

CIP 0035 :

Summary

- Add [Five North](#) as a Tier2 SV (Weight 3)
- Five North commits to deploy 90% of their SV earnings in the form of investments into companies that would build applications in the Canton Network
- Five North will distribute the venture earnings gained through these investments (minus its fees) to the GSF for reinvestment into the Canton Network community

Motivation

- Ecosystem funds have been proven mission-critical for the adoption of net chains and technologies in the blockchain space.
- By investing in companies around the ecosystem they accelerate adoption, evangelize the vision and of course help build the blocks needed for apps to create the networks and compound effects of a network.
- Successful examples of ecosystem funds include RSK, Solana and Avax.
- Applications across the public blockchain ecosystems are accustomed to receiving grants for adopting a new chain
- Grants come with several negative externalities
 - Grants produce a mercenary-style business model for companies on public chains
 - The Foundation giving grants has no upside in the success of the application
 - Foundations are not setup to be VCs and are not well qualified to make investment decisions
 - Grants are a one-way-function : money only leaves the Foundation and is not returned to the community
- Equity investments improve on many of these issues
 - Selling equity in your company requires deeper consideration and longer term thinking
 - The community can financially benefit from holding an equity stake in the companies coming to Canton
 - A for-profit, venture capital company is more qualified to make equity investments
 - Majority of the profits are returned to the community for further reinvestment

Mechanics

- The structure will be a typical LP/GP structure, in which the LP has the purpose of investing into the ecosystem of Canton.
 - 5N GP will be the GP
 - The LP can also have external investors
 - The LP directors will be able to fire the GP in case of mismanagement or underperforming

- The LP directors will be also able to dissolve the partnership
- The GP/LP structure will be an open-ended structure and has a minimum life of 2 years
- The SV will be Operated by the 5N GP
- 5N GP commits to contribute 90% of the token rewards to the LP for life, regardless of whether it remains the GP of the LP
- The fee structure can be 2% management fees /20% performance
- In the event of the LP is dissolved, the GP will be REQUIRED TO ASSIGN THE VALIDATOR BACK TO THE FOUNDATION

About Yiannis Varelas and Five North

- Yiannis Varelas is a long time crypto entrepreneur with an engineering background
- Co-Founder of Monday Capital, a fund that has been investing in blockchain infrastructure since 2017. Early investments include Securitize, Zerohash, QCP, The Graph and RSK
- He is also the founder of other successful community venture firms like the Bitcoin Development Studio (acquired by rootstock.io for the RSK community) and Openstory Inc, one of the first blockchain indexers that was acquired by Ava Labs in 2023.
- Through Monday Capital, created the first BTC ecosystem fund on top of RSK. The ecosystem fund of RSK was critical to the development of the first Bitcoin DeFi infrastructure and related technologies. The companies include Sovryn - a full service AMM, lending and spot trading platform, Money On Chain - the first and only BTC backed stablecoin and TravelX an NFT ticketing platform that serves the airline industry.
- In 2024 he founded Five North, a prop trading and investment firm that focuses on developing, trading and investing in companies that bridge the gap between TradFi and DeFi.

Proposed Changes

- Increase the GSF's minting weight +3 and assign to Five North
- Five North will take over operations of their own SV no later than 6 months after the approval of this CIP unless the SV pool prevents expansion to accommodate a new operator in that time frame