the ArbitrumDAO Treasury from ARB distribution and diversification.

The working group is tasked with exploring overcollateralized debt positions as a strategy to provide alternatives to liquidations. Additional tasks will include exploring treasury diversification case studies and attempt to make comparisons with traditional instruments like U.S. stocks and bonds, and/or using treasury management solutions.





## Procurement Framework Working Group(s)

The DAO has ratified a procurement framework for **security service providers** that was built through a working group with security service providers participating in an open consultation.

There is an existing discussion on establishing a procurement framework for **marketing and growth service providers**, and it is likely that a working group will be created from this initiative.

## Get Involved!

The ArbitrumDAO has an [open governance calendar](#) that anyone can subscribe to. The calendar is a place where anyone can create meetups and block time for interested stakeholders to participate in. On the next page, we have put together a list of some open and ongoing governance calls:



## Open and Ongoing Governance Calls

### **[Arbitrum Open Governance Call \(Example Here\)](#)**

On a bi-weekly basis, delegates and projects convene to discuss various topics, including live discussions in the governance forum, proposals open for voting, evaluations of specific events within the DAO, working groups, and potential new initiatives. L2Beat coordinates these meetings and publishes the pre-session agenda, session recording, post-session call notes, and action items on the forum for everyone to examine.

### **Plurality Labs Weekly Workshops**

On a bi-weekly basis, Plurality Labs hosts workshops for the DAO to deliberate on big picture topics like understanding what the mission and vision for the DAO are, as well as what its [biggest problems](#) are. A predetermined subject will be explored each session. These provide a structured conversation to deep dive into a topic that the DAO is actively discussing.

### **[Incentives Working Group Call](#)**

On a weekly basis, the Incentives Working Group convenes to work towards establishing a community-driven framework and roadmap for the creation of various initiatives designed to support the creation of a robust incentives framework and standards. Topics include how the DAO should approach a long term incentives framework for projects, effectiveness of existing incentive programs, how these programs can be better tailored to other verticals (like gaming), and how potential expertise-led councils can lead the incentive programs for their respective verticals.

### **[Treasury and Sustainability Working Group Calls](#)**

The Treasury and Sustainability Working Group held a governance call and Twitter space to kickstart a discussion on how to limit price impact from ARB distribution and diversification of the DAO Treasury, and from these calls, ideated the Arbitrum Stable Treasury Endowment Program (STEP) proposal and framework.

## Supporting Public Discourse

Included in the mission of The Arbitrum Foundation is to foster, develop, authorize, and/or govern Arbitrum-DAO-Approved Chains, and the Foundation serves as a neutral steward in enabling decentralized governance of the ArbitrumDAO.

### **Forum Moderation**

In progressing this, the Foundation actively moderates the public governance forum as per the [community guidelines](#) to ensure that productive and respectful discussions related to governance are held.

### **Proposal Awareness**

Additionally, the Foundation proactively raises awareness of proposals via various avenues like Twitter, Discord, and Telegram (delegate announcements channel) to ensure maximum voter awareness and participation. Community-derived amplification channels are beginning to emerge, such as a telegram chat that summarizes forum posts.



# Emerging Discussions in the ArbitrumDAO

## Support for GrantsDAOs

The Arbitrum Foundation proposed to allocate \$250,000 USD and support the community to establish alternative frameworks for future grant programs approved by the ArbitrumDAO and create a pathway for the creation of multiple GrantDAOs, which can be governed directly by the ArbitrumDAO and operate independently of The Arbitrum Foundation. The funds can be accessed by prospective GrantsDAO applicants if the following conditions are met:

- A temperature check vote (Snapshot) that has passed and achieved Quorum;
- There are no suspicions that the GrantsDAO will perform illegal activities; and
- The GrantsDAO agrees to the guidance and recommendations of this program.

This initiative by the Foundation is only for legal-related work and miscellaneous costs to set up approved GrantsDAOs. The Foundation does not act as a steward for such GrantsDAO. It does not include the overhead for executing on the grants program and the GrantsDAO team will still have to go to the DAO Treasury via a non-constitutional proposal to request funds to run their grants program.

## **Establishing DAO Procurement Frameworks**

Discussions around procurement and evaluation frameworks to onboard service providers to the DAO interestingly stemmed from two proposals which failed temperature checks. The two proposals, the [Arbitrum Coalition](#) and the [Arbitrum Security Enhancement Fund](#) for Cyfrin, have now led to larger initiatives to establish robust procurement processes and frameworks for onboarding service providers to the DAO.

The Arbitrum Foundation has had no involvement in the passage of the proposals, but remains available to delegates to support the signing of service level agreements with all providers if they are approved by the ArbitrumDAO.



Discussion	Summary	State
<u>Establish The ArbitrumDAO Procurement Committee (ADPC)</u>	<p>Proposing to create a committee that will establish procurement frameworks for various verticals and service types within the ArbitrumDAO.</p> <p>It has the immediate mandate of overseeing the 'Procurement Framework for Security Service Providers' recently ratified by the ArbitrumDAO. Three members will be elected to the ADPC through Snapshot's weighted voting system.</p>	<p>This discussion is currently at the request for comment stage (RFC), and will potentially be progressing to a temperature check to gauge DAO sentiment on the creation and funding of the ADPC.</p>
<u>Establish The 'Arbitrum Research and Development Collective' (ARDC)</u>	<p>An iteration of the Arbitrum Coalition proposal, the ARDC's role will be to:</p> <ul style="list-style-type: none"> <li>• Review and enhance governance proposals,</li> <li>• Conduct code reviews for security,</li> <li>• Provide quantitative analysis for economic risk, and</li> <li>• Foster active delegate engagement</li> </ul> <p>It will provide valuable tools and reports for proposal authors, helping them refine their ideas and make better-informed decisions.</p> <p>The ARDC will consist of a Research member, a Security member, a Risk member, and a DAOadvocate. All roles will be elected by the DAO.</p>	<p>The temperature check has passed. The DAO needs to progress this proposal via a non-constitutional onchain AIP to request funds from the DAO treasury to fund the creation of the ARDC.</p>
<u>Consolidate Security Proposals Into a RFP Process and Procurement Framework   Security : Non-constitutional Proposal</u>	<p>Proposing to create a procurement framework for security-oriented service providers within the ArbitrumDAO.</p> <p>The proposal aims to create a streamlined and harmonized approach re. service procurement for security-oriented services.</p>	<p>Both the temperature checks to consolidate proposals to an RFP process and to subsequently ratify the procurement framework passed Snapshot, and the framework is deemed to be ratified by the DAO.</p> <p>There are no associated costs with the implementation of the Procurement Framework.</p>
<u>Introducing a Robust Framework for Arbitrum Service Providers [Marketing and Growth]</u>	<p>Proposing to establish a proper framework for marketing and growth service providers for the ArbitrumDAO.</p>	<p>This discussion is currently at the request for comment stage (RFC), and this is complementary to the proposal to establish a procurement framework for security service providers.</p> <p>Feedback has been on whether this can be expanded to beyond evaluating Marketing and Growth service providers.</p>



