

# HAQQ Whitepaper →

VERSION 2

# Synthesis Of Ideology, Technology, Community →

## ISLAM →

Islam is the world's second-largest religion with almost 2 billion followers — a quarter of the world's population. Muslims make up a majority of the population in 47 countries. Islam teaches that God is merciful, all-powerful, and unique.

Islamic law, or Shariah law, is a religious law forming part of the Islamic tradition. It guides and dictates many aspects in the lives of Muslims throughout the world, including financial interactions.

One of the core principles of Islamic financial law is the prohibition of paying or charging interest, which is currently not followed by a large part of financial institutions constituting the modern financial system.

According to the [Global Islamic Economy Report](#), the volume of the Islamic financial sector was \$2.88 trillion in 2020 and is expected to grow to \$3.69 trillion by 2024. According to the same report, two of the four main factors influencing the expansion, as well as the Islamic economy in particular, are the rapidly growing Muslim population, the spread of digital technologies, and mobile communications.

The Islamic financial system has been virtually untouched by the recent financial crisis due to its prohibitions on speculative transactions and uncertainty, as well as the attention it pays to fairness and risk-sharing. Islamic finance is a rare example, where the system featuring certain limitations and restrictions is more sustainable and powerful, compared to the system where such limitations are not present.

## CRYPTO →

Crypto is one of the fastest-growing sectors of the world economy. Bitcoin is the best performing asset in the history of mankind far outperforming anything we knew before.

Today, the crypto industry has a market cap of well over 2 trillion dollars and turnovers are astronomical. However, the global Bitcoin user base is still relatively low, probably as low as 25 million users, compared to billions of active Muslim Internet users.

At the time of writing, humanity seems to be on the very verge of mass adoption of crypto. 2021 saw tectonic shifts in the industry:

- Samsung announced it will be adding a crypto wallet to all of its future phones.
- Reddit announced it will launch a crypto product for its 500 million users, etc.
- New York Mayor-elect Eric Adams selected to be paid in Bitcoins.
- El Salvador selected Bitcoin as its legal tender.
- UK Post announced it will start selling Bitcoin.
- Tesla began accepting Bitcoin.

These are just some of the highly visible milestones. Global adoption is happening on many levels including business, banking, regulatory, etc.

## BLOCKCHAIN →

Blockchain – the technology behind cryptocurrencies is compared by many experts to the Internet itself in terms of its importance and long-term transformative impact on humanity. In general, Blockchain does two things. It allows:

- Parties to securely interact in a trustless way.
- Exclude unnecessary intermediaries from any transaction or process.

Both are achieved due to the ability of blockchain to be a single source of truth for any interacting parties – robust, immutable and uneditable.

Modern blockchains utilize Proof of Stake consensus, allowing for high transaction throughput without overheads such as large energy consumption.

## SYNTHESIS →

Islamic Coin is designed to deliver a lasting, powerful impact for one of the largest communities in the world. It is the first digital currency to provide economic and social benefits, support innovation and ensure sustainable, long term growth via a dedicated Evergreen DAO.

### 1. CURRENT CREDIT AND BANKING SYSTEM.

Fiduciary credit money is a universal unconditional financial obligation that serves the commodity turnover of assets in the economy. The main task of Central Banks, as state regulatory bodies, is to maintain the stability of interest rates and the exchange rate in the money market by regulating the behavior of commercial banks' lending to non-financial enterprises in order to initiate them to maximize the mass of profits. The process of repayment of the principal amount of debt and interest is consistently carried out according to the hierarchy of the two-level banking system. Firstly, non-financial sector firms and people repay their unconditional loan obligations to commercial banks.

In case of uninterrupted return of loan money from borrowers to creditors, the effective activity of market entities takes place.

Such a system allows governments to pursue a flexible monetary policy, managing the supply of money through the cost of their borrowing (the key rate). At the same time, the current system does not fully comply with the principles and norms of Islamic finance, since both paying and accruing interest for using money is prohibited in Islam.

Although the formation of the Islamic financial system began about 1400 years ago its modern history dates back to the 1970s when Islamic banks were established in Saudi Arabia and the United Arab Emirates. It is important to note that until 1971 all fiat money issued by states as legal tender was backed by gold or silver.

