

# zeppelinOS: An open-source, distributed platform of tools and services on top of the EVM, to develop and manage smart contract applications securely

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## Abstract

The blockchain ecosystem has seen an explosion in new protocols recently. These protocols promise to provide everything from traditional transfer of value to decentralized file storage. This is an exciting time as the blockchain industry can redesign and rebuild much of the traditional internet infrastructure. We have an opportunity to make it faster, easier and safer to deploy complex applications online, in a decentralized environment.

However, the industry has been plagued by security breaches and it is becoming clear that while the promise of blockchain technology is phenomenal, we need to approach this technology with caution. At the same time we want to make this technology as accessible as possible, fueling innovation and accelerating the move to a decentralized, open economy.

As an answer to these problems and opportunities, we propose zeppelinOS, an operating system for decentralized applications. zeppelinOS allows developers to easily build secure applications that use and combine existing protocols. zeppelinOS is made up of five distinct components: the kernel, the protocol marketplace, state channels, the scheduler and off-chain tools. We also propose a new token ZEP to fuel the zeppelinOS ecosystem. The token allows end users to seamlessly interact with zeppelinOS applications, is used as the primary governance mechanism for kernel upgrades and creates liquidity across protocols in the marketplace.

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# 1 Introduction

Decentralized applications often facilitate some kind of financial exchange for services. Ensuring the security of this financial exchange and the funds held in interacting applications/smart contracts is imperative to the success of the blockchain ecosystem. There is currently little standardization and no easy way to develop highly secure applications easily. zeppelinOS is an open-source, distributed platform of tools and services on top of a virtual machine (initially EVM [1]) to develop and manage smart contract applications securely.

## 2 Elementary Components

zeppelinOS consists of five distinct components: the kernel, the scheduler, the protocol marketplace, state channels and off-chain tools.

### 2.1 Kernel

The Kernel is to act as the foundation layer of zeppelinOS, providing an on-chain set of basic functionality and services for smart contracts that use the operating system. It is supported by a distributed upgrading mechanism powered by decentralized voting of ZEP token holders. The upgradeability mechanism of the zeppelinOS Kernel will be based on the proxy library pattern [2] and is described in the Governance section.

The goal for the zeppelinOS Kernel is to provide a set of functions for the smart contracts that run on top of it, requesting services from the OS rather than re-implementing them from scratch. These functions will be available as an on-chain standard library of reusable contracts and functions, heavily inspired by OpenZeppelin [3], and held to the same security standards.

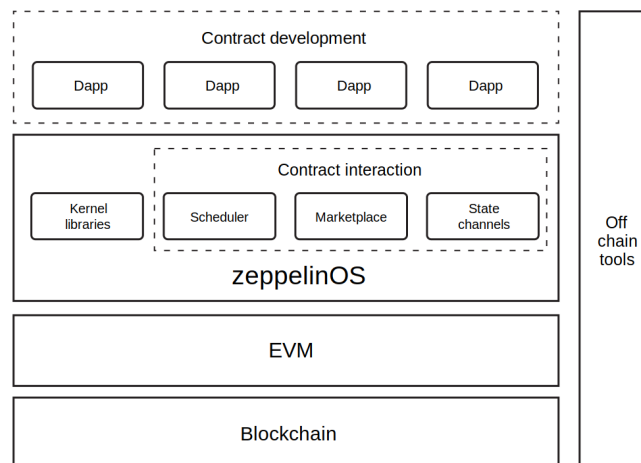


Figure 1: zeppelinOS in the broader blockchain stack.

Examples of things developers will be able to do with these libraries include:

- Create and customize a ERC20 Token.

- Create a capped, refundable, and/or whitelisted crowdsale contract.
- Create a trustless bug bounty.
- Create pausable, ownable, and balance-limited contracts.
- Set up a token vesting or token locking contract.
- Create trustless token sale or token purchase contracts.
- Create atomic token swap contracts.
- Create a token future contract.

### **2.1.1 Standard Library**

zeppelinOS will provide an on-chain standard library of reusable contracts and functions. The goal for the zeppelinOS Kernel is to provide a set of functions to act as system calls for the smart contracts that run on top of it, thus requesting services from the OS rather than reimplementing them.