## Leveraging the Arbitrum Stack With Orbit Chains



As outlined in the [governance forums](#), The Arbitrum Foundation supported a discussion period that requested community feedback from the ArbitrumDAO in regards to the process for issuing a software license to projects that want to use the Arbitrum technology stack. The general sentiment was that The Arbitrum Foundation should take on the role of negotiating with projects that want a software license.

The motivation to empower The Arbitrum Foundation with this role was twofold. First and foremost, the lead time to obtain a license would be significantly shorter by consulting the Foundation as opposed to going through the DAO governance lifecycle. Second, with the rise of competing technology stacks, there is a growing need to move quickly on behalf of the Arbitrum community to ensure that the Arbitrum technology stack is the preferred choice for new and existing projects.

As a first step, The Arbitrum Foundation is working with projects including Kinto and Frame, and are in active discussions with several other projects, with more than 15 Orbit chains announced and more in the pipeline. The Foundation has also pushed forward and presented the Arbitrum Nitro stack in procurement processes being run by different communities and teams. These initiatives tie together with the other already deployed Arbitrum Orbit chains previously deployed, to create an even stronger set of communities being powered by the Arbitrum Nitro tech stack.

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# Fostering Ecosystem Growth

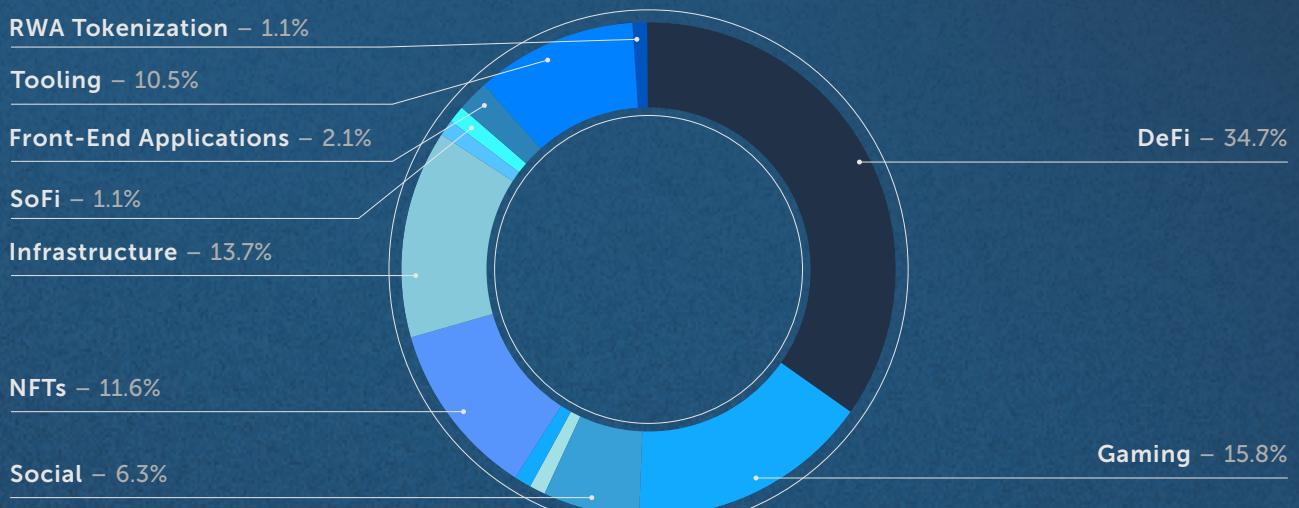
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This section of the report will now focus on Foundation's exclusive work. As part of its efforts to spur ecosystem growth, Arbitrum Foundation has secured, supported, and enabled a series of ecosystem-driven initiatives, including Grant Programs, a series of strategic initiatives and partnerships, global expansion efforts, and community building events.

## Grant Program

In July 2023, The Arbitrum Foundation [Grant Program](#) was launched to provide valuable financial resources to projects building within the ecosystem. The Grant Program is dedicated to supporting decentralized applications and infrastructure for Arbitrum One, Nova and Orbit, and fostering the growth of the Arbitrum Ecosystem. To date, the Arbitrum Foundation Grant Program has received over 826 applications and has committed approximately \$10.6m USD (priced as of Dec 31, 2023) to 54 projects. Specifically, the Grant Program focused on verticals ripe with growth potential, including DeFi, infrastructure, developer tooling, gaming, NFTs, and social applications. With this, The Arbitrum Foundation is dedicated to supporting new builders that innovate and grow within the Arbitrum ecosystem.

**Approved Grants by Sector**



Most of the grants range from 10,000 ARB to 250,000 ARB. With an approval rate of roughly 6.5%, the Grant Program has quickly established its standing as an exclusive opportunity for the top innovators in the space. The Arbitrum Foundation anticipates an expanded distribution of funds from the Grant Program in 2024.



# Testimonials From Grantees

## GAMEON

I am immensely grateful for the Arbitrum Foundation's grant and their multifaceted support, which has been instrumental in advancing our partnerships with global sports leagues like LALIGA. Their contribution goes beyond financial assistance, providing invaluable guidance and resources that have been crucial in our development of next-generation fantasy games. Within days, the Foundation team introduced us to decision-makers at VC firms, tier 1 exchanges, and even sports leagues. The Arbitrum relationship has truly empowered us to innovate, excel, and have an unfair advantage as a market-leader in next-gen fantasy games.

