

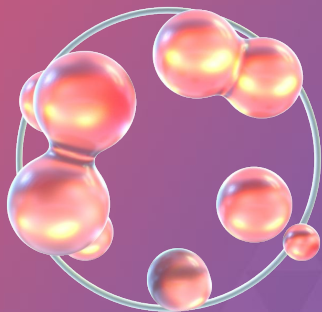
Why Crypto Protocols Are Failing at Governance, and How to Fix It

Charles St. Louis

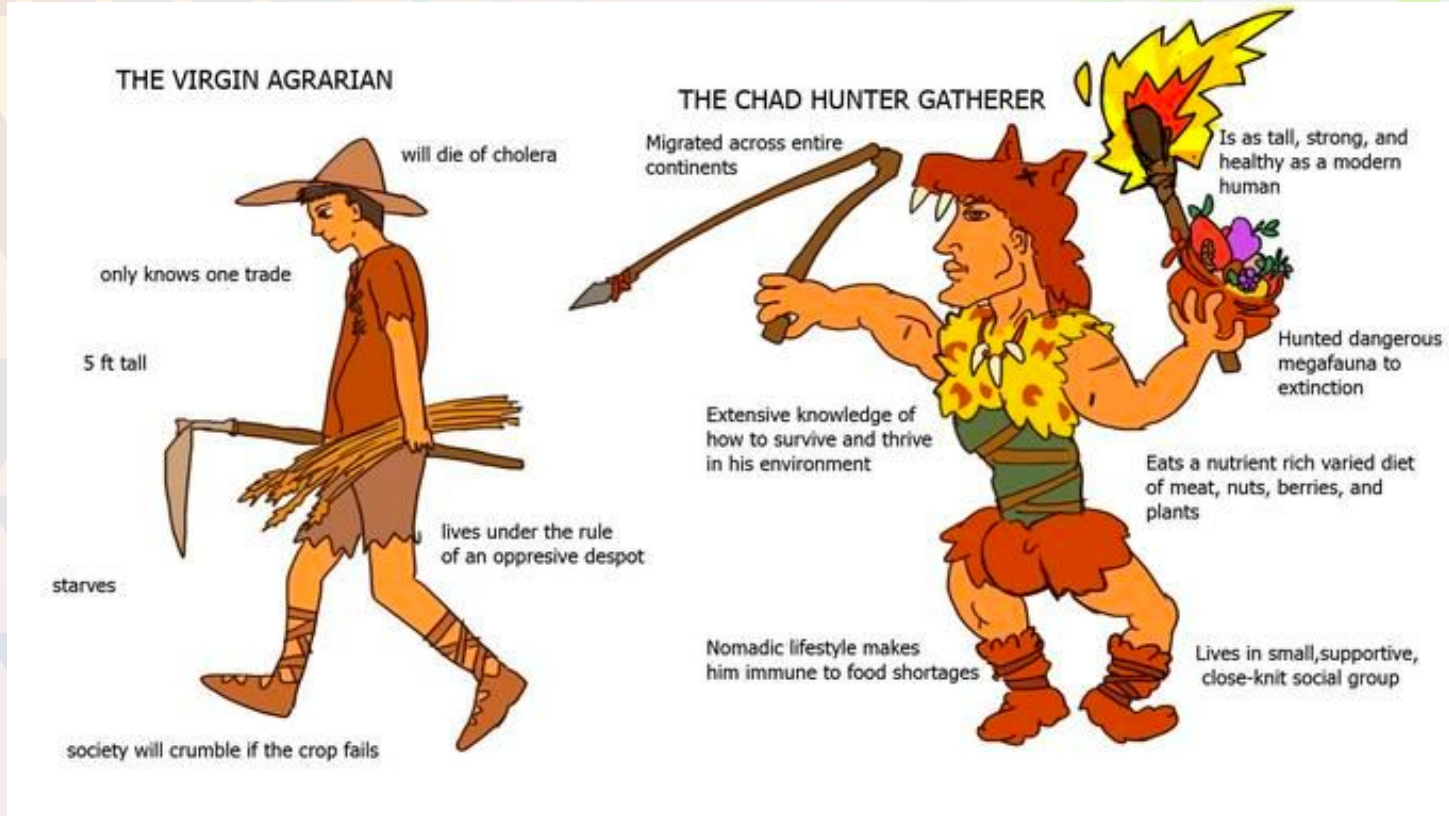
COO & Head of Governance, Element Finance



Since humans have existed...