### **2.1.2 Security Patches**

Being a layer that smart contracts communicate with on-chain, we open up the possibility of delivering upgrades to zeppelinOS users. This enables rolling out security mitigations and patches as soon as a vulnerability is found, instantly protecting all users of zeppelinOS.

To make upgrading happen in a decentralized manner, users will participate in a shared vouching system powered by ZEP tokens, and will be incentivized to review patches and vouch for their correctness. Such a mechanism is necessary to avoid the possibility of a centralized party upgrading (i.e. changing) all contracts using the optional automatic upgrade system in the OS without any control from the community, while providing a mechanism of fast response in the event of a critical security issue if it is acknowledged by the majority.

### **2.1.3 Continuous Improvement**

Through the same upgradeability mechanism, zeppelinOS will be able to remain in a state of continuous development. This includes the improvement of existing zeppelinOS components, as well as the development of new ones that are identified as necessary by the community. This allows both the service layer and the contracts that make use of it to always include state-of-the-art smart contract code.

### **2.1.4 Attack Response**

Experience has shown that bugs will always be found in a codebase. As smart contracts become more complex, the probability of bugs becomes larger [4], and with it comes a greater possibility of being the target of an attack.

To be prepared for it, zeppelinOS will provide a toolbox for attack response. Triggering an emergency pause, reverting to a previous uncompromised state, or forking a contract are some of the possibilities.

### 2.1.5 Contract Upgradeability

In addition to having upgradeability of the zeppelinOS Kernel itself, the underlying implementation will be made available to users of the OS to enable upgradeability of their own smart contracts. This allows rolling out contract-specific security patches, as well as the progressive deployment of features.

## 2.2 Scheduler

Contract code execution is synchronous and linear, having the possibility to call other contracts but restrained to a single and contiguous execution thread. To support more complex operations, applications require off-chain infrastructure, defeating the very purpose of fully decentralized applications.

As a means to support richer execution models, the OS shall provide, through the usage of a standardized set of signaling events, a bounty-based smart contract async execution scheduler. In it, different parties can offer to execute async operations and securely call back into the contract to resume operations. This also opens the way to standard mechanisms for requesting data from trusted authoritative sources, by adding a validation on the callback originator to ensure the response is provided by a secure oracle.

In order to accomplish this, the OS will define the required standards and provide code for simplifying their adoption, for both the scheduler clients and the providers who wish to offer the execution of async operations, effectively setting up nodes that power the distributed scheduling network.

## 2.3 State Channels

Though distributed and secure, in-chain transactions are limited in frequency and cost by block mining times and fees. This caused the emergence of alternate off-chain transaction systems that could be consolidated back to the blockchain after multiple operations, with State Channels [5] being one of the latest proposals for intercommunication between two or more peers, verified and consolidated by a smart contract acting as a judge.

The OS shall incorporate state channel support through common protocol specs and reference implementations, plus all the on-chain infrastructure necessary for discovery, arbitration and consolidation of state channels. Besides providing a cheaper communication mechanism, this also leaves the door open for future direct integration with off-chain state payment networks in the platform.

## 2.4 Protocol Marketplace

Much as traditional mobile app marketplaces act as central hubs for mobile users to browse and purchase available services, one of the central features of zeppelinOS is a marketplace for contracts, where services can be purchased and integrated into other applications.

Though smart contracts are currently quite limited in their interactions with the off-chain world, the advent of services that provide the bridge to execute side-chain effects can offer true decentralized applications the power to run entirely on zeppelinOS. Examples of such services are file storage, mail sending, push notifications, off-chain intensive computation, machine-learning services, etc.

The interaction with such services shall be facilitated through different standard execution models powered by the OS, and payments executed with the platform ZEP tokens, thus enabling an effective in-OS economy between service providers and their client applications. This model also improves security as interactions with various protocols is standardized and public allowing for auditing on a continuous basis.

#### **2.4.1 Protocol Proxies**

Applications built on zeppelinOS may include one or more external protocols via the marketplace. As the native token ZEP is used to operate applications built on the platform, there needs to be a mechanism by which the proxy for an external protocol converts ZEP into whichever token is required to use the external protocol. The marketplace thus needs to have some kind of exchange mechanism. We propose two complementary methods for achieving this, both of which are explored below.