**Matt Bailey, CEO of GameOn**

## RARI Foundation

We are deeply appreciative of the Arbitrum Foundation's grant program, which has been instrumental in RARI Chain's adoption of Orbit technology. This grant not only provides financial support but also endorses our vision of pioneering new avenues in the NFT domain. The program's commitment to fostering innovation and supporting projects like ours is invaluable in advancing the digital art and NFT ecosystem.

**Jana Bertram, Head of Strategy at  
RARI Foundation**



## Funded Grants

We will continue to add new grantees from Phase One of the program as they are onboarded. This current list is not exhaustive, and there are many more grantees to be announced soon!

Project Name	Grant Category
DeFragDAO	NFT
RAMSES	Defi
Fiat24	Defi
Kunji Finance	Defi
Sidechain	NFT
GameOn	Gaming NFT
Pear Protocol	Defi
Helika	Developer Tooling
Bracket Labs	Defi
Kuroro Beasts	Gaming
Session	Social
smold.app	User Experience Improvement
Footium	Gaming NFT
rotki	User Experience Improvement
DAOstar	Developer Tooling
Rantom	User Experience Improvement
Overnight.fi	Defi
Minters	Gaming
The Lost Donkeys	Gaming NFT
pendle	Defi
Fluidity Money	Defi
QCAD issued by Stablecorp Digital Currencies Inc. ("SDC")	Defi
RentFun	NFT
Scry	Developer Tooling

# Ecosystem Growth

Throughout the year, the Arbitrum ecosystem has continued to expand, adding leading projects built both exclusively on Arbitrum and those who have migrated from other blockchains to focus solely on their expansion within the Arbitrum network. Projects from DeFi, Web3 Gaming, Data Aggregation, and Entertainment sectors were among the notable applications that launched on Arbitrum throughout 2023, including:

## DeFi Expansion

**Centrifuge Brings RWAs:** Centrifuge, a protocol for decentralized financing, launched its real-word asset (RWA) liquidity pool testnet on Arbitrum providing borrowers with access to liquidity without the need to extensively interact with intermediaries. On Arbitrum, RWA providers can tokenize their assets and use them as collateral in Centrifuge's liquidity pools, while investors can then provide liquidity to the assets and earn yield.

**Compound Deploys on Arbitrum:** Compound Finance, a DeFi project allowing for the lending and borrowing of various cryptocurrencies, deployed on Arbitrum in May 2023, opening access to ETH, WBTC, GMX, and WETH to be used as collateral to borrow USDC on Arbitrum.

**Kinto Moves to Arbitrum:** Kinto, an Ethereum L2 rollup designed to accelerate the transition to an onchain financial system, elected to launch as part of the Arbitrum Orbit Ecosystem despite launching its testnet rollup through another tech stack. Arbitrum's adjusted framework around L2 deployment allowed Kinto to seamlessly transition to Arbitrum Orbit for its launch.

**Notional Finance Borrowing:** With the third iteration of its fixed-rate borrowing and lending protocol, Notional Finance brought its initial suite of leveraged vaults onto Arbitrum, enabling users to borrow substantially against their initial capital. Notional citing Arbitrum's TVL dominance amongst Layer 2s as its main reason for selecting the network.

**PancakeSwap Comes to Arbitrum:** As part of its expansion effort, the PancakeSwap exchange launched on Arbitrum's network, providing lower fees and faster transactions for PancakeSwap users. In late November, the exchange surpassed \$200 million in trading volume on Arbitrum.

**Threshold Network Bridge:** Threshold Network brought tBTC, the industry's only decentralized, permissionless, and scalable Bitcoin-to-Ethereum bridge, to Arbitrum One, powered by Wormhole and fueled by Balancer Liquidity.

**Vertex Selects Arbitrum:** Vertex, a decentralized exchange for the spot and derivatives trading of digital assets, launched on Arbitrum after a year of development. In late November, Vertex soared atop DEX rankings by daily trade volume for perpetual exchanges with \$1.5B in total volume. As of November 30, Vertex had \$43M Total Value Locked, ~9000 unique traders, and \$10B volume traded over the past 30 days, making it one of Arbitrum's premier DeFi projects.



## Web3 Gaming Integrations and Migrations

**Aurory Expands to Arbitrum:** Previously a Solana-exclusive, popular gaming franchise Aurory announced its expansion to Arbitrum Nova, as the studio looked to expand its community and bring the Aurory experience to a growing and committed Web3 ecosystem in Arbitrum.

**ExPopulus Launches on Arbitrum:** ExPopulus launched node sale for its Arbitrum Orbit chain, XAI, on Arbitrum One network. XAI is built to enable open trade in the next generation of video games.

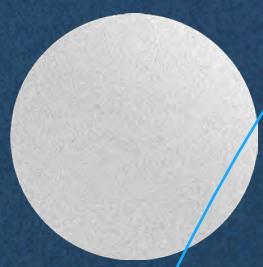
**Mighty Bear Games Moves Chains:** Ahead of its open beta, Mighty Bear Games announced the move of Mighty Actions Heroes from Polygon to Arbitrum – a decision spearheaded by Arbitrum's responsiveness, openness, speed, and low fees.

**Pirate Nation Migration:** Proof of Play's *Pirate Nation* transitioned to Arbitrum earlier this year, seeking a more affordable and scalable platform for the flagship role-playing game. Proof of Play co-founder and CEO Amitt Mahajan added that the team went with Arbitrum Nova because it offered support for Pirate Nation's technical features like OpenZeppelin security products and nodes already implemented into the game.

**SERAPH Launches on Arbitrum:** SERAPH: *In The Darkness*, an ARPG from Seraph Studio, plans to launch on Arbitrum, leveraging the advanced, game-friendly tech stack available on Arbitrum Nova to grow its community through Arbitrum's blossoming games ecosystem.

**Skybourne Genesis Migration:** Ahead of the launch of its prologue, Skyborne Genesis announced its migration to Arbitrum Nova to further build the Skybourne universe within Arbitrum's ecosystem.