It started with Tribes & Clans (3 mill. yrs)



And then Kingdoms (10,000 yrs)



The thing about Empires...

(4,000 yrs)



Democracies form (3,000 yrs)



REMEMBER TO USE YOUR VOICE

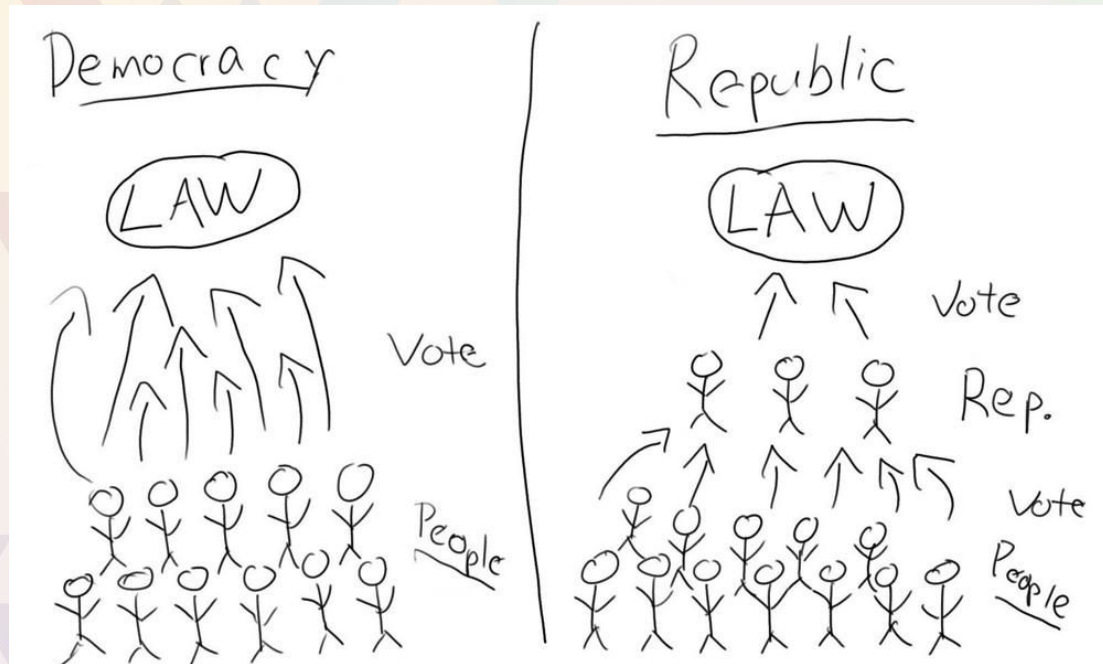
Politicians before they get elected.



Politicians after they get elected.



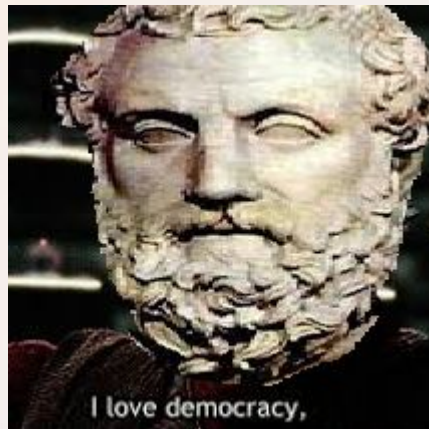
And then Republics (2,000 - 250 yrs)



Today Many Forms Exist



The republicooors



The
democractooor



The monarchooors



The "equalooooor"

Decentralized Governance Models

- Direct Democracy
With a capital barrier. One-token, One-vote.
- Reputational voting
Non-transferable voting based on your reputation and work.
- Representative democracy
Token voting with delegation
- Republic-like DAOs
Vote in teams to run governance and operations





Get to the point!