##### **Exchange**

This method is relatively simple in that it does not require the developer of a marketplace integration to apply funds to ensuring the functioning of their application. The exchange method would utilize existing exchange infrastructure to manage conversions between ZEP and other tokens, allowing for real-time conversions within the application smart contracts.

Each protocol integration would connect to a zeppelinOS exchange integration allowing for the efficient conversion of ZEP into other protocol tokens. In the future, competitive mechanics can be added to the exchange process by creating a mechanism for exchanges to compete for any given transaction. If opened up to the market, traders could provide this service and benefit from the spread attainable by performing market making operations.

##### **Buffer**

The other option for providing marketplace exchange, this time without using an actual exchange, requires the developer of the integration to load tokens of the external protocol to a smart contract, creating a buffer. These tokens will be used to pay for protocol services as users pay for services in the application using ZEP. The smart contract will have an oracle which dictates the exchange rate for converting ZEP to the external token. The developer then receives ZEP and spends the external tokens. The developer of the integration thus functions like a market maker.

This method may require the developer of an integration to hold significant amounts of the protocol token, which is not ideal for keeping barriers to entry low. However, this method could also allow the developer of the integration to charge a spread on the exchange to generate revenue. Eventually such a spread would decrease to the lowest point where it makes sense to provide such a service. On the user side, this competitive tendency to lower cost, will lead to the best achievable prices over time.

#### **Considerations and Pending Challenges**

- The buffer method requires the holding of protocol tokens in a smart contract. Some protocols may not support smart contracts, thus making it difficult to use the buffer method for these protocols in creating proxies for the marketplace. To solve this problem, we will build bridges to allow users of the OS to interact with other blockchain platforms (e.g. Tezos).

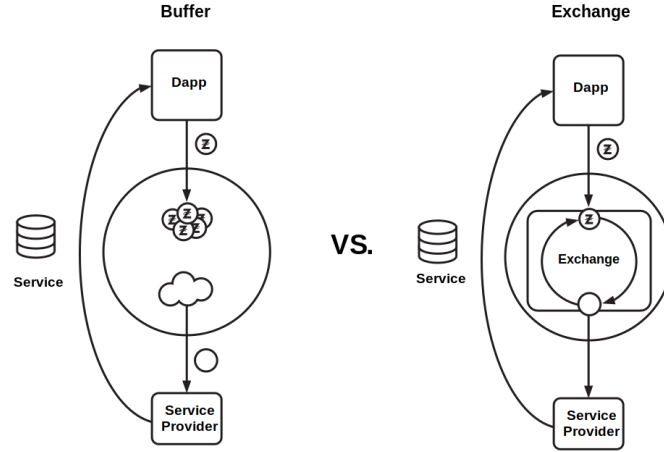


Figure 2: The alternative mechanisms for payments to external protocols.

- The buffer method requires the developer of the marketplace integration to hold some amount of the respective protocol's tokens, possibly increasing barriers to entry.

#### 2.4.2 Marketplace Review

All submissions to the marketplace will be carefully reviewed to ensure the highest quality and security. Initially this review process will be conducted by the Zeppelin Solutions [6] team, along with a public review with a bug bounty. A centralized marketplace review has benefits in terms of maintaining quality of contents and efficiency of the review process, but history tells us it also allows the controlling party to exert non-competitive influence [7]. We understand this problem and are fully committed to transitioning into a decentralized review model once the most suitable model is found.

#### Considerations and Pending Challenges

- Decentralising marketplace review needs to be efficient, scalable and maintain a high quality of accepted submissions. This can potentially be achieved using a delegated proof-of-stake model, where the delegates are incentivized to review submissions and act along guidelines voted on by the community.

### 2.5 Off-Chain Tools

As an addition to the on-chain services offered by zeppelinOS, the platform will provide a set of off-chain tools aimed at simplifying the development, debugging, testing, deployment, and monitoring of decentralized applications.

### **2.5.1 Analytics & Monitoring**

Contract transactions and events provide invaluable insight on the usage of a deployed application, analogous to end-user actions and events performed on a web page. As such, an off-chain analytics dashboard can aggregate on-chain generated contracts events for research on their usage. Also, by tracking from which node each transaction is originated, it is possible to obtain information on how end-users actually connect to the network to interact with the contracts.