**ZTX Launches on Arbitrum:** ZTX (ZepetoX), a joint blockchain initiative of Jump Crypto and Zepeto, announced that it will be building its expansion 3D virtual world on Arbitrum, bringing an experience where users can enjoy social interactions, engage in games, and participate in governance and economics when creating and selling digital assets in the virtual realm.



## Initiatives and Partnerships

**Animus and JN Silva:** Arbitrum partnered with renowned artist JN Silva, and Animus, an artist collective dedicated to advancing the future of the NFT/Crypto space, to develop and host the “Animus Key Card”, a symbol of membership to the Animus Collective. By holding it, collectors gain access to all allow lists through Animus, including collaborative drops, artist releases, events, and limited edition merch. The parties combined to host a social event at Art Basel.

**Centralized Exchange Deposits:** Leading centralized exchanges added support for deposits and withdrawals to Arbitrum Nova from leading centralized exchanges, including Kraken, Bybit, and Crypto.com.

**Chainlink dApp Development:** Chainlink leveraged Arbitrum's protocol to enhance its cross-chain decentralized application (dApp) development with the mainnet launch of the Chainlink Cross-Chain Interoperability Protocol (CCIP) on Arbitrum One. The combination of CCIP and Arbitrum One's ecosystem aims to unlock a myriad of use cases, including cross-chain tokenization and collateralization, blockchain gaming, data storage, substreams, and computation.

**FIAT Goes Web3:** Arbitrum was the network of choice for CINQUECENTO, the FIAT® Brand's limited edition collectible to celebrate the iconic 500 and its eco-chic modern version, the FIAT® 500e. The Arbitrum Foundation was featured on a Twitter Space around the launch of the Fiat Pass.

**Frame's L2:** Frame, a network designed for creators and collectors, elected to leverage Arbitrum Nitro's stack, collaborating closely with the Arbitrum Foundation on the DAO Ecosystem Licenses, paving the way for projects to develop Nitro rollups. A portion of Frame's sequencing fees will be contributed back to the ArbitrumDAO as part of the deal.

**Immigration Processing:** Symfoni, alongside the University of Oslo, The Norwegian Directorate of Immigration (UDI), and The City of Oslo, leveraging Arbitrum to revolutionize the skilled worker immigration process. In its first test run, nine professionals were able to relocate and start their jobs at the University of Oslo in just three days – a >99% decrease in processing time compared to conventional methods, all driven by the process happening onchain.

**Next-Gen Media Conglomerate:** In a landmark union of content-creation companies, Decrypt Media Inc. (decrypt.co) and Rug Radio (rug.fm) announced that they are pursuing a merger to create a new, tech-media titan called “[REDACTED]”, who plans to partner with Arbitrum as the exclusive Layer 2 blockchain for the newly formed media ecosystem. Arbitrum will be responsible for handling the active engagement needs of a media hub, centered around creator recognition, listener rewards, and advertisers. [REDACTED] will leverage Arbitrum's ability to handle high-frequency micro-transactions, all at a low cost, to ensure a frictionless and efficient user experience.

**Norwegian Government's BRØK:** BRØK is a new platform developed by the Norwegian Government that uses blockchain technology to efficiently and securely manage and share shareholder information for unlisted companies. The system is deployed on Arbitrum, leveraging the network's low transaction costs and fast transaction speeds.

**OpenSea Supports Nova:** In early 2023, OpenSea, the leading NFT platform, announced support for Arbitrum Nova and joined Arbitrum's Data Availability Committee (DAC) to provide access to onchain data and help ensure data accuracy. Nova collections were added and grouped with other Arbitrum collections within the marketplace with a specific “Arbitrum Nova” designation.



## Initiatives and Partnerships (Cont.)

**OurSong Leverages Arbitrum Tech:** OurSong, a music NFT platform founded by John Legend and Chris Lin, elected to pioneer its blockchain-based journey with Arbitrum, leveraging the Arbitrum Nitro tech stack to reinvent music licensing and allow entertainers to connect more directly with the people who admire their work.

**Prohibition and ArtBlocks Collaboration - Heart + Craft:** heart + craft is an inclusive digital/physical generative collection that synthesizes artistic and technologically driven concepts. The mint, housed on Arbitrum, resulted in over 28,000 mints of the popular collection. The Foundation hosted a in-person event in collaboration with Prohibition and ArtBlocks to showcase the unique artwork.

**Pushing Royalties Into Physical Art:** The Arbitrum Foundation worked in collaboration with artist ThankYouX, who has long pushed the boundaries of his practice by utilizing both traditional and digital mediums, with a mixture of works on canvas – physical/digital hybrids that utilize embedded screens and entirely digital compositions. Presented in collaboration with international auction house Sotheby's, his exhibition 'Inertia', featured canvas artworks embedded with an NFC chip from Transient Labs that is connected to a digital certificate of authenticity (COA) hosted on Arbitrum. The initiative reimaged the process to apply royalty licenses to their work, not only at initial sale, but for all future sales in perpetuity.

**RARI Chain Launch:** The RARI Foundation, in coordination with the Arbitrum Foundation, finalized the framework for the launch of the RARI Chain network, leveraging Arbitrum Nitro technology to create a new Layer 3 aimed at ensuring fair authorship rewards for the creator and ownership of NFTs.

