SIFT Voting Proposal

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SVP002: Dividend Payment Methods

Current Situation

When SIFT was created the entire structure was designed around smart contracts. The idea behind this was to instil the rules of SIFT in a form that everyone could see, inspect and verify themselves. One of these contracts is responsible for making dividend payments.

This dividend contract receives ether which is sent by SIFT and then takes that ETH and allocates it pro-rata between all SIFT holders based on their current percentage shareholding at that block height. Rather than send the ETH directly to a wallet it allows for a withdrawal request to be made.

The withdraw model, rather than pay-to-wallet, was selected to prevent anybody abusing the dividend contract. An auto-payment contract can be abused by creating another contract that holds SIFT and intentionally uses huge sums of gas that make a transaction impossible. Rather than risk this the withdraw model removes this chance of abuse and means that any excessive gas costs are the liability of the receiving wallet.

The Issue

There are a few issues with the withdraw-based smart contract model that has been created. These have been raised by several different SIFT-holders. As such we are putting forward proposals that attempt to remedy them.

Some investors purchased SIFT during the ICO from wallets that do not allow smart contracts to be called. Furthermore, these token-holders cannot even send their SIFT to another wallet despite having SIFT allocated. In these instances, the SIFT-holders cannot even vote on issues relating to them and have purchased tokens that are ultimately useless since they cannot benefit from NAV or dividends.

For those that do hold SIFT in an appropriate wallet we've heard concern about the difficulties of this. From the beginning of the ICO people have wanted detailed instructions and have shown concern about the process to call smart contracts. We had originally hoped that the Windows SIFT application would be in use my most SIFT-holders however there was little demand in installing another desktop application solely for SIFT and so further plans with the SIFT wallet were shelved.

Ultimately for many investors calling a smart contract to get paid dividends is not an ideal situation.

Questions have been raised about what to do with dividends held in the smart contract for a long time? If, for example, funds are not claimed within a few years should they be reallocated to everybody else or held in perpetuity. The current smart contract provides no model to deal with a reallocation of dividends.

Finally, there is a question that has been raised several times – how to deal with dividend payments when funds are held at an exchange address? SIFT that is held at Etherdelta is all held in a single address. The current model means that on dividend payment day all the dividends for the SIFT held at Etherdelta will be allocated to the Etherdelta contract for withdrawal. This is completely wasted ether since the Etherdelta contract cannot call the dividend contract. Those funds are ultimately wasted.

The Solution

SIFT are proposing we switch to a model where ether is sent directly to SIFT-holder's wallets. A time will be announced that SIFT-holders are eligible for receiving dividends. Whatever accounts hold SIFT at that time will be allocated and paid dividends accordingly. Payments will be sent directly to their wallet and the gas cost will be paid for by SIFT out of management fees. There will be a maximum cap of 50,000 gas per transaction (more than double that required to send to a standard address) and the gas price will be sent with a low value that results in a transaction clearing within 24 hours of dividends being due.

SIFT-holders will have to do nothing to receive their dividends. Their Ethereum balances will be automatically updated. SIFT will publish the sending address so that all transactions can still be verified on the blockchain.

We are proposing separate questions to give SIFT-holders a chance to decide what do with exchange-held balances and dividend payments that have failed due to gas limits being breached. As this process results in are paying dividends straight to wallets there is no longer a concern about SIFT holding dividends for a long time that have not been withdrawn.

For exchange held balances there are two choices. The first option is to send Ethereum to the current holding address. Depending on an exchange this could result in the holder being allocated a balance of Ethereum, but it could also result just be wasted or allocated to the exchange itself. The second option is that known exchange addresses published in advance would be excluded from payments. Currently this would only apply to the Etherdelta smart contract. Any dividends due to that address would then be redistributed to other SIFT-holders proportionally.

Where a dividend payment fails due to insufficient gas this will only be because the recipient is a complex contract. There are two options that we are proposing for dealing with this issue. The first is that if a transaction fails the ether will be reallocated to all other holders in the following month's transaction run. This would only happen if the owner of the address for the failed dividend payment not contacted SIFT in the interim. That address would be blacklisted from future dividends until contact was made and all dividends re-distributed to other SIFT-holders proportionally. The second option is that SIFT will hold the ETH in perpetuity waiting for a claim. Any claims or contact from account holders would need to be supported with a signed message from the address. Payment of dividends after a failed first attempt would result in the cost of gas would being deducted from the dividend before it was paid out.