The other side of tracking contract-generated events and transactions is monitoring the health of each contract, by keeping record of the transaction error rate and failure-associated events, thus triggering alerts through both general and per-contract defined rules.

### **2.5.2 Heroku [8] for Decentralized applications**

In order to simplify the deployment process, the platform will provide the necessary development tools to facilitate the transition from writing smart contracts high-level code to running in-chain distributed applications. Submitting the code to the platform shall trigger a testing and analysis process, described in the following sections, which will be followed by an actual deployment to the blockchain, or an upgrade powered by the aforementioned mechanisms, thus minimizing the devops complexity of dapps for programmers.

The Platform as a Service approach also includes acting as a one-stop platform for integration with other contracts, providing a user interface for the discovery and management of marketplace-offered services, so dapp owners can plug-and-play different infrastructure building blocks. Like IFTTT [9] recipes for smart contracts.

### **2.5.3 Continuous Integration for Contracts**

Automated testing through continuous integration providers has become an industry standard, as a means to increase the confidence on the project health by checking its tests in a separate environment at every stage of development. However, this requires a testing environment with conditions as similar as possible as the production one. As such, zeppelinOS shall provide the required services for effectively testing smart contracts and their interactions with other services in a continuous integration fashion, including replayability of previous transactions using the updated codebase to compare generated outcomes.

### **2.5.4 Automated Code Analysis**

Static analysis is a long-running research field in academia, with occasional ports to industry-level tools, despite its enormous benefits towards the assurance of correctness and its ability to identify potential bugs. Given the high security requirements of decentralized applications, applying these strategies to smart contracts code is a must, and an area to be continuously researched and improved.

Having access to the code powering the smart contracts applications, zeppelinOS shall offer automated code analysis services with increasingly powerful rules and techniques, preventing inadvertently deploying potentially unsecure code, and alerting owners of existing running contracts of newly found vulnerabilities.

### **2.5.5 Meta-chain Information Provider**

zeppelinOS shall provide a standard way to access, from a smart contract, information on the blockchain currently unavailable from on-chain apps, such as current ETH price, gas price, transaction pool size, average mining block times, etc.



This could be implemented either as an oracle providing information to requests signalled as events, as described in the Scheduler, or as calls to Kernel contracts which are continuously updated by a trusted external source with the latest chain stats.

### 2.5.6 Inter Contract Communication

The OS shall provide various mechanisms for inter-contract communication and networking, such as publish-subscribe messaging, message queues, and shared storage.

## 3 ZEP Token

Crypto-economic protocols create financial incentives to drive a network of rational actors to coordinate their behaviour towards a common goal. Often the alignment of incentives is achieved by introducing a native token. In the case of zeppelinOS, the native token is ZEP, and its goal is to align network incentives to establish, grow and maintain an ecosystem for easy development of secure decentralised applications. This will be achieved with the two uses of the token:

1. As a Utility token, financially incentivizing the creation of liquidity against token protocols in the marketplace. As a side effect of these incentives, ZEP will be the standard token for all applications built using zeppelinOS. ZEP will move the exchange functionality down the stack to a standardized solution, removing friction from both the consumer and the developer.
2. As a Governance token, ensuring a secure deployment of upgrades to the zeppelinOS technology platform.

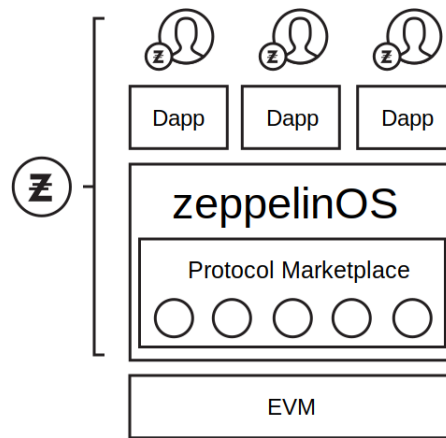


Figure 3: ZEP in relation to zeppelinOS stack.

## 3.1 Utility

### 3.1.1 End-user

Applications built on zeppelinOS will likely make use of various external protocols to deliver services to users of said applications. Usually this would require the user to hold tokens of each respective protocol being used, making for a less than ideal user experience. The ZEP token will significantly streamline the end-user experience, by allowing users to perform all operations by using just ZEP tokens. This end-user use-case will drive demand and increased decentralization, leading to a healthier, more robust network.

