

Decentralized Governance Framework

The Role of the Concordium Foundation, Its Governance Committee and Token Holders

Introduction

The Concordium Foundation is a non-profit organization established in Switzerland. Its purpose is stipulated in its [public deed](#). The foundation board is responsible for ensuring that the Concordium blockchain develops in accordance with the deed. It therefore has both an executive role and a supervisory role. To facilitate this, it has established guidelines for the development of the Concordium blockchain.

The governance committee (GC) is an advisory committee to the Concordium Foundation Board, which has been assigned certain tasks and responsibilities. The current document defines the roles of the Concordium Foundation, the GC, and the CCD token holders during the first phase of governance decentralization. It also describes the GC tasks and internal rules.

Structure of this Document

After the current introduction, this document has four sections. The first section, [Road to Decentralization](#), describes the steps in decentralizing the Concordium blockchain's governance and the roles of the different stakeholders in this decentralization. The second section, [Tasks of the Governance Committee](#), defines in more detail the tasks of the GC during the first phases of decentralization. In the third section, [Concordium Blockchain Development Guidelines](#), one can find the guidelines for the GC established by the Concordium Foundation. And finally, the last section of this document, [Functioning of the Governance Committee](#), describes the internal rules for how the GC works.

Road to Decentralization

The decentralization of the Concordium blockchain's governance is divided in three phases. The initial preparatory phase, which ended with the election of two new GC members from the community in June 2024, was used to organize the first public election and plan the next phase of decentralization.

During the second phase of decentralization, from June 2024 to June 2027, while the Concordium Foundation Board has the responsibility for ensuring that the Concordium blockchain develops in accordance with the founding deed, certain tasks are assigned to the GC. The governance model for the blockchain will be a mix of direct and representative democracy. CCD holders will elect members of the GC, first adding new members and then (re)electing members in the seats that were initially filled by the foundation. As part of the

decentralization development, the CCD holders may also vote on certain GC decisions and will be able to make proposals of their own.

When all members of the GC are elected by CCD holders—which will be June 2027 according to the current decentralization roadmap (see the subsection [Election of the Governance Committee](#))—the Concordium blockchain will start the next phase of decentralization, which will see an enhanced role in the decision making process for the GC and CCD holders. The details of this next phase are to be developed by the GC during the current phase.

Tasks of the Governance Committee

The GC is an advisory committee to the Concordium Foundation Board and is a dialogue partner of Concordium's executive management group (EMG). It is tasked with providing input to the EMG and recommending changes to the Foundation board on the following areas of the Concordium blockchain:

- Parameter updates
- Protocol updates
- Tokenomics
- Managing CCD holder proposals and votes
- Preparation of the next phase of decentralization

The GC is expected to work with the EMG on the areas described above, with a particular focus on driving tokenomics changes and governance decentralization. In doing so, the GC will consider the following goals and priorities:

- Stability of the protocol
- Widespread adoption of the blockchain
- Value creation on the blockchain
- Prevent dominance by single parties
- Ensure a decentralized network of validators
- Inclusion of CCD holders in decision-making

In the current phase of decentralization, the GC does not have a budget. Any task the GC wishes to see carried out or any additional analysis they require will be executed by the EMG if it is within the resources available.

The areas of responsibility of the GC listed in the first set of bullet points above are discussed in more detail in the following subsections.

Parameter and Protocol Updates

Many variable parameters controlling the functioning of the blockchain are on-chain and can be changed with a governance transaction. These include, for example, the block size, timeout times, minimum time between blocks, or the amount of staked CCDs needed to become a validator. The GC is responsible for recommending changes to these parameters as needed.

Protocol updates consist in updating the code that is run by the validators. Such updates may change any other parts of the protocol that are not controlled by the variable parameters mentioned above. This includes, for example, changes to the network and consensus layers and adding smart contract features. The GC may recommend such protocol updates.

The chain tokenomics can be changed through parameter and protocol updates, as described above. This includes, for example, the criteria for becoming a validator or delegator, the CCD growth rate, transaction fees, and how these are distributed to the validators and delegators in the form of rewards. The GC is responsible for driving tokenomics changes.

CCD Holder Votes

The decentralization process will lead to CCD holders being able to nominate and elect GC members, vote on some GC decisions and propose their own changes. A suggested timeline is present in the Concordium [White Paper](#). The process of decentralization is also to be driven by the GC. The EMG will provide the means to organize elections, which will be overseen by the GC. As a key element in the decentralization, the CCD holders will be enabled to make proposals and to vote on certain GC decisions. The decentralization plan also includes appropriate forums in which CCD holders can debate about the proposed changes and discuss the different candidates for elections.

All proposals from CCD holders that are to be implemented on the blockchain must follow the same guidelines as the GC (see the section [Concordium Blockchain Development Guidelines](#)). It is up to the GC, and ultimately the foundation board to decide if a proposal satisfies these guidelines. If not, they can amend it, put alternatives to vote, or reject it.

Changes to the election rules, the process for nominating candidates, and the election schedule may also be proposed by the GC, but are subject to the foundation board's approval.

Concordium Blockchain Development Guidelines

This section describes the general direction in which the Concordium blockchain should be developed. Some of these have already been achieved, others partially achieved and some are still on the roadmap. For simplicity, this section ignores the current status of the blockchain, and describes the goals in the present tense.

ID Centric Blockchain

The Concordium blockchain is designed with a built-in ID layer and requires users to register with an official ID to create accounts capable of holding tokens. A set of identity disclosure authorities are entrusted with secret keys, and, in response to a valid request from a government authority via established legal channels, these identity disclosure authorities can combine their keys and cooperate with the identity provider to reveal the real-world identity of an account holder.