Since 1971, states are no longer limited to issuing a new currency according to the gold standard or any other general rule, except for their internal consideration, which supports the possibility of capturing and redistributing wealth. Many fuqaha think that such practices don't correspond to fiqh.

## 2. ISLAMIC COIN – PURPOSEFUL COMMUNITY CRYPTO ASSET.

Islamic Coin is Shariah-compliant digital money, designed to create value for the World's Muslim community. It is built on Haqq – its dedicated Islamic blockchain. Meaning "Truth", Haqq stringently abides by Islamic views and traditions on finance.

In the Quran, gold and silver are mentioned as examples of pleasures of this worldly life (3:14). That is why Muqaddimah of Ibn Khaldun has written that gold and silver specifically, should be used as money.

The deflationary nature of many cryptocurrency systems, as well as the necessity to invest some work to produce them, is comparable to the properties of gold or silver.

- Islamic Coin cannot be arbitrarily 'printed' and thus devalued. It's also impossible to cause arbitrary deflation through a rise of the Central Bank's interest rate (key rate) – since there is no interest rate within the system. Islamic Coin's price is determined solely by the market and thus always fair.
- Islamic Coin may only be minted (issued) by those who contribute work and investment – validators and stakers of the network at a predetermined announced rate.
- Unlike fiduciary money, Islamic Coin is not operated by the banks whose main business is to earn profit by charging interest. Paying or charging interest is forbidden in Islam.
- Each time a new Islamic Coin is minted, 10% of the issued amount is deposited into a special Evergreen DAO for further investment into Islamic internet projects or given to Islamic charities. This is the first introduction of a coin bringing direct economic value to a community.
- The Evergreen DAO is a non-profit virtual foundation focused on long term sustainability and community impact. It effectively works as a crypto endowment. In some cases described below, Evergreen DAO also may fund activities necessary for the Haqq network operations and development. Key decisions are made by a council that consists of the top 5 validators of Haqq blockchain.

Our mission is to empower the international community of the followers of Islam with a robust and future-proof financial instrument that allows for independent financial interaction, while supporting innovation and philanthropy.

Leveraging the power of the community, IslamicCoin may become one of the most important and valuable crypto assets. If 3-4% of the Muslim online community will hold Islamic Coin, it will become a bitcoin-scale crypto asset, generating a trillion dollars for its holders, and \$100 billion for the Evergreen DAO.

# Century Coinomics →

Islamic Coin (ISLM) is the native currency of Haqq Network. It is used for paying transaction fees, governance and staking.

Staking is the process of locking ISLM coins by bonding them to validators. Validators maintain the Haqq Network. By bonding coins, ISLM holders delegate voting power to validators and become delegators, which gives them the right to earn rewards and participate in governance (see [Tendermint BFT](#)).

Upon Haqq mainnet launch, the minting of new coins is temporarily disabled and Haqq mainnet is operated by a restricted validators set controlled by the Core Team (Proof of Authority consensus). The reason behind that is to execute proper testing of Century Coinomics, and let the Haqq community learn how to stake and run their own validators on the Haqq network. For that purpose, Haqq public testnet will be launched with Proof of Stake and minting enabled. When the Haqq community finishes evaluating Haqq on testnet and The Haqq Team ensures its stability, minting will be enabled on mainnet as well as Proof of Stake – the validator set won't be restricted by the ones controlled by the Core Team. This will allow validators and stakers to participate in the Haqq consensus and earn staking rewards.

After minting is enabled and until 100 billion coins are minted, every block produces new ISLM coins and gas fees collected from users. New ISLM coins and gas fees are distributed between validators, delegators and Evergreen DAO:

- 10% goes to Evergreen DAO.
- 1% to 5% goes to a block proposer and its delegators.
- The remainder is distributed proportionally to all bonded validators and their delegators.

Delegators of bonded validators are rewarded in proportion to the amount of their delegation, relative to the total amount delegated to the validator, including validator self-delegation. Rewards are distributed to the delegators minus the validator's own commission.

ISLM supply is limited to 100 billion coins. Every Era, which is 2 years, ISLM's emission rate is reduced by 5%. Emission will stop in 100 years from the first block of the first Era. During the first Era, 4.33% of coins will be minted, followed by 4.12%, with the 9th Era seeing 2.87%. More than 50% of the total supply will be minted from mainnet launch by the end of the 9th Era, including initial supply. 100% (100 billion ISLM) will be minted at the end of the 50th Era, no more ISLM will be minted after that.