This is not to say that applications built on zeppelinOS could not be operated with other tokens as well, but settlements between tokens will happen using the liquidity created with ZEP.

### 3.1.2 Developers

Developers will not have to spend ZEP tokens to develop applications on zeppelinOS. Developers will need to own ZEP only when conducting testing of deployed applications on the mainnet if they have built token functionality into their application.

Developers will benefit greatly from ZEP tokens functioning as the standard token due to significantly simplified economics of applications, and increased security due to standardization and improved end-user experiences. ZEP, together with the protocol marketplace, create a plug and play experience for the developer when integrating various protocol services into a decentralized application. Without it, if a developer wants to utilize more than one protocol's service, they need to either require the user to hold the token of each respective service to operate the dapp or provide exchange functionality.

Developers also benefit from the compatibility of zeppelinOS with any underlying blockchain running a virtual machine, essentially future-proofing their applications. In addition, developers get easy access to an existing ZEP-holding userbase and, in the future, end-user facing distribution channels for applications built on zeppelinOS.

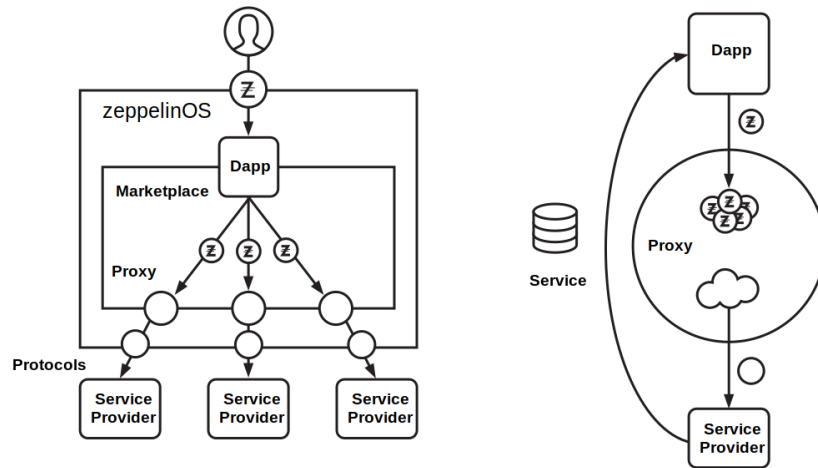


Figure 4: End-to-end token interactions.

## 3.2 Governance

In the context of zeppelinOS, governance refers to the action of upgrading or patching the Kernel code. This is achieved with a vouching mechanism where network participants can stake (lock up) ZEP tokens to vouch for a new version of the Kernel. Upgrading to a new version is free, so this vouching mechanism is primarily a way for the network to indicate the latest, qualified version of the Kernel and reward the developers via a portion of staked ZEP going to said developers.

Conceptually, there are two distinct actions a Kernel user can perform with regards to the upgrade mechanism:

- 1) To change their contract's used kernel version from  $V$  to  $V'$ .
- 2) To signal their approval or willingness to use  $V'$  over  $V$ .

Given 1) is very hard (or impossible) to tie into token mechanics without forcing developers to hold ZEP tokens to use the Kernel, we will use 2) as a proxy of 1). To do so, we define the following “vouching” mechanic: ZEP token holders can signal their approval for a specific Kernel version  $V$  by locking part of their tokens and specifying which version they vouch for. It is worth noting that the Kernel is upgraded as a monolithic system and individual components are not upgraded in a modular fashion, although this may be subject to change in the future.

Locking tokens simply means the user cannot transfer or vouch other versions with those same tokens. This does not mean tokens are locked for a specific amount of time.

For example, given a Kernel with only versions v1.0.0 and v1.0.1, and 3 token holders with 100 ZEP tokens each, the following situation can occur:

- Holder A vouches for v1.0.0 with 50 ZEP tokens and v1.0.1 with 50 ZEP tokens.
- Holder B does not vouch for any version.
- Holder C vouches for v1.0.1 with 80 ZEP tokens.

