

Marco Walz / 11-04-2023



DAO-Fi: The DAO and DeFi Code Challenge

Checkpoint 2: DAO meets DeFi!

Keep your DAO treasury safe and diversified



# Agenda

- **What is a DAO?**
- **Key Aspects of a DAO: Non-technical vs. Technical**
- **DAO Governance: On-Chain vs. Off-Chain**
- **DAO meets DeFi: Treasury Management Considerations**



# What is a DAO?





- DAO - **decentralized autonomous organization** - is an entity structure in which tokenholders participate in the management and decision-making of an entity.
- There is no central authority of a DAO; instead, **power is distributed** across tokenholders who collectively cast votes.
- All votes and activity through the DAO are posted on a blockchain, making **all actions of users publicly viewable**.

***“DAOs are organizations who use blockchain technology to coordinate and achieve their mission”***



# DAO

## Key Aspects



# Key Aspects

- **Clear and well defined purpose** that aligns with DAO members' values and interests
- **Governance** structure with a transparent and clear decision making process
- **Reliable and secure *Smart Contracts*** as technical infrastructure
- A **vibrant and engaged community** that is passionate about the DAOs purpose and committed to its success
- A **sustainable** (business) model that ensures its long-term viability (plan to generate revenue, ***treasury management***, strategies for adapting to changing market conditions)



# Non-technical vs. Technical



# Non-technical ✖

- Community values & culture
- Strategic vision & leadership
- Trust and reputation
- Legal compliance
- Conflict resolution / maintenance of positive relationships

# Technical ✔

- Governance
  - (Delegated) Voting / Decision-making
  - Enforcement of decisions
- Tokenomics
  - Supply & Distribution
  - Staking
  - Incentives
- Transparency
  - Auditable record of DAO activity
- Treasury Management
  - MultiSig, Balance sheet, Payouts, Reporting, ...

**AEX-9**  
**Token Standard**



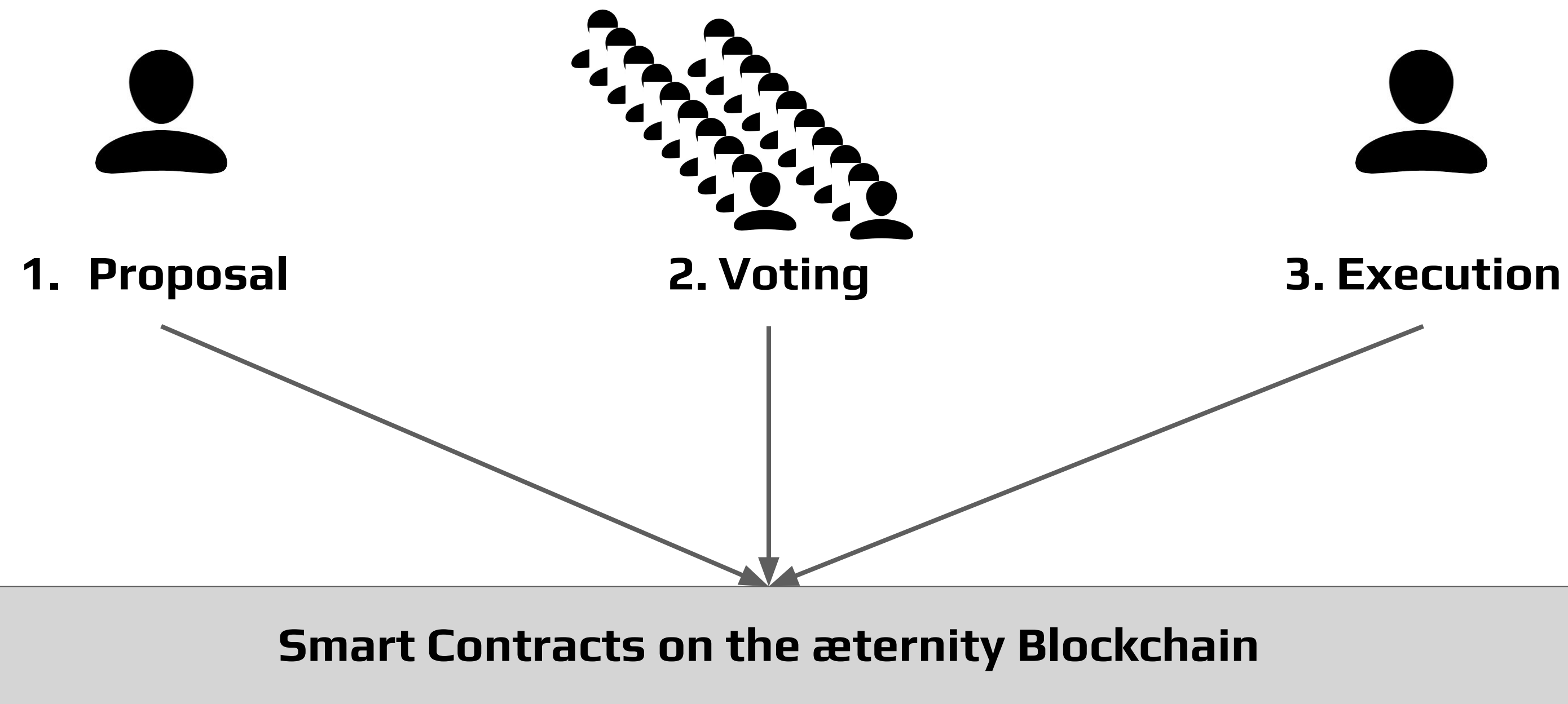


# DAO Governance Process



## Decision delegation

- DAO defined working groups / committees
- (General) delegation to specific users