Initial supply: 20 billion. It will be minted in a genesis block and will be distributed on the day of network launch with the following structure:

- 2 billion – Evergreen Foundation – according to Century Coinomics.
- 5.5 billion – Partners: boards, initial supporters, promoters and market makers.
- 4 billion – Initial Private Sale. These coins will be sold to qualified private investors.
- 5.5 billion – Business reserve and ecosystem development fund. These coins will be used for public distributions, operational costs, business development, grants and other ecosystem-focused activities.
- 3 billion – Founders Reward.

Coins dedicated for the Evergreen DAO will be locked until it is fully developed, tested and deployed on mainnet.

## VESTING →

### FOUNDERS REWARD

Founders Reward allocation minus 0.01 ISLM will be deposited on a Vesting Smart Contract on network launch. 0.01 ISLM subtracted from Founders Reward will be used for the payment of transaction distribution fees after launch. Vesting Smart Contract transfers 1/24th of deposit immediately on deposit creation, while the rest becomes available for claiming by portions of 1/24th every 30 days.

### PRIVATE SALE AND PARTNERS ALLOCATIONS

The Initial Private Sale and Partners allocations won't be locked on network launch, because they have to be distributed between the Private Sale buyers and Partners during the first few weeks after network launch. However, each buyer and Partner will still have their coins vested, based on the vesting schedule that applies to the Founders.

# Architecture →

Haqq is an Ethereum compatible Proof of Stake blockchain network with instant finality.

### FEATURES:

- Ethereum compatibility allows developers to build applications on Haqq using the existing Ethereum codebase and toolset, without rewriting smart contracts that already work on Ethereum or other Ethereum-compatible networks.
- [IBC](#) compatibility allows Haqq to interact with other IBC-compatible networks like Cosmos, and in the future with Ethereum.
- High throughput with instant finality makes Haqq usable for applications beyond the finance realm: social platforms, games, educational projects and much more.
- Proof of Stake mechanism allows Haqq holders to participate in the network consensus alongside with validators – and earn rewards for securing the network.
- Century Coinomics – finite supply, emission process lasts for 100 years, with a rate being reduced every 2 years, until 1 billion ISLM are minted.
- Evergreen DAO, funded by ISLM emissions and a portion of network fees, governed by network participants – dedicated to supporting innovative projects for the international Islamic community.
- Builders Incentive – smart contract authors are incentivized to deploy ecosystem-demanded contracts by network mechanics.

Haqq is built using [Evmos](#) which in turn is based on [Cosmos SDK](#) which runs on top of the [Tendermint Core](#) consensus engine. That said, high throughput and instant finality are inherited from the Tendermint Core, IBC – from Cosmos SDK and Ethereum Compatibility – from Evmos.

The Haqq team is committed to implementing Evergreen DAO, Builders Incentive and Century Coinomics and getting everything together in order to launch a stable network, compatible with the rest of the blockchain ecosystem.

## BUILDERS INCENTIVE →

Just like Ethereum, Haqq uses the Gas concept to disallow the EVM (Ethereum Virtual Machine) from running infinite loops. However, thanks to Tendermint Core, the gas prices will be much less, compared to Ethereum.

Rather than going directly to validators, like in the case of Ethereum, the fees generated by Smart Contracts are shared between validators and authors of smart contracts in the proportion of 50%/50%.

We expect this mechanic to incentivize builders to create projects without nonpurposeful mechanics at the core of their business models. Furthermore, by building this mechanic we encourage collaboration between Smart Contracts developers, in order to create additional value by composing their Smart Contracts.

## TENDERMINT, COSMOS AND IBC →

[Tendermint](#) is a software for securely and consistently replicating an application on many machines. Tendermint provides two chief technical components:

- A consensus engine.
- A generic application interface.

### TENDERMINT BFT: CONSENSUS ENGINE

The ability to tolerate machines failing in arbitrary ways, including becoming malicious, is known as Byzantine fault tolerance (BFT). Tendermint consensus engine implements Byzantine fault tolerance.