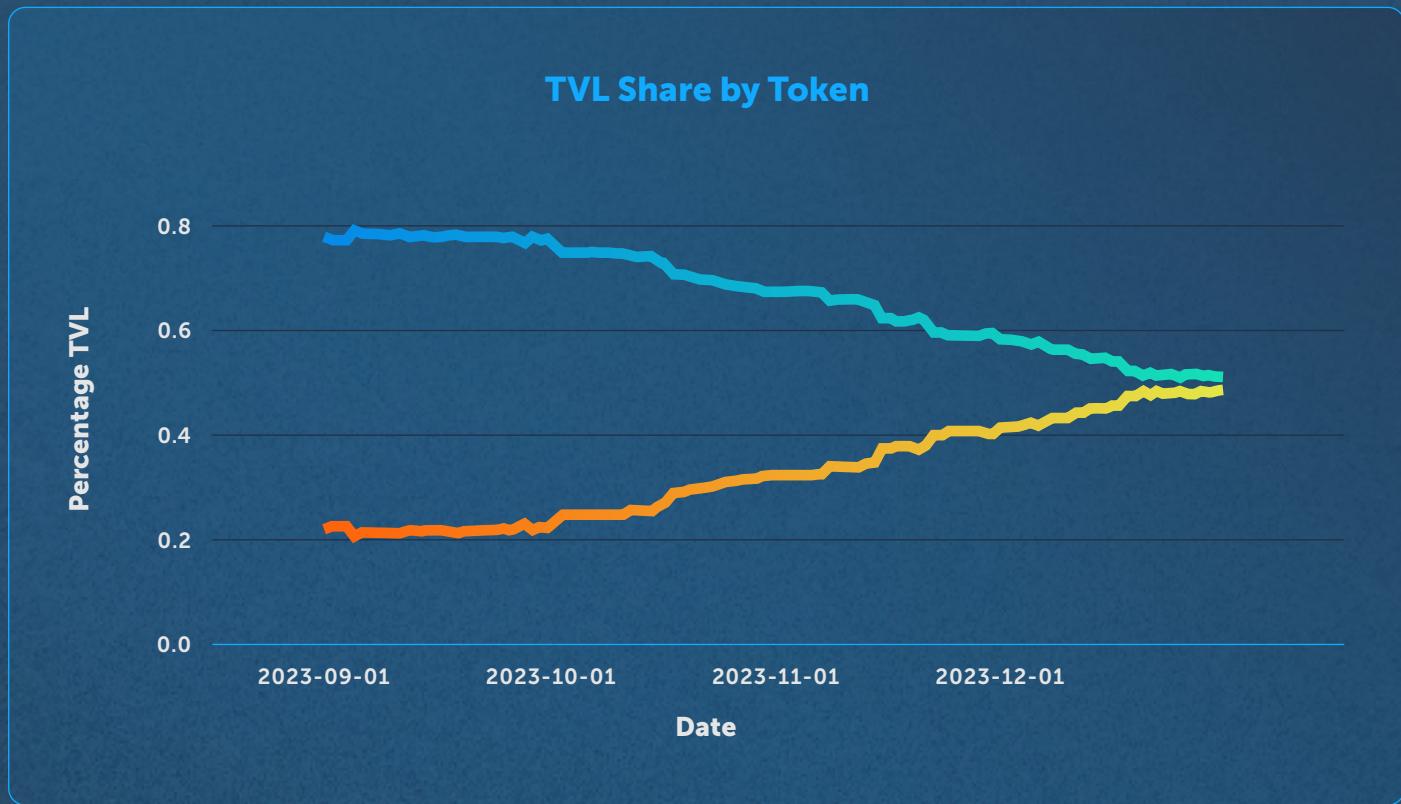
**The Graph Migrates:** The Graph, a leading blockchain indexing protocol, announced its full migration from Ethereum to Arbitrum, seeking lower gas fees, accelerated transactions, and increased accessibility of the protocol. The decision was made in coordination with a governance proposal put forward by The Graph Foundation in 2022.



## USDC Support

Gauntlet, a leading Delegate in the ArbitrumDAO, has been working with The Arbitrum Foundation to monitor risks associated with the bridged USDC.e to native USDC migration, and provide advice on how to best navigate the migration.

Since the partnership kicked off, the ratio between USDC.e and USDC has gone from 80/20 USDC.e/USDC to 51/48 (as of December 31th, 2023) with multiple protocols taking steps to onboard native USDC. The current distribution between the two tokens can be seen on the [Risk Dashboard](#) Gauntlet created as part of the engagement.



Gauntlet has engaged with multiple large communities across the Arbitrum ecosystem, including [Aave](#) and [Radiant](#), to provide recommendations on how to safely push the migration forward. Gauntlet also continues to assist The Arbitrum Foundation in discussions with other protocols across the space with high USDC.e concentration.



## Global Growth

A critical goal for the Foundation throughout 2023 was to help expand Arbitrum beyond its current developer and user base. The Foundation sought to expand into APAC and other regions where there was a major market opportunity for further blockchain deployment. The team has developed a series of activities across multiple verticals, including business development, ecosystem building, education, and community support.

Elsewhere, The Arbitrum Foundation added multiple community service providers in a variety of regions, including Japan, South Korea, Italy, and Philippines. In total, the Foundation has 5 service providers from these regions.

These service providers mainly focus on regional business development, localisation, regional students and universities activation, local events and community growth.

The expansion aims to provide support and education for Arbitrum-curious individuals in these regions and ensure that an opportunity exists for community members regardless of where they are located. The below images showcase an Arbitrum Japan member as a panelist at Students Web3 Summit, a monthly Ethereum meetup in Tokyo sponsored by Arbitrum Foundation, and university and local events hosted by The Blok in the Philippines.