# DAO Governance: On-Chain vs. Off-Chain

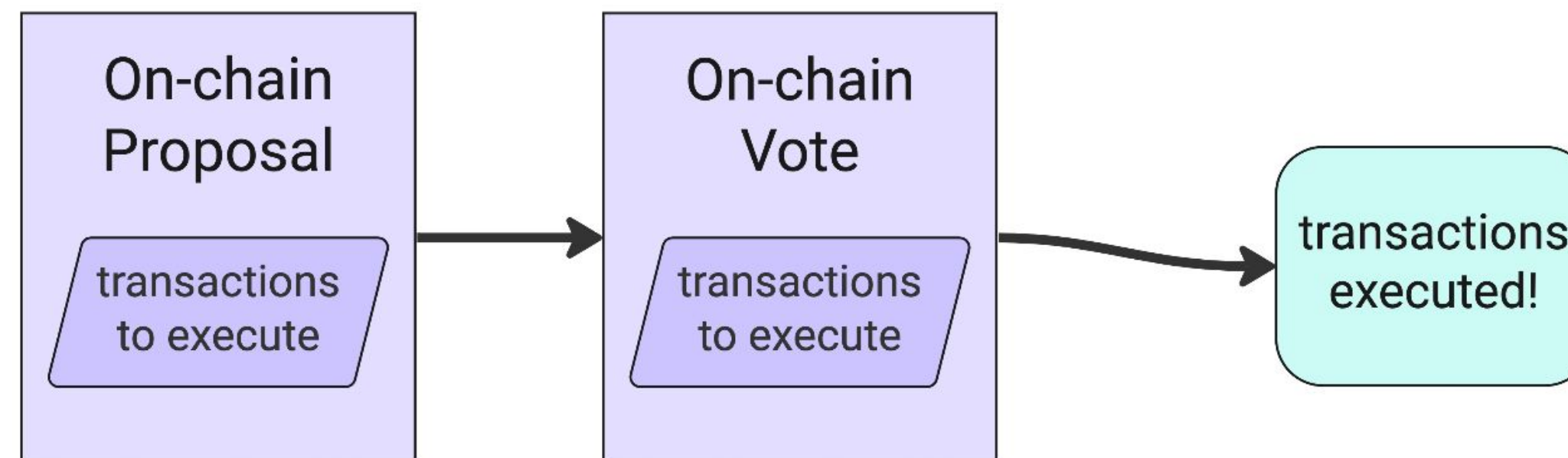


# On-chain votes execute proposals trustlessly.

## Off-chain votes don't.

### On-Chain

An on-chain flow runs everything entirely in code:



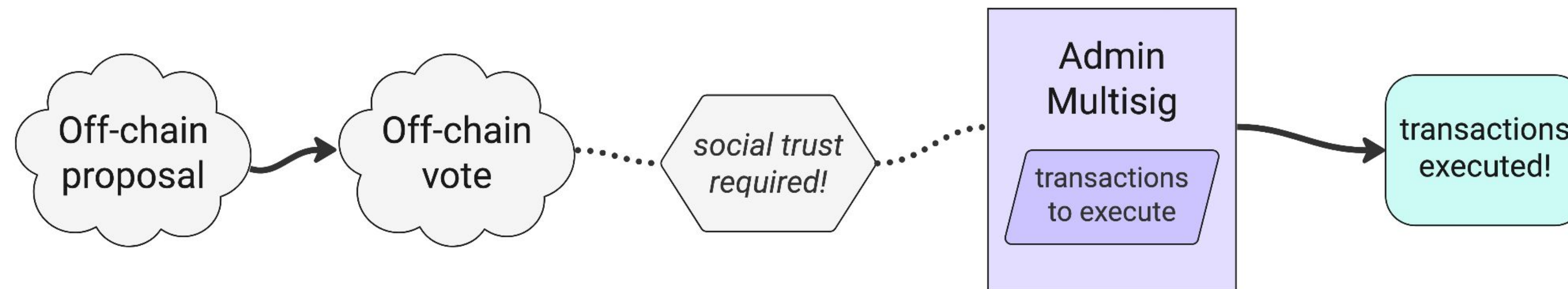
✓ No trusted third party needed to count or enact votes

✓ Passed proposals execute automatically and trustlessly

✓ Well suited for approving protocol changes or other high stake votes

### Off-Chain

An off-chain flow depends on trusting admins to execute the result of the vote:



Source: <https://docs.tally.xyz/knowledge-base/tally/on-chain-vs-off-chain>



# Prominent DAO Governance Tools



# Tally.xyz (On-chain)

Tally

Search DAOs

Add a DAOResourcesMediaDevelopers

Connect wallet

Explore DAOs

Filter by name

AllEthereumPolygonOptimismAvalancheBNB ChainArbitrumGnosis

Name	Proposals	Holders	Voters	
<div><div>A</div><div>Aave</div><div>ACTIVE PROPOSAL</div></div>	194	49.18K	50.52K	Ethereum
<div><div>Uniswap</div><div>ACTIVE PROPOSAL</div></div>	36	367.99K	29.22K	Ethereum
<div><div>Nouns Dao</div><div>ACTIVE PROPOSAL</div></div>	267	400	337	Ethereum
<div><div>DegenX Ecosystem</div><div>ACTIVE PROPOSAL</div></div>	10	403	53	Avalanche
<div><div>Femboy DAO</div><div>ACTIVE PROPOSAL</div></div>	4	167	33	Ethereum
<div><div>Threshold Network</div><div>ACTIVE PROPOSAL</div></div>	5	5.49K	23	Ethereum
<div><div>Optimism</div></div>	6	585.5K	119.59K	Optimism
<div><div>Arbitrum</div></div>	2	318.08K	93.71K	Arbitrum
<div><div>ENS</div></div>	15	64.52K	11.75K	Ethereum
<div><div>Gitcoin</div></div>	50	35.19K	8.11K	Ethereum
<div><div>Compound</div></div>	115	210.26K	4.95K	Ethereum

# Snapshot.org (Off-chain)

snapshot

Connect wallet

...

Search

Spaces

Protocol

1.9K space(s)

Stargate DAO

249K members

Join

Aave

101K members

Join

Arbitrum DAO

158K members

Join

Optimism Collect...

135K members

Join

Aavegotchi

18K members

Join

Uniswap

86K members

Join

Gitcoin

92K members

Join

Balancer

26K members

Join

Decentraland

28K members

Join

Radiant Capital

15K members

Join

Shell Protocol

35K members

Join


Starknet

23K members

Join

Load more

Prominent DAO Governance Tools

 aeternity



# DAO meets DeFi!

## Key Aspects



# DAO meets DeFi! - Key Aspects

- **MultiSig** solutions (e.g. Gnosis Safe) to **keep funds** of the DAO **secure** and to **prevent unauthorized access** / value transfer
- **Treasury Management Tooling** (Balance sheet, Payout management, Reporting, Risk Management, ...)
  - Examples: <https://utopialabs.com>, <https://hedgey.finance>, <https://multis.com>
- **Treasury Management** can be a full-time task and DAOs should consider a “Treasurer” as a full-time group of elected individuals to manage the portfolio & holdings of a DAO
- **Diversification** of the DAO **portfolio** is important
  - Don't put all eggs into one basket!
  - DAO tokens can be distributed for some team compensation, but are generally considered for voting - not for paying people!
  - Stablecoins make budgeting and forecasting simpler



# What could go wrong?



**PeopleDAO** (@The\_PeopleDAO · Mar 11)

8/10  
Wst

**PeopleDAO** (@The\_PeopleDAO · Mar 11)

9/10

**PeopleDAO** (@The\_PeopleDAO · Mar 11)

10/10

Thanks to the support from community members and contributors, PeopleDAO will operate as usual, building For The People.

We highly recommend other DAOs learn from this case and improve their accounting and treasury management!

... recover, we have reported the fraud case to FBI @FBI and FTC (Federal @FTC . We will keep working with @FBI @FTC @hitbtc ance @SlowMist\_Team @zachxbt @Google to find the r the fund.


DAO meets DeFi! - What could go wrong? 



# USDC de-peg



# USDC de-peg

Name	Price	1h %	24h %	7d %	Market Cap	Volume(24h)
 USD Coin 5 USDC	\$0.8969	▼ 5.18%	▼ 10.29%	▼ 10.32%	\$36.75B	\$17,737,492,176 19,534,683,013 USDC

- **What happened?**

- Bankruptcy of Silicon Valley Bank (SVB) due to a bank run
- **USDC** stablecoin **de-pegged** more than **10%** from the US Dollar
- Coinbase & Binance temporarily paused USDC:USD conversions

- **Why did the de-peg of USDC happen?**

- Circle, the company that issues the USDC stablecoin, held ~10% of the backed USD at SVB

- **Takeaways**

- Even (backed) **stablecoins** include **risks**
- A DAO's **financial health** can be **seriously impacted** if a stablecoin de-pegs
- A **time-lock** from treasury decisions to execution like e.g. the **ENS DAO** had in place, should be seriously reconsidered in treasury management
- DAO's need to be able to **react fast** in such **emergency scenarios**, every second matters

Read more:

<https://medium.com/@avantgardefi/a-wake-up-call-for-dao-treasury-management-lessons-from-the-usdc-de-peg-7ca12c30a74d>



THANK YOU!  
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ANY QUESTIONS?