Two important Tendermint consensus engine characteristics are:

- Security – network works even if up to  $\frac{1}{3}$  of nodes fail or act maliciously.
- Consistency – every non-faulty node sees the same transaction log and computes the same state.

In addition, Tendermint provides instant finality which means that once a transaction is validated, it can be considered final and irreversible. Instant finality means that forks are never created as long as more than a third of validators are honest (byzantine). Users can be sure their transactions are finalized as soon as a block is created.

Security and Consistency of Tendermint BFT Consensus allows the Haqq network to be maintained by a set of independent validators who don't have to trust each other and will provide consistent data and transaction processing. Instant finality makes Haqq network suitable for a wide range of applications, including the ones that require fast feedback loops like games, social networks, instant payments, etc.

### ABCI: GENERIC APPLICATION INTERFACE

Tendermint Core communicates with the application processing transaction via a socket protocol that satisfies the [Application BlockChain Interface](#) (ABCI).

ABCI allows the implementation of custom transaction processing logic without forking Tendermint itself. This makes Haqq and components it's built on (Evmos) leverage new Tendermint versions without backporting features and fixes by tedious and error-prone code merging process. This also opens ways for the Haqq team to collaborate with Tendermint maintainers and other members of the Tendermint ecosystem, in order to improve Tendermint Core for the good of the whole ecosystem.

## COSMOS SDK

[Cosmos SDK](#) is the most advanced framework for building custom application-specific blockchains today. Cosmos SDK is the base layer of Evmos which Haqq is built on. Cosmos SDK is designed for building blockchains out of composable modules, without forking the core. Cosmos SDK uses Tendermint as a default consensus engine. Cosmos SDK is a stable, time-proven solution that powers [hundreds of blockchain applications](#) including Binance Chain, Terra and Cosmos Hub.

The most important benefit for Haqq being built on the Cosmos SDK is compatibility with the Inter-Blockchain Communication Protocol which makes Haqq interoperable with the rest of the Cosmos ecosystem.

## INTER-BLOCKCHAIN COMMUNICATION PROTOCOL

Blockchain is an open ecosystem and we believe that it should stay the same. We also believe that interoperability with different blockchains is an essential part of openness. That belief defines one of the most important reasons to choose Cosmos SDK as the foundation of Haqq Blockchain.

IBC is a protocol [that defines](#) the way for IBC clients (mainly, blockchain networks but not limited to them) to read the consensus states of other blockchains and the proof specs of those blockchains, that are required to properly verify proofs against the client's consensus state.

In practice, Haqq being compatible with IBC means that it can communicate with other IBC-compatible networks which already hold more than \$148 billion worth of assets under management.

IBC is not a cross-chain token transfer protocol – it's a general communication protocol as the name implies. IBC makes it possible for blockchains to communicate with each other. This includes the transfer of tokens, but it is not limited to that. This is different from isolated networks like Ethereum, within which connection to other networks is limited by token transfers only.

When enabled, IBC compatibility will interconnect Haqq with the rest of the Cosmos ecosystem. This includes [Osmosis](#) – interchain AMM – which, besides Cosmos networks, has plans to integrate with Ethereum and other EVM-compatible networks. The Haqq team also considers implementation of a direct bridge to Ethereum with a simplified user experience.

## ETHEREUM COMPATIBILITY AND EVMOS →

Haqq desires to be open not just to users but to developers interested to build projects on the Haqq network. This requires Haqq to support a programming language and toolset

familiar to the majority of blockchain developers. According to the [Electric Capital Developer Report](#), Ethereum still has the largest developer community. That makes it logical for Haqq to strive to support Ethereum Virtual Machine for smart contracts execution and Solidity as the primary smart contracts language.

For the purpose of EVM compatibility Haqq is using some components of [Evmos](#) – the network based on Cosmos SDK which provides full EVM compatibility, or equivalence.

Haqq being EVM-equivalent, means that everything that is built on Ethereum or other EVM-equivalent networks like [Optimism](#) or the Evmos and Evmos-based networks – can be deployed on Haqq without rewriting a single line of smart contract code and worrying about things to break in unexpected ways.

Evmos is the continuation of Ethermint project – the EVM-compatible blockchain with Tendermint BFT consensus. Evmos is being developed by [Tharsis](#) whose team [has been the core development team](#) behind the Ethermint codebase since April 2021.