What's with the history lesson?

Governments Fail!

Governments have failed and evolved over thousands of years.

It takes time to find out what works and what works often changes, and clearly nothing is permanent.





Challenges of Adapting Slowly or Not at All

Examples of governance systems acting slow to adapt or simply won't adapt due to technical and social burden.



hoW tO F!x?

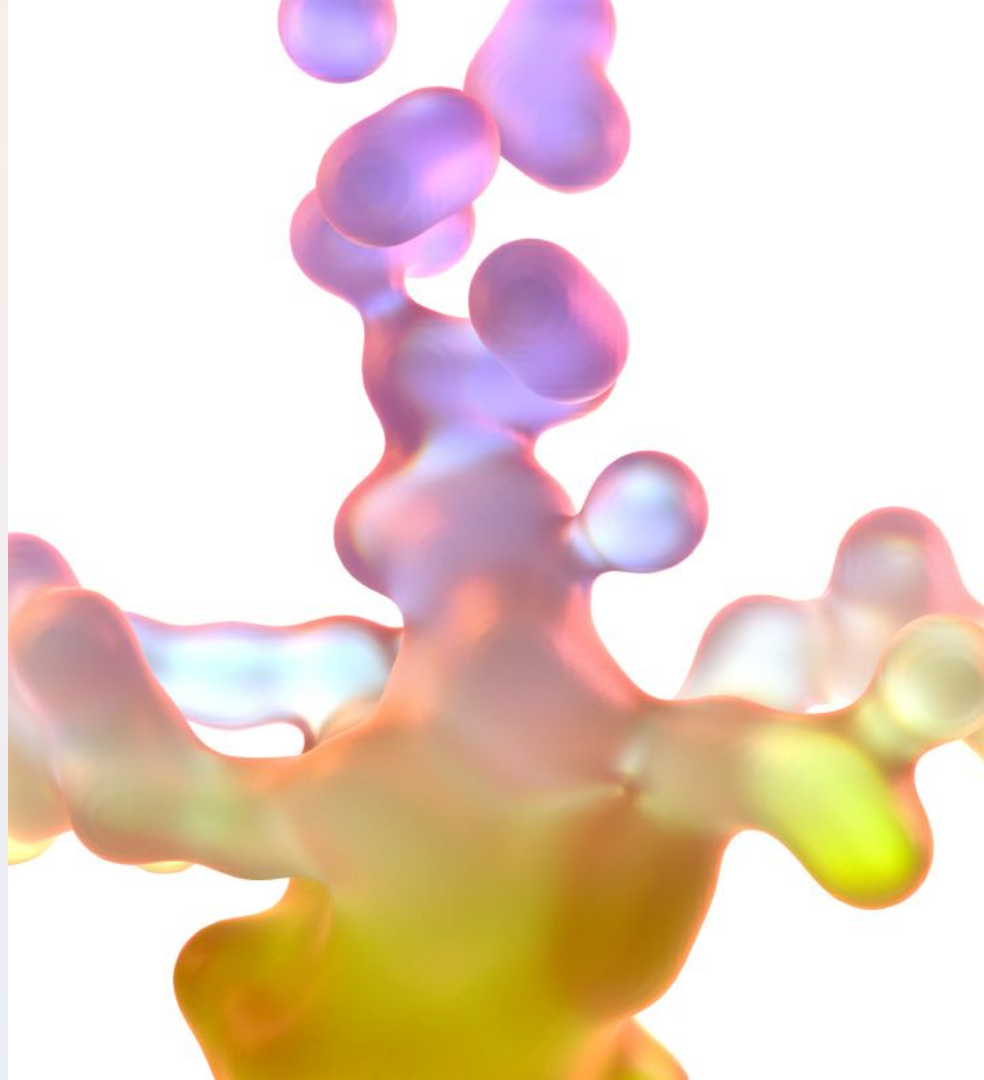




We build more adaptable
governance systems

Council is the starting point

A governance protocol that is modular, upgradeable, and flexible.