Security & Privacy

The security of the essential cryptographic protocols underlying the blockchain is trustless and relies on decentralization, i.e., no single entity has the power to affect the safety and liveness of the chain. Instead, security relies on a given fraction of a decentralized community running the protocols correctly. While certain services may be provided in a more centralized manner (e.g., mobile access, bridges), they must either be non-essential or be temporary and replaced by decentralized solutions when possible.

The Concordium blockchain also provides privacy for its users. In particular, on-chain identities are self-sovereign: the user has ownership and control over the identity data provided during registration. This data cannot be obtained by anyone affiliated with any of the Concordium entities, or any private company or person from the general public without being revealed by the user. Only law enforcement agencies can access this information through a well-established process involving the approval of multiple identity disclosure authorities and the cooperation of the identity providers.

Science-based Blockchain

The Concordium blockchain is science-based. The security of the chain is rigorously proven. The tokenomics are based on well studied economic principles. Changes to the blockchain and tokenomics are to be researched by appointed scientists or academic partners before being implemented.

Public & Permissionless

The Concordium blockchain is a public blockchain with permissionless access. Any person who satisfies the requirements for obtaining a verified ID can create an identity object, create accounts and transact on-chain.

The governance of the chain is transparent. The identities of the governance committee members are public and their final decisions are to be published. The tokenomics model is public. The source code of the Concordium blockchain is open-source.

Decentralization

The Concordium blockchain is on a path to decentralization. Not only security relies on a decentralized network, but governance is conducted by a committee elected by CCD holders. The CCD holders can vote on crucial governance decisions, and may also propose their own changes to the blockchain and tokenomics within the framework specified in this document. Activities that increase decentralization of the network will be encouraged.

Strategy

The commercial strategy of the Concordium group is defined by the Foundation board and the EMG. The GC members are required to have thorough knowledge of Concordium's strategy and its development, to ensure that it is positioned to make informed and forward-thinking decisions. All recommendations by the GC must be aligned with this strategy. We refer to the section [Communication](#) further below for more information on how the GC can remain informed of the current developments in Concordium's strategy.

Realistic Projects

All proposals from the GC must be realistically achievable given the resources available within the Concordium ecosystem, development environment and with due regard to the expected benefit.

Compliance

In its advisory role, the GC shall consider any regulatory concerns and potential compliance issues in relation to new proposals and changes to the regulatory landscape in relevant countries.

Functioning of the Governance Committee

Election of the Governance Committee

The first five members of the GC are appointed by the Foundation board. After that, new members are elected by CCD holders and added to the GC, until it has nine members. The first election was held in June 2024, when two new elected members joined the GC. In June 2025, another two members will be added, bringing the total to its maximum of nine members.

From this point on, three seats are up for reelection every year in June. First, the seats filled by the Foundation board are up for election, then those already elected by CCD holders.

Elected GC members are thus all appointed for a three year term, except one of the two elected in June 2024, whose seat will be up for reelection after four years.

A member of the GC may be excluded by the Foundation board if they substantially violate their obligations or if they are incapable of properly fulfilling their duties. This involves, in particular, contributing positively and constructively to the Concordium project in general, regular GC meetings, taking part in communication events (as detailed in the section [Communication Obligations](#) further below).

If an elected GC member leaves or is excluded before the end of their term, and if the remaining term is at least 6 months, a new election will be organized to replace them. The new member is elected to finish the term of the departing member. If less than 6 months remain in their term,

then the seat will be up for election at the end of the term, and the GC will function for the remaining months with fewer members.

Decision-Making

The GC has a quorum when the majority of its members are present. Unless organizational rules of procedure stipulate otherwise, decisions require a simple majority of those present. In the event of a tie, all tied options will be recommended to the foundation board, which will take the final decision.

GC decisions are to be made public, and a GC member may publicly talk about their own vote and opinions. But the details of other member votes and the internal discussions and considerations of the GC should remain private.

Compensation

Elected GC members will receive a compensation in CCD equivalent to USD 7,500 (seven thousand five hundred) for every year in the GC. The exchange rate will be determined at the beginning of their year—on the 1st of July for members elected during the month of June—and paid out at the end of the year on completion of the full year, namely on the 30th of June.

If a GC member leaves in the middle of a year, they receive pro-rata compensation for the partial year they served.

If a GC member is elected in the middle of a year to replace a departing member, their compensation for the first partial year is proportional to its length. The exchange rate is fixed on the first day they join, and the compensation is paid out on the 30th of June.

Communication

Information Needs

The governance committee is encouraged to adopt a proactive approach in its proposals and decision-making process, while being available to discuss proposals from the EMG. Three areas have been identified, where the GC needs to be provided with relevant information in a timely manner, so that it may fulfill its mandate.

1. **Concordium strategy:** As stated above, the strategy is defined by the foundation board and the EMG, and GC recommendations must align with the strategy. This requires the GC members to have thorough knowledge of Concordium's strategy and its development. This includes, but is not limited to the strategy's definition of key players, target clients, competitive landscape, primary regions of interest, and the impact on pricing models and tokenomics.

2. **Technical roadmap:** The GC should also be informed of key aspects of the technical roadmap, in particular the roadmap for the next 6-12 months, as well as updates on major current projects.
3. **Tokenomics data:** To establish the necessary basis for the GC's recommendation, it will also regularly receive reports covering a broad range of relevant tokenomics data from the EMG.

Communication Obligations

The GC does not only need information, as described in the section above, its members are also expected to communicate actively, both with the community and with the Concordium group. They need to be active on social media (such as X), take part in X spaces or podcasts organized by the EMG, and communicate regularly with the community of CCD holders. They will also communicate actively with the EMG and the foundation board about their ideas, proposals and recommendations.