As said in previous sections, Evmos is built on Cosmos SDK, leverages Tendermint Consensus security, consistency and instant finality and is compatible with the IBC protocol.

Haqq is aimed at full compatibility with the rest of Evmos and Cosmos ecosystems from the user experience perspective, as well as collaboration with its communities.

# Shariah Oracle - An On-Chain Registry Of Halal Certificates →

Shariah Oracle is an on-chain mechanism controlling a whitelist of smart contracts allowed for interaction (signing and listing in the in-app marketplace) through the Haqq Wallet.

The Shariah Oracle serves as an on-chain registry of Halal Certificates that provides smart contract developers and web2 businesses a way to prove their ethical relevance for Muslim users by listing their products/services on the Haqq Wallet.

Integrating the Shariah Oracle with Haqq Wallet will ensure that users interact only with whitelisted, Sharia-compliant dApps. Thus whilst being a place where anyone can deploy their dApp or project, Haqq network's Shariah Oracle is a key measure to minimize unethical or Haram activity in our network.

## PURPOSE →

- Why Shariah Oracle?  
Ethical protection
- What is the value proposition?  
Halal Certification and its Importance for Muslim Users and ESG-driven Investors

The Haqq Network's Shariah Oracle is an excellent example of how blockchain oracles can be utilized to create a more ethical and sustainable financial system.

The Shariah Oracle ensures that all smart contracts that interact with the Haqq Wallet are Shariah-compliant, which means they adhere to Islamic principles and ethics. This feature is essential for Muslims and ESG-driven investors who prioritize ethical investing practices.

The Shariah Oracle's mechanism of community and Shariah Board approval ensures that only Shariah-compliant smart contracts are whitelisted on the Haqq Wallet. This feature benefits Haqq ecosystem investors and users by providing a transparent, secure, and Shariah-compliant environment for investment. It also helps to mitigate common front-end attacks, making it harder for hackers to hijack smart contracts and manipulate data. For instance, if a user tries to interact with a non-whitelisted contract on the Sharia Oracle level, the user gets a warning message.

Additionally, other smart contracts can integrate with the Shariah Oracle as well.

Since both community and Shariah approvals are Soulbound tokens (SBTs), smart contracts like Decentralized Exchanges (DEXes) can quickly check whether the ERC-20 token sent to them as liquidity is Shariah/community approved or not – and decide whether to accept it or not. This seamless integration allows for increased compliance and security within the Haqq ecosystem, ensuring that all participants adhere to Shariah principles and maintain a reliable environment for investment.

## How It Works →

The Shariah Oracle will be implemented on top of the Layer 1 governance and has two levels of approval: Community approval and Shariah board approval.

### COMMUNITY LEVEL APPROVAL →

Community approval is granted by the ISLM stakers. It grants the right for the project to be listed in Haqq Wallet Marketplace, and users can interact with such a contract without warning IF they selected community approval as the preferred level of approval. In order for a smart contract to be whitelisted, the author or project community should submit a governance proposal to whitelist a smart contract. Then ISLM stakers vote for or against this proposal. If the community accepts a proposal, the smart contract gets whitelisted on HAQQ Wallet but doesn't get the Shariah-compliance mark. Additionally, the community approval ensures that users of the Haqq Wallet also get a warning notification if they attempt to sign any transaction on non-community-approved contracts.

This warning feature ensures that users only interact with verified smart contracts, reducing the potential for fraudulent activities and enhancing the security of the Haqq Network. An example of the importance of this warning feature is the recent frontend attack on the stablecoin AMM exchange, Curve, where hackers were able to hijack a portion of the frontend code to redirect user funds to their wallet. A warning system like the Haqq Wallet would easily forestall this kind of attack as users would have been alerted when interacting with the hijacked code, preventing the inadvertent transfer of funds to malicious contracts.

Another key feature of the community-approved projects is that once approved, they are highlighted and showcased by getting listed on the in-app marketplace within the Haqq Wallet. This allows developers to showcase their projects to a broader audience, thereby increasing their chances of adoption and success.

