Risk Management Framework for Cardano Governance

Eastern Cardano Council

Version

1.0.0

Scope

This document relates to the **process of managing risks** associated with governance actions that will impact the state of the Cardano network and its associated ecosystem from the perspective of the Eastern Cardano Council (ECC), fulfilling its role as a member of the Interim Constitution Committee.

Policy Statement

The ECC takes a risk-based approach to key decision-making**.**
All governance actions are risk assessed.

Base Standard

ISO 31000:2018 "Risk management — Guidelines"

Purpose: Offers a framework and guidelines for creating and implementing risk management processes.

Application: Suitable for all types of organisations (public, private, and community). The standard is flexible, allowing organisations to adapt it to their specific needs.

Components:
- Principles: Focuses on integrated, structured, and customizable risk management practices.

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- Framework: Establishes a risk management framework that aligns with organisational objectives, culture, and context.
- Process: Provides a structured process for identifying, assessing, and managing risks.

Risk Rating

Risks are identified and rated using the following matrix based on *Likelihood* and *Consequence*, resulting in a *Risk Rating*.

	CONSEQUENCE				
	Insignificant	**Low**	**Medium**	**Major**	**Severe**
Almost certain	M-10	H-20	H-30	E-40	E-50
Likely	M-8	M-16	H-24	E-32	E-40
Possible	L-6	M-12	M-18	H-24	H-30
Unlikely	L-4	L-8	M-12	M-16	H-20
Rare	L-2	L-4	L-6	M-8	M-10

E	Extreme risk	H	High risk	M	Medium risk	L	Low risk

As a guiding principle the ECC will vote yes on governance actions that impact the Cardano ecosystem as constitutional, that contain risks that are:

1. Rated as **"Medium"** or **"Low"**,
2. Rated as **"High"** and have a **contingency plan** to deal with the associated risk should it arise.

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Risk Treatment

Risks can be treated in the following four ways:

- **Accept** - with a contingency plan
- **Reduce** - mitigate the risk with controls
- **Transfer** - move the risk to another organisation
- **Avoid** - remove the root cause of the risk

Risk Register

The ECC maintains a risk register that records risks as they are identified ad hoc or during governance action assessments.

[ECC Risk Register for Cardano Governance Sheet](#)

Risk Assessment

A Risk Assessment is prepared for all Cardano Governance Actions using the [Risk Assessment Template](#).

The risk assessment references the risk register for any registered risks based on similar types of governance actions.

Risk Communications

Risk assessments are published in the ECC Github repository and referenced in the voting rationale.

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References

For use with risk assessments / analysis.

Voting Thresholds:

In Cardano's governance framework, various actions require approval from different bodies: the Constitutional Committee (CC), Delegated Representatives (DReps), and Stake Pool Operators (SPOs). Each action type has specific voting thresholds for these groups:

Governance Action Type	CC Threshold	DReps Threshold	SPOs Threshold
1. Motion of No Confidence	N/A	67%	51%
2a. Update Committee/Threshold (Normal State)	N/A	67%	51%
2b. Update Committee/Threshold (No Confidence)	N/A	60%	51%
3. New Constitution or Guardrails Script	66.7%	75%	N/A
4. Hard-Fork Initiation	66.7%	60%	51%
5a. Protocol Parameter Changes (Network)	66.7%	67%	N/A
5b. Protocol Parameter Changes (Economic)	66.7%	67%	N/A
5c. Protocol Parameter Changes (Technical)	66.7%	67%	N/A
5d. Protocol Parameter Changes (Governance)	66.7%	75%	N/A
6. Treasury Withdrawal	66.7%	67%	N/A
7. Info	66.7%	100%	100%