Goals to strive for

- **Continuously strengthen inclusivity**
 - You want your biggest contributors to have a say vs. purely those who acquired your gov token
- **Don't make voting a burden**
 - Enable and experiment with different styles of delegation
 - UI/UX is crucial
- **Upgrade through modularity - easily adapt with current political dynamics**
 - Design the core voting system and make everything else modular



The Core

- Defines the voting process for those with governance power.
- Tracks proposals and counts voting power.
- Retrieves user voting power from approved sources.



The Tool Belt

- **GSC**
Governance Steering Council, elected through a delegation threshold
- **Voting Vaults**
Assign voting power to any user case; position or value provider.
- **Optimistic Grants**
High budget grants with clawback abilities.
- **DAO Teams w Authority**
Contributors should have authority over their area of expertise



Governance Steering Council (GSC)

- A group of representatives elected through delegation, on a rolling basis.
- Authority comes with the role
- Other Councils or DAO teams may use this structure over time (contributors w Authority)

Voting Vaults: Inclusive & Capital Efficient

- Assign voting power to any position or use case.
- Modular & upgradeable
- Participate in governance while keeping capital efficiency

Voting Vaults in Action

- Compound/AAVE/Maker - use tokens as collateral and/or earn interest while keeping voting power.
- LP Vault - get voting power while providing liquidity.
- Identity Verified Vault - verify your digital identity as a unique person to vote.

“The most important thing that can be done today is moving away from the idea that coin voting is the only legitimate form of governance decentralization.”



xashd.eth
@Oxashd

New governance primitive just dropped 🔥

Voting vaults are a fundamental piece of the Council protocol that powers flexible voting schemas for on chain governance.

Ahh I'm votingggggg (at maximum efficiency)

Optimistic Grants

- The optimistic grants sets a schedule so that, after the grant period is up, the grantee can claim the grant.
- When the grant is allocated, it contains an expiration date, and if not removed before then, it is assumed the grantee did what was expected, and they are allowed to withdraw.



The System Architecture(s)

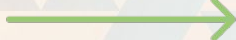


End state could look like...

User Interactions

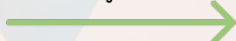
Vote Proposer

Proposes with Threshold

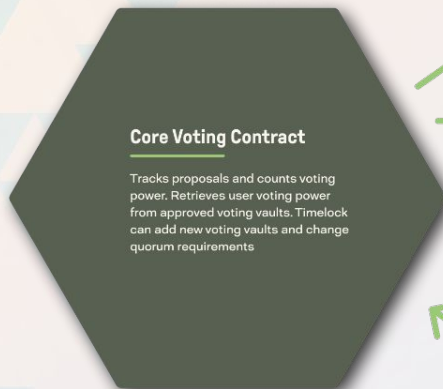


Voter

Votes using votes from voting vault



The Core



The Modules

Time Lock

Executes calls after a cooldown

Spending Contract

Allows easier small project funding

Governance Steering Council [The GSC]

Queues votes without proposal threshold Manages Grants and other spending.

Protocol Updates

Core Treasury Manager

Manages Off-Chain Process

Upgradable Voting Vault

Users deposit funds and the voting vault tracks their historical voting power and reports it to the core contract

Bug Bounty

Grants Contract

Small Priority Founding/ Potty Cash Reserve

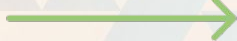
Refined Rep Democracy

It could also look like this

User Interactions

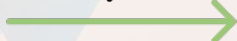
Vote Proposer

Proposes with Threshold



Voter

Votes using votes from voting vault



The Core



The Modules

Time Lock
Executes calls after a cooldown

Spending Contract
Allows easier small project funding

Protocol Updates

Core Treasury Manager

Upgradable Voting Vault
Users deposit funds and the voting vault tracks their historical voting power and reports it to the core contract

Liquid Democracy

Or this

User Interactions

Vote Proposer

Proposes with Threshold

Voter

Votes using votes from
voting vault

The Core

Core Voting Contract

Tracks proposals and counts voting power. Retrieves user voting power from approved voting vaults. Timelock can add new voting vaults and change quorum requirements