## SHARIAH BOARD APPROVAL →

Shariah Approval is given by Shariah Board. It grants projects Shariah Compliant label in the marketplace, and users can interact with such contracts without warning regardless of the preferred level of approval. For an explicit shariah-compliance mark, a community-approved project will have to submit a proposal alongside a deposit for review by the Shariah Board. The deposit is a board services fee that goes directly to scholars. If accepted, it gains an explicit shariah-compliance checkmark.

The Shariah Board reserves the right to revoke its endorsement for approved contracts should the projects exhibit non-compliant behavior at any point. In such cases, users can still interact with the smart contract. Still, the Haqq Wallet will display a conspicuous warning when attempting to sign a transaction involving a non-Shariah-compliant smart contract. This precaution is necessary as users may still have funds locked within the smart contract.

Initially, audits are conducted exclusively by our Shariah board. However, to avoid creating a bottleneck and to promote decentralization, we plan to implement authorized Shariah auditors in the future. By empowering our board to authorize other auditors to conduct compliance audits, we aim to streamline the process and ensure a more decentralized approach.

## HOW DOES THE SHARIAH ORACLE MAINTAIN DECENTRALIZATION? →

It is important to clarify that the Shariah Compliance feature does not impose centralization on the Haqq network. Instead, the Shariah Oracle influences only the Haqq Wallet behavior and not any other aspect of the Haqq network or Layer 1. As a result, users not concerned about Shariah compliance can still interact with any smart contract deployed on the Haqq Network via Metamask or any other EVM-compatible wallet.

Additionally, even with the Haqq wallet, users can interact with any smart contract by confirming transactions through a warning pop-up, ensuring that they are aware of any potential non-compliant transactions.

### NOTE:

If a user interacts with smart contracts without community or Shariah approval, then:

1. If his preferred level of approval is the Community, he gets a warning that the project has got neither community approval nor Shariah approval \*\*yet\*\*
2. If his preferred level of approval is Shariah, he gets a warning that the project has not got Shariah approval \*\*yet\*\*

# Technical Architecture →

Description of the technical architecture of the Shariah Oracle

## COMMUNITY APPROVAL PROCESS →

- Proposal submission: An \$ISLM staker submits a proposal for community approval via gov module
- Deposit: Proposals must be submitted with a minimum deposit to prevent spam.
- Vote: Community participants vote on the proposal.
- Whitelist (SBT issuance): Once approval is done, SBT is issued over a smart contract.

## SHARIAH APPROVAL PROCESS →

- Proposal submission: An SBT token holder can submit a proposal for Shariah approval for ONLY a community-approved smart contract.
- Deposit: Proposals must be submitted, which serve as audit fees for the board or authorized auditors. Hence it is non-refundable.
- Shariah Board approval: After the community approves a smart contract, the Shariah Board conducts an audit and provides feedback. The project team implements the feedback, and the board conducts a final review, either approving or rejecting the smart contract for Shariah compliance. No community vote is required for this process.

## REVOKING SHARIAH APPROVAL →

If a project marked as Shariah-compliant deviates from the prescribed guidelines, it is flagged and provided a grace period of three to six months to rectify the issues.

During this time, any HAQQ community member who chooses to engage with the associated contract will receive a warning notification that the project is not approved. If the grace period expires without the necessary corrections made by the project, the HAQQ Network will impose restrictions, preventing HAQQ wallet users from accessing such contracts only if the user has set Shariah approval as his preference.

However, these contracts can still be interacted with via Metamask or any other EVM-compatible wallet.

## SHARIAH COMPLIANCE CRITERIA →

By establishing a set of Shariah compliance criteria, the Shariah Oracle is able to screen and filter smart contracts that seek to list on the HAQQ wallet. These criteria will be based on the Islamic principles of fairness, transparency, social responsibility and other measures as stipulated by our scholars. For example, the Shariah Oracle checks if a smart contract involves prohibited activities like gambling, usury, or other unethical practices.

### HALAL CERTIFICATION

The Shariah Oracle provides a Halal certification (verification mark) for smart contracts that meet the Shariah compliance criteria. This certification will be displayed on the apps for wallet users to see, allowing them to easily identify and interact with the Halal-certified smart contracts.

\*Shariah Oracle is expected to go live in Q3 2023.

## Evergreen DAO →

### PURPOSE →

Evergreen DAO is introduced to fund projects benefiting the global Muslim community, grants to ecosystem maintainers, bug bounties, marketing activities and other initiatives which the community decides are helpful for the Haqq Network and/or the Muslim community.