## Global Growth and Marketing Initiatives

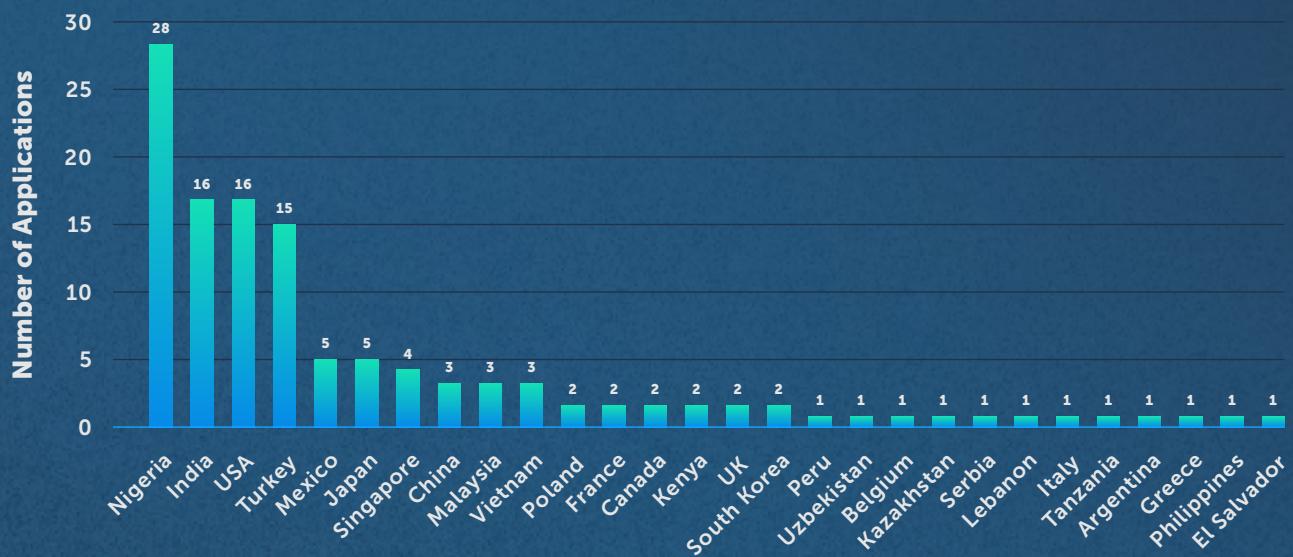


The Foundation also ensured a presence for Arbitrum at various global events in Singapore, South Korea, Vietnam, Istanbul, and many other regions.

As part of its expansion efforts, The Arbitrum Foundation hosted regional AMAs, translated for local audiences, providing key ecosystem and partnership updates in Spanish, Chinese, and Portuguese. The nearly 20 regional-focused AMAs have featured notable local projects, including BanklessBR, Bitso, Dopex, GMX, and more

The Foundation launched its Ambassador Program, engaging with students at universities across the globe who are interested in pursuing a career in blockchain development. Ambassadors across multiple countries were provided the opportunity to host in-person events on campuses, fully funded by The Arbitrum Foundation.

### Approved Applications - Country Breakdown



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# **Education and Community Engagement**

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Community engagement and support lives at the core of The Arbitrum Foundation's mission – to enhance the experience for those dedicated to the Arbitrum ecosystem. Through various different means, the Foundation has elevated its commitment to the community throughout 2023 and will continue to provide and add resources that make the Arbitrum community experience unmatched.

## Marketing and Events

In an effort to increase Arbitrum's brand awareness, The Arbitrum Foundation targeted select conferences to sponsor, attend, and co-host throughout the calendar year, including global ETH events, Token2049, Permissionless, and Korea Blockchain Week. In total, the Foundation spent \$1.4M on the event circuit.

In addition to third party events, The Arbitrum Foundation also coordinated "Arbitrum Days", a series of in-person and virtual events that saw Arbitrum community members come together for sessions on innovation, brainstorming, community vision, and more.

## Global Marketing Initiatives



## Ambassadors Program

This year, The Arbitrum Foundation initiated its Ambassador Program, engaging with students at universities across the globe who are interested in pursuing a career in blockchain development. Accepted applicants were entered into "University Fleet", a collaborative group within the Ambassador Program focused on building, learning, and educating on blockchain technology. Ambassadors were provided the opportunity to host in-person events on campus, fully funded by The Arbitrum Foundation, and propose initiatives for funding from the Foundation, among other benefits. To date, the Foundation has approved 96 individuals as Ambassadors across 26 universities from a pool of nearly 2,700 applicants.





**96** Individual Applications Approved

**26** University Groups Approved

**122** Total Approved Ambassadors

Since September there's been a total of 33 different pieces of content created by ambassadors ranging from long form content describing [Arbitrum governance](#), to engineering projects such as the [Arbitrum gas station](#). Ambassadors have thrown five Arbitrum satellite events in Italy, Nigeria, Vietnam, and Kenya. On the university front, 404 DAO, ITU Blockchain, Waterloo Blockchain, and Vanderbilt Blockchain created content and a few have participated in Arbitrum governance.

Ambassadors are constantly creating content within the ecosystem and can be found on this [achievements page](#).

As part of the program, The Arbitrum Foundation elevates the latest content, events, and accomplishments by Ambassadors via a weekly social series – Ambassadors Weekly – amplifying participant achievements to the entire Arbitrum community.

- [Ambassador Weekly #1](#)
- [Ambassador Weekly #2](#)
- [Ambassador Weekly #3](#)
- [Ambassador Weekly #4](#)
- [Ambassador Weekly #5](#)
- [Ambassador Achievement Board \(Contents+Events\)](#)

Those interested in applying to be an Ambassador can [apply here](#).





## Ecosystem AMAs for Community and Project Spotlight

In 2023, The Arbitrum Foundation conducted 334 AMAs – an average of 29 per month – with an average of 65 live listeners and 3,500 total tuned in for each AMA. In total, the AMAs have amassed 21,710 live listens and roughly 1.17 million total tune-ins. While the AMA sessions are geared towards educating and including the community, the team also featured 285 unique projects as guests during AMA sessions, including Alchemy, LayerZero, Axelar, Uniswap, Ledger, and Fiat.

## Supporting the DAO Through AMAs

As part of its mission to support the ArbitrumDAO, the Foundation featured 11 special AMAs / Spaces highlighting key DAO initiatives and updates. On average, each episode had roughly 1,200 listeners. Notable topics included the Grants Program, Security Council Election, and Governance Month.

## Explore the Core Links

Through its “Explore The Core” series, Arbitrum Foundations brings together the ecosystem builders to discuss specific topics in-depth, including:

- [Explore the Core: Rise of Arbitrum Gaming](#)
- [Explore the Core: Defi Deep-Dive](#)
- [Explore the Core: Playing on the Block](#)
- [Explore the Core: Onchain Adventures](#)
- [Explore the Core: Art in Web3](#)

## YouTube Shows

[Players Gonna Play](#) is an Arbitrum-focused YouTube series that showcases various gaming projects building on Arbitrum, helping users get familiar with projects via in-depth game walkthroughs. To date, 19 guests have appeared on the show.

In coordination with Chainlink and DeFi Edge, [Arbitrum Workshops](#) is a series designed to educate developers on how to use Arbitrum to experience web3 development the way it was meant to be; secure, fast, cheap, and friction-free.