The Modules

Protocol Updates

Core Treasury Manager

Spending Contract

Allows easier small project funding

Upgradable Voting Vault

Users deposit funds and the voting vault tracks their historical voting power and reports it to the core contract

Upgradable Voting Vault

Users deposit funds and the voting vault tracks their historical voting power and reports it to the core contract

Upgradable Voting Vault

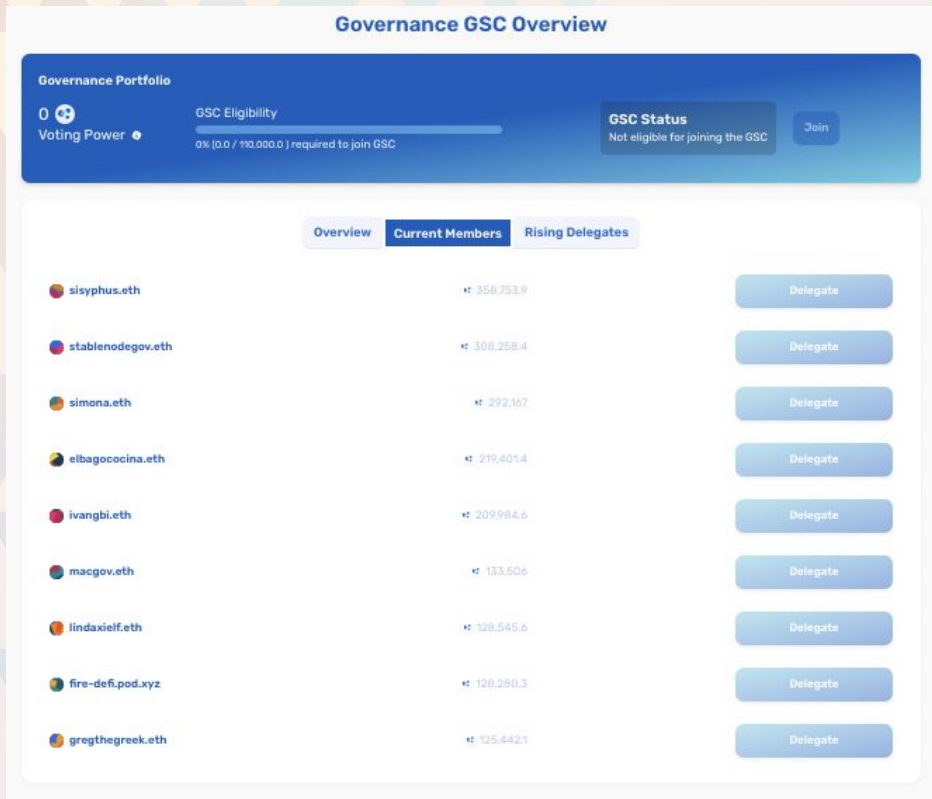
Users deposit funds and the voting vault tracks their historical voting power and reports it to the core contract

Inclusive Governance



The Council Protocol in Action

Element DAO Governance



Total Participants ⓘ

3776

Circulating Voting Power ⓘ

7.7M

What can you
do with
Council?

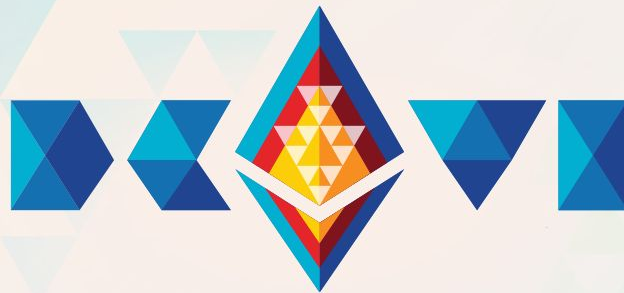


Fork us! Build with us! It's all open.

- Any DAO can use the Council for their own governance system
- Since the system is modular and flexible and built for experimentation, you can take advantage of the tools that suit your DAOs needs. Or add more!



To more experimentation..



Thank you!

Charles St.Louis

COO & Head of Governance, Element Finance

charles@element.fi



@CharlieStLouis