In this example, if holders ABC make up a majority of vouching power in the network, the new version 1.0.1 would be considered the latest version accepted by the network, in the context of automatic upgrades. It is important to note that users can manually change the Kernel version their contracts use, making upgrades of the Kernel opt-in. zeppelinOS will also provide tools for contracts to automatically upgrade based on a policy set by the developer.

For the rest of the section, whenever we say “use” or “upgrade” in relation to a version, we are referring to the vouching mechanic and not actually using that version in their contracts.

### 3.2.1 Mechanics

The following mechanics govern the Kernel upgrade mechanism and incentives.

Any developer can propose a new Kernel version upgrade, based on a previously existing version. Creating this new version proposal has a cost in ZEP tokens, as a way to prevent denial-of-service attacks related to proposal submissions. Compensation to the developer of a Kernel version is a function of the amount of tokens vouching for that version. When a developer proposes a new version of the Kernel, building upon a previous version, users can stop vouching for the previous version in favor of the new one. Multiple versions of the Kernel can exist in parallel, creating a sort of tree structure for versions.

Each of these vouch-change operations will compensate the new version's developer according to a function of tokens vouched.

`change_vouching( $v_1, v_2, n$ )` will trigger a `payout( $v_2, f(n)$ )`, where  $f$  is monotonically increasing over  $n$ , the amount of tokens. Payouts may also include a time-lock or other additional safety measures to ensure incentives are aligned.

Whenever a user vouches for a new version with  $t$  tokens, a fraction of those tokens is sent to the developer as a reward. This causes `change_vouching`( $v_1, v_2, n$ ) to take  $n$  tokens from  $v_1$ , give  $f(n)$  to the developer, and lock  $n - f(n)$  for  $v_2$ , where  $f(n) = n * (1/k)$  where  $k$  is a natural number. This definition of  $f$  does not depend on `total_vouching_tokens`. This means the payout is a fraction of the moved tokens, coming out of the voucher’s balance. Tokens given as reward to the developer have a time lock and are only redeemable after a certain token amount threshold is met. During this lock-in period, vouchers may decide to change their target version.

An example timeline of vouching changes would look like this:

Version	Vouch % over time		
	$t_0$	$t_1$	$t_2$
1.6.3	20	20	20
2.0.1	80	70	0
2.0.2	0	10	80

- At time  $t_0$ , version 2.0.2 is released fixing a vulnerability in version 2.0.1.
- At time  $t_1$ , a user with 10% of the total vouching power moves their tokens from 2.0.1 to 2.0.2 (`change_vouching`(2.0.1, 2.0.2, 10)) which results in a compensation to the developers of 2.0.2 (`payout`(2.0.2,  $f(10)$ )).
- At time  $t_2$ , the other user of 2.0.1 moves their tokens to 2.0.2, and this results in the compensation to the developers (`payout`(2.0.2,  $f(70)$ )).

### 3.2.2 Contribution Dynamics

We acknowledge that it is impossible to measure the value of a contribution other than subjectively by the users of the OS. A change as small as a single character can save millions of dollars, while a very large changeset adding multiple contracts could be useless. There is no objective way of measuring this from the code itself, only by how much users adopt the changes.

As such, and as a result of the mechanics proposed above, each proposed upgrade is rewarded equally, given the same amount of tokens vouching for it. This will cause the developers proposing upgrades to adapt each of their contributions to the expected reward, and the market will determine whether the payout is fair by either vouching or not for the contribution.

For instance, if the proposed upgrade is too small in terms of value-added, the token holders will refrain from vouching for it, as the payout to the developer would be unfair. This will cause developers to avoid upgrade spamming, and incentivize them to band-up to submit bigger contributions encompassing several small changes, with a payout address set to a fund-splitting contract.

Also, note that any damage done by malicious actors in the system is contained. Developers vouching for their own versions would end up losing tokens, due to the associated costs of proposing new versions and the tokens paid as part of the `change_vouching` operation. Malicious users vouching for buggy versions, as an attempt to introduce vulnerabilities in the Kernel, will not be followed by other users who will vouch for a different version in the development tree.

All in all, since the motivation for vouching users is to maintain a healthy development cycle of the OS and ensure the security of the underlying Kernel libraries, we expect each vouching operation to be done towards this end, regardless of the small number of tokens deducted from the user’s balance upon vouching.

