5. Dao Of CEP

All crypto projects follow three forms of governance.

The first is founder control. Similar to non-listed companies, crypto projects are often controlled by their founders in the early stages. The founder is responsible for guiding the product strategy and the company's development direction. Founder-led companies often resemble authoritarian regimes (in the field of software governance, this is often jokingly called the benevolent dictator BDFL), and many application-layer token startups start their entrepreneurial paths under this governance model .

This makes sense! In the initial stages of an organization, the only important thing is to survive. The power of a centralized organization is in the hands of the founder, which will greatly improve the speed of decision-making and action of the organization. The founder-led company has no essential errors, but token projects that rely on this form of governance look no different from ordinary startups.

The second main form of governance adopted by many token projects is "group control." Most L1 blockchains and early-stage token projects rely on a small group of "enlightened elites" to formulate policies, determine product roadmaps and strategic directions, and propose systemic changes. Typical representatives of this type of governance include Bitcoin, Ethereum, Grin, Monero and other projects. In the field of encryption, these small groups are almost entirely composed of core developers.

The small-group governance model enables the decentralized

protocol to achieve a certain degree of decentralization, and hands the project from the founder to the core developer. But this form of governance is not a new creation. In the past few decades, many organizations have implemented this form of governance, including The Linux Foundation, W3C, International Science Council, CERN, and IETF. This is a tried and true method of managing complex and highly technical projects.

The third form of governance adopted by many encryption projects is " Representative Democracy " or "Delegative Democracy." Representative democracy allows individual users to elect a group of officials to make decisions and make policies in their name. Among them, delegative democracy is more common. People vote directly or delegate representatives to vote in their name.

"Fully decentralized" blockchain applications often use representative democracy or delegative democracy (occasionally proxy voting) in governance. Governance tokens give governance rights, and voting weight is determined by the ownership of governance tokens. For example, the governance of Maker (MKR) is close to shareholder direct democracy. Compound (COMP) adopts a delegative democracy approach, where anyone can vote directly or delegate their voting rights to others.

The CEP project uses a "completely decentralized" democratic mechanism called DAO. Governance tokens will give governance rights, and voting weight is determined by the ownership of governance tokens. The CEP token distribution method adopts a fair start model, and 90% are provided to the community that provides liquidity mining for the project. Through this "completely decentralized" democratic mechanism, in conjunction with the fair launch of the token distribution mechanism. CEP will embark on a road of sustainable community autonomy, fully guarantee the interests of participants, and maintain the long-term stability of

the project.

5.1 What is DAO?

DAO stands for "Decentralized Autonomous Organization", which refers to "decentralized autonomous organization". Each word in it can be interpreted in a variety of ways, and different definitions of DAO will be produced from different angles. To clarify this concept, let's analyze each item.

Autonomy

The basic feature of DAO is that their operating rules are programmed, which means that when the conditions specified The basic feature of DAO is that their operating rules are programmed, which means that when the conditions specified in the software are met, the program will be automatically enforced. This is different from traditional organizations. The rules of traditional organizations must have guiding principles for interpretation and application.

For example, imagine an organization whose members wish to allocate funds for various projects through a committee of experts. For traditional organizations, once experts give their opinions, employees must take many steps to obtain funding, from drafting committee meeting minutes to sending remittance instructions to the bank.

For DAO, as long as the committee approves, the funds will be

transferred immediately, and nothing can stop it, whether it is internal stakeholders or third parties such as banks.

In order for the automation and safe execution of operating rules to be effective, they must run on a public, unlicensed blockchain (ie, public chain), such as Ethereum. There are two main reasons for this:

1: Traditional software cannot directly process funds. It can only send instructions to financial intermediaries responsible for transferring funds. The use of public blockchains can place (encrypted) currency or other (encrypted) assets under the direct and sole control of the DAO, which serves as the operating rule.

2: Traditional software relies on infrastructure operated by third parties. If these rules are written in an application running on the cloud, such as AWS or a company's server, then their execution depends on cloud operators or IT departments, which are prone to interruptions, errors, and external influences.

DAO is autonomous because its rules are executed automatically, no one can stop it, and no one can change it from the outside.

Decentralization

Decentralization can be understood in two different ways, which shows that the definition of DAO is in conflict with each other:

DAO is decentralized because it runs on a decentralized infrastructure, that is, a public, permissionless blockchain (public chain), which cannot be controlled by a state or some other third party.