Voting

The following are the proposals being put forward for voting. The specific smart contract for this vote and the instructions for voting will be separately published.

There are three separate questions to be voted on. Entitled SIFT-holders can vote on any one, two or three of the questions or can chose not to vote at all. SIFT-holders can change their vote at any time up until the vote closes.

All token-holders as of the date of vote announcement will have a right to vote. Each SIFT entitles the holder to a vote. For example, someone holding 5 SIFT at the time of the vote will be entitled to 5 votes on each proposal.

For each question the implemented solution will be the answer that gets the majority of SIFT allocated to it.

Timescales

Vote Announcement:	4th October 2017 10:00 GMT
Vote Opens:	11th October 2017 10:00 GMT
Vote Closes:	18th October 2017 10:00 GMT

Proposal 1: SVP002-01 Direct Pay

Question	Should SIFT dividends be paid directly to token holders?
Answer 1	Yes (Direct payment to wallet)
Answer 2	No (Keep withdrawal-based smart contract)

Proposal 2: SVP002-02 Exchange Payments

Question	Should dividend payments that would be sent to exchanges be reallocated to other SIFT-holders?
Answer 1	Yes (SIFT held at exchanges not eligible for dividends)
Answer 2	No (Dividends are paid to exchanges)
Notes	This can be implemented regardless of the result of SVO002-01.

Proposal 2: SVP002-03 Failed Payments

Question	Should failed dividend payments be reallocated to other SIFT-holders?
Answer 1	Yes (Dividends are reallocated and account is blacklisted)
Answer 2	No (Dividends are held by SIFT pending request for payment)
Notes	If SVP002-001 votes No then the result of this vote will not be implemented.

SIFT Recommendation

SIFT recommends that you vote:

- SVP002-01: Yes
- SVP002-02: Yes
- SVP002-03: No

Recommendation 1: SVP002-01

The main reason we opted for a smart contract was transparency with our investors. Those that we have talked to all consider an easy-to-use system to be of paramount importance. The fact that dividends are sent in ether means that they are still publicly-verifiable blockchain transactions even without a smart contract. A direct to wallet payment system meets our original design goals whilst simplifying the process for investors.

Additionally, several early investors have SIFT stored in unsupported wallets. With a direct-to-wallet payment system these SIFT-holders will at least be able to receive their dividends.

For these reasons, we recommend a Yes vote on SVP002-01.

Recommendation 2: SVP002-02

Withholding dividends from any address is potentially contentious and so it is very important that only wallets proven to be part of exchanges are those excluded from dividend payments. As it stands the only exchange that SIFT is traded on is Etherdelta and this exchange has a single contract address that is publicised.

Sending Ethereum to a shared exchange address does not end up going to the SIFT-holder but instead ends up being held by the exchange. Often these funds would remain trapped inside a contract and could not even be extracted by the exchange.

As the value of SIFT and dividend payments increase a lot of money will literally be lost in the ether. These funds could be reinvested and sent to SIFT-holders.

Considering the publicised nature of dividend payment dates, along with the notification of this vote, and the fact that dividends would otherwise simply be lost, we do not feel it unfair to withhold dividends from nominated addresses belonging to exchanges.

For these reasons, we recommend a Yes vote on SVP002-02.

Recommendation 3: SVP002-03

There are many reasons that dividend payments can fail. This could be because of a malicious attack or somebody attempting to creating a contract that intentionally costs SIFT gas. It could also be because of a complex multi-party wallet that is holding SIFT.

As we are unable to identify potential issues in advance of dividend payments or to contact such holders in advance we do not believe it is fair to mandate a certain level of gas as a maximum. If we were to reallocate SIFT that failed to send to such addresses it may preclude genuine SIFT-holders from obtaining their dividends.

The proposal we have put forward means that SIFT would not pay out any additional gas for these failed payments – but it does mean that everyone can get the dividends they are entitled to if a No vote is selected.

For these reasons, we recommend a No vote on SVP002-03.