### GOVERNANCE →

#### THE HAQQ COMMUNITY AND HAQQ SHARIAH BOARD GOVERN EVERGREEN DAO

Evergreen DAO governance is similar to a default Cosmos Governance with three differences:

1. The Haqq Shariah Board can approves every spending proposal
2. Users are financially incentivized to submit high-quality proposals which benefit the Muslim Community
3. Deposits never burn – they get transferred to the Evergreen DAO in the event of Voting Period or Deposit Period failure.

#### EVERGREEN DAO WILL BE BASED ON THE COSMOS COMMUNITY POOL

Spending initiatives can be submitted by any ISLM staker and go through a governance process which consists of the following periods:

1. Deposit Period
2. Voting Period
3. Shariah Approval Period

## SUBMITTING A SPENDING PROPOSAL →

Any ISLM staker can submit a spending proposal. This proposal should be first submitted to an off-chain discussion board. Then a link to this initiative should be submitted to the governance module alongside metadata which consists of the spending amount and target.

## DEPOSIT PERIOD →

Like in default Cosmos governance, proposals must be submitted with a deposit in the coins defined in the MinDeposit param. The voting period will not start until the proposal's deposit equals MinDeposit.

When a proposal is submitted, it has to be accompanied by a deposit that must be strictly positive but can be inferior to MinDeposit. The submitter doesn't need to pay for the entire deposit on their own. If a proposal's deposit is inferior to MinDeposit, other token holders can increase the proposal's deposit by sending a Deposit transaction. The deposit is kept in an escrow in the governance ModuleAccount until the proposal is finalized (passed or rejected).

Once the proposal's deposit reaches MinDeposit, it enters a voting period. If a proposal's deposit does not reach MinDeposit before MaxDepositPeriod, the proposal closes, and nobody can deposit on it anymore.

## VOTING PERIOD →

Voting period follows the default Cosmos governance process. Proposal enters the Voting Period once it reaches “MIN DEPOSIT”.

Participants (bonded ISLM holders) vote Yes, No, “NO WITH VETO” or “ABSTAIN”. “NO WITH VETO” counts as No but also adds a Veto vote. Abstain option allows voters to signal that they do not intend to vote in favor or against the proposal but accept the result of the vote.

## QUORUM →

Quorum is the minimum percentage of voting power that needs to be cast on a proposal for the result to be valid.

## THRESHOLD →

Threshold is defined as the minimum proportion of Yes votes (excluding Abstain votes) for the proposal to be accepted. Initially, the threshold is set at 50% with a possibility to veto if more than 1/3rd of votes (excluding Abstain votes) are NoWithVeto votes. This means that proposals are accepted if the proportion of Yes votes (excluding Abstain votes) at the end of the voting period is superior to 50% and if the proportion of NoWithVeto votes is inferior to 1/3 (excluding Abstain votes).

## INHERITANCE →

If a delegator does not vote, it will inherit its validator vote.

## SHARIAH APPROVAL PERIOD →

If and when the proposal has passed the Voting Period, the proposal enters the Shariah Approval Period. During this period Haqq Association Shariah Board reviews a proposal and decides if it complies with Shariah Law. If the Shariah Board approves a proposal, it gets executed and coins are transferred to the destination defined in a proposal.

If the Shariah Board rejects the proposal, coins stay in Evergreen DAO.  
If the Shariah Board doesn't submit a decision in 21 days, a proposal gets automatically rejected, coins stay in Evergreen DAO.

## DEPOSIT REFUND AND SEIZURE →

When a proposal is finalized, the coins from the deposit are either refunded or go to Evergreen DAO (on the contrary to the default cosmos governance where coins are burned), according to the final tally of the proposal:

- If the proposal is approved or if it's rejected but not vetoed during Voting Period, deposit will automatically be refunded to their respective depositor (transferred from the governance ModuleAccount) regardless of the Shariah Approval Period outcome.
- If the proposal is vetoed by a supermajority during the Voting Period, deposit is transferred to the Evergreen DAO (Community Pool Module)
- If the proposal closes during the Deposit Period (didn't reach MinDeposit during MaxDepositPeriod), deposit is transferred to the Evergreen DAO (Community Pool Module).