# Arbitrum on X

As a means of engaging the community, The Arbitrum Foundation runs a suite of Arbitrum-focused accounts on X, catering to developers, the core community, and multiple regions in Arbitrum's global footprint. The primary Arbitrum account ([@arbitrum](#)) has grown 125% year-over-year and is rapidly approaching 1M followers.

## @arbitrum

Official account of the Arbitrum Foundation, dedicated to the decentralization, security and growth of Arbitrum technologies, including Arbitrum One and Nova.

[FOLLOW](#)

## @arbitrumcore

Your gateway into the @arbitrum ecosystem, home to a robust and active collection of dApps fueling web3. Showcasing Arbitrum Ambassadors and Community support.

[FOLLOW](#)

## @arbitrumdevs

@arbitrum technical content, announcements, and release notes. Build your first dApp in 5 minutes:  
<http://arbitrum.io>

[FOLLOW](#)

## @arbitrum\_jpn

Arbitrum Foundationの日本公式アカウントです。  
Arbitrum One and Novaを含む @arbitrum テクノロジーの分散化、セキュリティ、成長にフォーカスしています

[FOLLOW](#)

## @arbitrum\_esp

Cuenta Oficial en Español de la Fundación @Arbitrum, dedicada a la decentralización, seguridad y crecimiento de la tecnología de Arbitrum, Arbitrum One y Nova.

[FOLLOW](#)

## @arbitrum\_cn

Arbitrum Foundationの日本公式アカウントです。Arbitrum One and Novaを含む @arbitrum テクノロジーの分散化、セキュリティ、成長にフォーカスしています

[FOLLOW](#)

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# Technical Advancement

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Since its inception, the Arbitrum Foundation has engaged in and supported multiple initiatives to ensure that Arbitrum remains at the forefront of blockchain advancements. While the goal is for Arbitrum to pioneer the next wave of tech advancements in the space and ship state-of-the-art technology, the Foundation aims to ensure these measures are approached in a responsible manner. As part of its commitment, the Foundation has funded R&D for protocol improvements, security audits for implementations, and provided ongoing maintenance for the active network.

## DAO Infrastructure

The Foundation is constantly monitoring to ensure governance is working as intended by the community, allowing the delegates to focus on ecosystem advancements. This includes supporting infrastructure for the DAO, such as monitoring software that pokes proposals through their lifecycle and assures Security Council elections are executed and applied – a critical component to DAO operations.

The Arbitrum One and Nova sequencers are operated under the mandate of the Foundation. In order to provide high availability and reliability to the Arbitrum community, the sequencer operations require an elaborate setup and a sophisticated SRE team supporting it, which is accomplished by service providers engaged by the Foundation. A fraction of the fees paid by users is allocated towards refunding the sequencer for the cost of posting transactions to Ethereum, while the rest of the revenue generated goes to the DAO treasury, as seen by the ETH amassed since March 2023.

## Network Maintenance and Performance

Network performance and accessibility for Arbitrum One and Arbitrum Nova are paramount to the success of the ecosystem, and thus, the Foundation has funded Public RPC for both chains. Software support has gone beyond Nova and One, as the Foundation supported the launch of Arbitrum Orbit chains as well – now officially live for the community.

Protocol maintenance has been a priority support point for the Foundation, with various instances coming to light in 2023:

With AIP-7, three independent issues were identified in the Arbitrum One Governance system and [addressed](#) via the proposal to fix a sweep address for leftover ARB tokens post-airdrop, parameterization of Sequencer gas fee reimbursement, and a `scheduleBatch` bug in the L1 Core Governance Timelock.

The Foundation coordinated a non-emergency action with the Security Council to update the Nova Data Availability Committee (DAC) members as detailed in the [Forums](#).

[ArbOS 11](#), proposed an upgrade to the L2 software that powers the Arbitrum Nitro Tech Stack. Specifically, the proposal targeted Arbitrum One and Nova as the two chains are operated by the DAO, enabling them to support the EVM Shanghai upgrade and the `PUSH0` opcode, along with miscellaneous bug fixes.

As part of protecting the community and network, when Arbitrum One faced a surge of demand on December 15th and an [issue with batch posting led to an L1 pricing issue](#), the Foundation spent 400 ETH in order to stabilize the network during the events. The Foundation used those funds to help speed up the process of network stabilization to avoid further end users being affected.



## Security Measures

Security is critical for the success of any blockchain, and the Foundation works closely with the [Security Council](#), who are elected by the ArbitrumDAO through a democratic process. The Foundation facilitates security drills and ensures the members are ready to react to an incident in case it is needed. This includes maintaining processes, procedures, and funding platforms to help the Security Council coordinate on incident responses, running drills and flag days to ensure responsiveness, and the swift ability to react to unexpected events.

Part of the Foundation's mission entails the funding of audits and platforms to ensure the security of Arbitrum. The Foundation has funded external security audits and engineering work done by service providers on behalf of the Foundation to bring the highest-standard of protection to the Arbitrum ecosystem. The Arbitrum Foundation also funds the [Immunefi Bug Bounty program](#) that helps secure the ecosystem by incentivising security researchers to responsibly disclose vulnerabilities so they can be addressed with minimal impact to the community.

The Foundation also constantly reviews proposals that go live, in an effort to protect the DAO and ensure that everything is running smoothly. On top of the in-house monitoring, The Foundation engages with independent stakeholders who are keeping up with security due diligence of the network and seek context on changes that are implemented to the protocol.

## Research and Development Funding

The Arbitrum Foundation funded BoLD (Bounded Liquidity Delay), a dispute protocol that enables permissionless validation for Arbitrum chains. BoLD allows Arbitrum-technology driven chains to guarantee safety and liveness of a chain, minimize latency to settle states, and prevent dishonest parties from raising costs for the entire community. The Foundation believes the project provides value to the ecosystem and helped bring the proposal to implement BoLD to life.

The Foundation also funded the development of Stylus, a next-generation programming upgrade that allows developers to deploy programs written in their programming languages of choice, including Rust, C, and C++, to run alongside EVM programs on Arbitrum. Timeboost, an update to the current centralized sequencer design that allows Arbitrum chains to prevent front-running, while capturing the value of benign MEV types like arbitrage, was funded by the Foundation. Updates and proposals around decentralized sequencing, incentives for Rollup Validators, multidimensional gas pricing mechanisms, and data compression have all received a measure of funding from Arbitrum Foundation over the past year.