### 3.2.3 Development Bounties

In order to guide the development of the zeppelinOS Kernel and incentivize contributors to begin working on an issue, there will be a platform for development bounties. In it, users can post their desired features and place an upfront bounty for them, and do the same for bugs that need to be fixed. The aim is for bounties to act as a pushing force for the development of the Kernel, and a motivation for developers, in addition to the usual reward that comes with the community vouching an already released version. We aim to implement a delegated review process for development bounty proposals, but initially this process will be managed in a centralized manner.

As an end-to-end example of this process think of a developer that is building a project on top of the zeppelinOS Kernel who runs into a need for a type of smart contract that has not been built yet. Through the platform, they will post a bounty of a given amount of ZEP tokens for its development. Other developers might share the need for the feature, and can add their own bounty on top. A developer will see this bounty and announce that they began working on the feature. Once it is finished, a network delegate will review the submission. If the feature implementation is acceptable, the bounty will be released to the developer and the feature will be submitted for normal Kernel upgrade vouching. A small cut will be rewarded to the reviewer.

### Considerations and Pending Challenges

- Specifics of voting process for choosing delegates are still undecided. Likely this will be similar to a delegated proof of stake system, where each token has a right to lock up tokens and thus give their vote for a specific delegate/reviewer.
- The incentives of the reviewer are easily misaligned with the network as the reviewer should be rewarded for every review, regardless of if the proposal is accepted or not. This creates an incentive for the reviewers to create large amounts of proposals that will be declined as the reviewer would still receive the reward, depleting the developer bounty pool.

### 3.2.4 Automatic Upgrade System

Users of the Kernel libraries will have the option to enable automatic upgrades. For instance, users may specify that they use version ^1.2, meaning the latest approved version among 1.2 and above, but below 2.0.

The latest approved version is defined based on the number of tokens vouching for that version, with respect to its previous versions. For example, given a Kernel version that specifies version ^1.2:

- Kernel uses version 1.2, the latest one in the 1.x branch.
- Developers propose versions 1.3a and 1.3b as upgrades over 1.2.
- Over  $X\%$  of vouching in the 1.x branch moves to 1.3a (where  $X$  is to be defined), signalling that 1.3 is strongly backed by the community.
- The proxy to the Kernel 1.x branch is updated to point to version 1.3.
- Kernel automatically starts using features from 1.3.

These upgrades are optional for Kernel users, as they may choose to switch manually to 1.3 after reviewing the new version themselves, regardless of the vouching of that version.

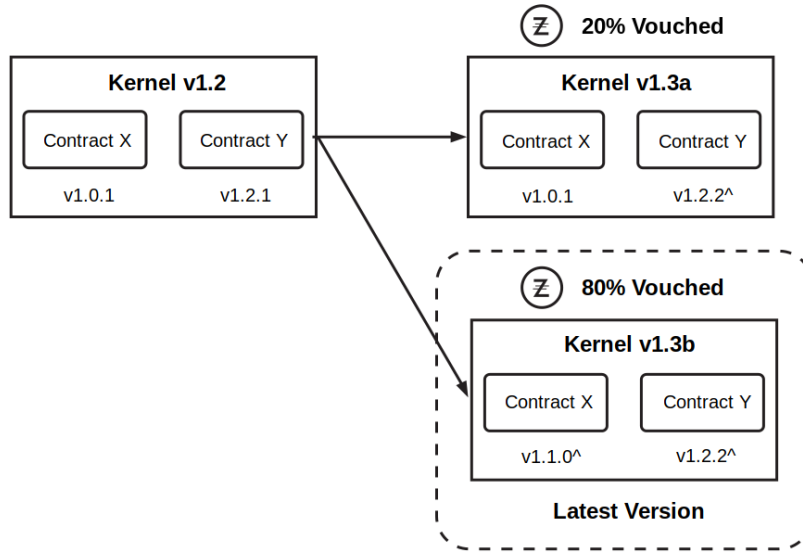


Figure 5: Illustration of automatic upgrade mechanism for example in section 3.2.4. Previously, version 1.2 was the “Latest version”, with the highest amount of ZEP vouched. As versions 1.3a and 1.3b are introduced, users move their vouched tokens to them, having 80% vouching version 1.3b and 20% vouch version 1.3a. Version 1.3b becomes then the “Latest version”, as it is the one with the highest vouching.

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