This definition echoes the concept of autonomy described above. For example, Yalda Mousavinia defines DAO as "a company operating under digital jurisdiction" without mentioning how the company is managed.

Similarly, Tim Bansemer pointed out that “DAO is a combination of smart contracts running on the underlying permissionless blockchain (such as Ethereum) to form the basic structure of the organization.” There is also no mention of how power is distributed within the organization. .

The DAO is decentralized because it is not organized hierarchically around executives or shareholders, nor does it focus power around them.

Matan Field believes that DAO must rely on a distributed governance system, which means that the exercise of power within the organization is decentralized. The COALA think tank described the DAO's power structure as "heterogeneous", that is, a cooperative mechanism based on disobedience.

From this point of view, the novelty of DAO is that it can coordinate a large number of people while avoiding the suppression of hierarchical structure. This feature sets them apart from traditional organizations on a basic level.

These two views became the main narrative surrounding the DAO. The first one can be called "fighting for freedom", while the second one can be called "the future of cooperation."

Finally, when considering that the essential feature of DAO is to avoid being controlled by a third party (autonomous) or internal (decentralized), these two views can be seen as complementary.

Organization

The first self-proclaimed DAO was "The DAO", which was created in 2016 to fund projects that help the development of Ethereum. The idea of using DAOs instead of foundations or venture capital is in line with the decentralization spirit valued by the Ethereum community. In fact, DAO is an investment fund, and its decisions are made directly by investors, rather than entrusted to dedicated managers.

The concept of DAO was proposed by Dan Larimer (the founder of EOS) in 2013, who coined the term "DAC"-Decentralized Autonomous Company. Dan Larimer compares Bitcoin to a company whose shareholders are Bitcoin holders and employees are miners.

In the same year, Vitalik Buterin (the founder of Ethereum) explained this idea in depth by describing how a company operates without a manager. Commercial automation is often seen as a process of replacing low-skilled personnel with robots or computers, allowing more qualified employees to control the process. However, Vitalik made the opposite suggestion, that is, replace management with a software technology that can recruit and pay people to perform tasks that help the company's mission.

DAO is a peculiar way, it is a digital system for the next generation.

5.2 DAO Of CEP

The DAO mechanism of CEP has the following characteristics:

- *Fast, borderless business decisions*

If someone in country A wants to start a business with the founders of countries B, C, etc., the current process of conducting business activities is very complicated. Different jurisdictions have different requirements. The time frame required for decision-making also varies. For example, suppose someone in country A can formally set up a business in just one day, while the person in country B takes 3 months to start. Obviously, the person in country B does not have the same resources as the person in country A.

DAO provides a solution that allows everyone to work under the same conditions by following a set of standard rules, regardless of their geographic location. In essence, one of the main reasons for creating DAO is to provide an equal system for the establishment and operation of the organization.

- *Voting within the organization*

In many companies, the board of directors makes important decisions. The problem with this is that these organizations usually only vote on a few selected issues and do not necessarily represent the majority of the organization. The DAO can change this. It allows anyone in the organization to vote on issues they care about. For example A might

Through DAO, A can vote on the proposal in proportion to the amount of tokens that he cares about. DAO will not use a system

that ignores or excludes the input of members in the organization, but ensures that all votes are counted, and Show to everyone.

- *The rules cannot be tampered with*

In any organization, policies and rules determine what can and cannot be done. For example, in a company, employees who fail to comply with regulations may be punished. If someone is late for work, this may or may not result in a corresponding wage deduction. This decision can be implemented automatically through timestamps, but not all organizations will enforce it.

For example, if the boss is late, it may change this rule by setting exceptions. In DAO, it uses code to ensure that the rules apply to everyone. A set of rules established within the organization cannot be tampered with unless the group of voters agree to do so.

5.3 DAO Governance System Of CEP

The governance system of DAO in CEP is mainly reflected in the following management mechanisms:

- *Create and set up a new Crypto ETF*
- *Set up and manage the Crypto ETF's investment portfolio and fee standards*
- *Voting and issuing Crypto ETF*
- *Share the benefits of CEP liquidity based on the number of CEPs*

- *Submit and approve CEP improvement plan*