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# **The Arbitrum Foundation Operational Update**

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The Foundation has been focused on building out a team capable of executing against what the organization views as its mission statement, as laid out in [its bylaws](#):

- Enabling the development of technical improvements and feature development to maintain and increase Arbitrum capabilities to provide low cost, high throughput scaling solutions with best-in-class user experience.
- Fostering ecosystem growth through strategic grants to align with partner projects including, but not limited to, infrastructure providers, application developers, artists, creators, brand partnerships, creative studios, and strategic growth partners.
- Organizing educational initiatives and both participating in and hosting events to increase awareness of and promote Arbitrum technology and ecosystem.

The Foundation views itself as hands to the DAO's brain. Given its mandate, the Foundation should be capable of both satisfying the above, but also executing functions that only a legally recognizable entity can on behalf of the ecosystem. These functions include signing sensitive contracts that require confidentiality, handling compliance on behalf of the DAO when necessary, and negotiating with various service providers on behalf of the ecosystem.

The current Foundation team is aligned with the above mission, and currently consists of 20 globally distributed full time contributors (FTCs), and several outsourced service providers contributing in different capacities to support the Foundation in its mission and focus on ecosystem growth. The Foundation has also engaged with regional service providers in a global boots-on-the-ground strategy to focus on local market community building and business development.

**The full time Foundation team is structured in the following buckets:**

- Ecosystem Growth (7 FTCs, 5 outsourced)
- Marketing and Community (6 FTCs)
- Finance (1 outsourced service provider)
- Legal and Compliance (1 FTC)
- Operations and Support (2 FTCs)
- Research (1 FTC)
- DAO Relations (1 FTC)
- Tech (1 FTC, 1 outsourced service provider)

## Compliance

As a steward for ArbitrumDAO, the Foundation is able to interact with traditional legal frameworks by facilitating both compliance with relevant regulations, including sanctions-related regulations, and accountability of any particular AIP approved by the ArbitrumDAO by ensuring that appropriate KYC measures and documentation are implemented.



# Finances

Below is the approximate operating budget for the Foundation through December 31, 2023. The vesting on the Foundation's 700 million ARB token allocation from the DAO began on April 17, 2023. Note that the operating budget below is in line with the estimated budget that was proposed and approved by the DAO in [AIP 1.1](#) earlier this year.

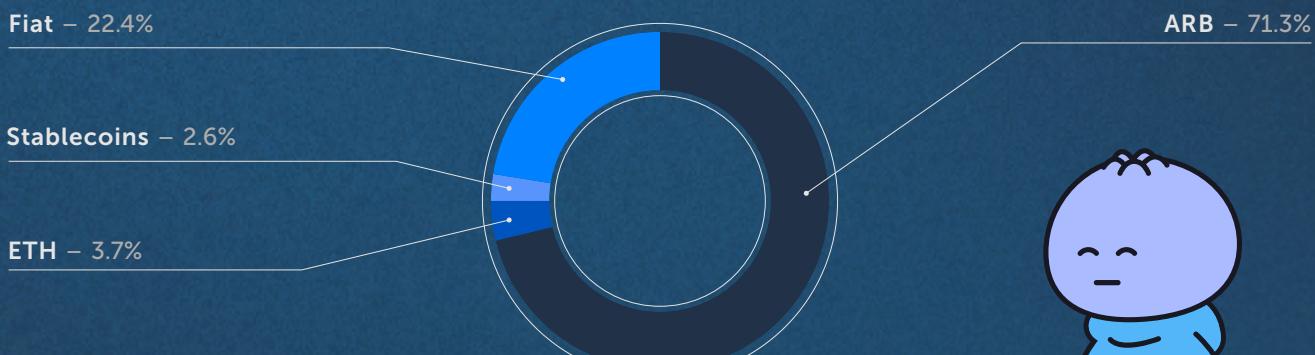
<b>Operating Budget</b>	<b>Cost (\$USD)</b>	<b>Proposed in AIP 1.1</b>
General and Administrative	\$6,751,519	\$16,000,000
R&D	\$3,980,093	\$9,000,000
Technical Infrastructure	\$2,939,618	\$5,000,000
Events, Marketing, and Communications	\$3,621,891	\$6,000,000
<b>Total</b>	<b>\$17,293,121</b>	<b>\$36,000,000</b>
<b>Ecosystem Growth</b>	<b>\$23,039,857</b>	<b>N/A*</b>

\*Note: AIP 1.1 mentioned that the FDN would allocate an additional unspecified amount of funding towards ecosystem growth.

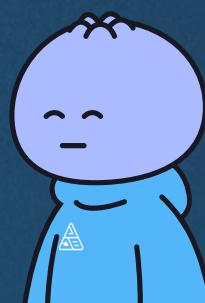
This operating budget presents best-faith estimates of the Foundation's anticipated budgetary needs which may be subject to change. It is expected that the organization will continue to scale into its operating budget, specifically as new internal hires are made and additional funding is allocated to R&D and technical infrastructure for the good of the ecosystem.

In addition to its operating budget, the Foundation has also spent USD \$23 million through Dec 31, 2023 to grow and support the ecosystem (including deals with ecosystem participants that go beyond the scope of the Foundation's Grant program) as outlined in AIP 1.1. This number is also expected to ramp up as the Foundation builds its team and identifies additional opportunities to support the ecosystem.

### Treasury Breakdown



\*As of Dec 31, 2023



# | Conclusion

The Arbitrum Foundation would like to thank the community and everyone that has been a part of helping build and grow Arbitrum. As evidenced throughout this report, the Foundation established its role in assisting the DAO and the larger Arbitrum community to empower the Arbitrum ecosystem as a strong and lasting force. The team is excited for the year ahead and to continue operating and delivering on its mandate, with many exciting developments to come. As always, the Foundation remains committed to being a community first organization. Don't hesitate to reach out if you have any questions, or get directly involved with the community through the [forums](#).

