

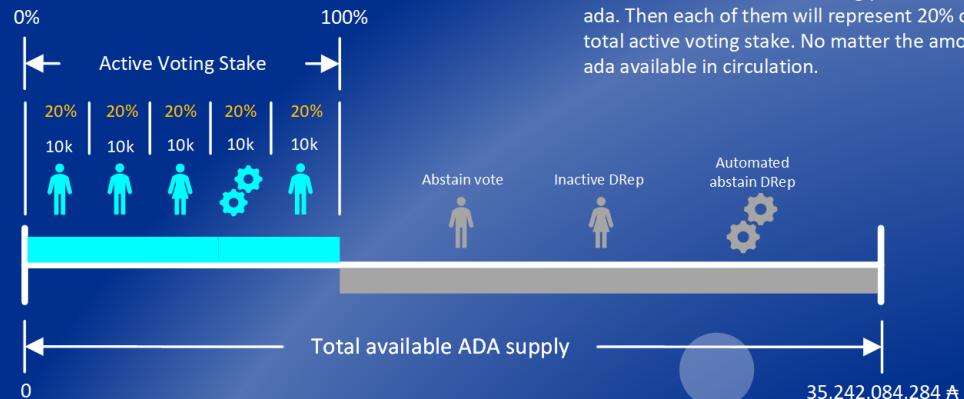
## protocol parameters group



### Thresholds

*What represents 100% of the voting power on which DReps threshold can be calculated?*

In the Cardano governance system, only active DReps and the automated no-confidence DRep are included within the active voting stake calculations. On the other hand, automated abstain DRep, inactive DRep and any abstain votes are not included in the calculation.



**Example:** If there are only 5 active DReps in total (including automated no-confidence Drep) and each of them have the same amount of voting power, i.e. 10000 ada. Then each of them will represent 20% of the total active voting stake. No matter the amount of ada available in circulation.



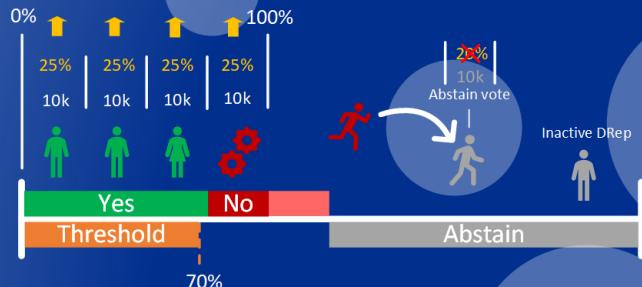
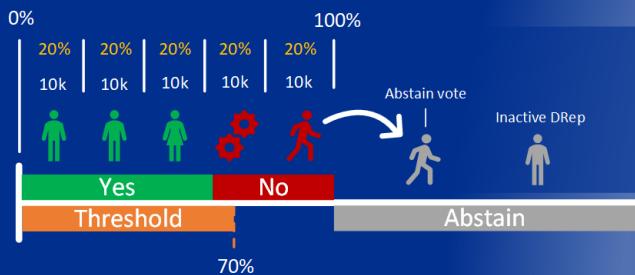
### Inactivity

*What happens when a DRep is inactive, votes abstain or abstain from voting?*

When a DRep votes abstain or becomes inactive, they indirectly increase the influence of other active DReps. On the other hand, when they abstain from voting, the ledger evaluates the lack of vote of this DRep in the same way as if he had voted no.

 = Automated no-confidence DRep  
 = Human / script DRep

**Example:** With a threshold of 70% on a specific governance action. If one of the 5 DReps that has not yet voted decides to vote abstain or becomes inactive, then the percentage of its influence on the system is redistributed to the DReps remaining active. Which, in this example, will lead to the ratification of the governance action.



### "dRepVotingThresholds"

*How many updatable thresholds do DReps have and what are they?*



#### "updateToConstitution"

The DRep voting threshold value that must be reached to approve the ratification of an update to the constitution. Note that rules determining the formulation of this new updated constitution may be included in the present constitution.



#### "hardForkInitiation"

The DRep voting threshold value that must be reached to approve the initiation of a Hardfork when they acknowledge that a sufficient number of SPOs updated their node to a commonly approved updated version.



#### "treasuryWithdrawal"

The DRep voting threshold value that must be reached to approve the withdrawal of funds directly from the treasury to a reward address which will be included in this governance action. Note that withdrawal limits as well as rules relating to it may be included in the constitution.



#### "committeeNormal"

The DRep voting threshold value that must be reached to approve an "Update-Committee" action during a Committee "Normal State". This consists of electing and/or removing one or more Constitutional Committee members and/or modifying their terms and threshold value



#### "committeeNoConfidence"

The DRep voting threshold value that must be reached to approve an "Update-Committee" action during a Committee "No-confidence State". This consists of electing one or more Constitutional Committee members following the ousting of the previous committee.



#### "ppEconomicGroup"

The DRep voting threshold value that must be reached to approve changes to one or some of the economic group protocol parameter values. Such as "treasury expansion (tau)" and "monetary expansion (rho)".



#### "ppGovGroup"

The governance group consists of all the new protocol parameters that are introduced in the CIP-1694. Such as all the governance voting thresholds, DRep registration deposit amount and minimal Constitutional Committee size.



#### "ppNetworkGroup"

The DRep voting threshold value that must be reached to approve changes to one or some of the network group protocol parameter values. Such as "maximum block body size" and "maximum transaction size".



#### "ppTechnicalGroup"

The DRep voting threshold value that must be reached to approve changes to one or some of the technical group protocol parameter values. Such as "desired number of pools (nOpt)" and "pool pledge influence (a0)"



#### "motionNoConfidence"

The DRep voting threshold value that must be reached to approve a "Motion of No-confidance". If this action is ratified, the current committee will no longer be able to participate in governance actions and should be replaced before any governance actions can be ratified

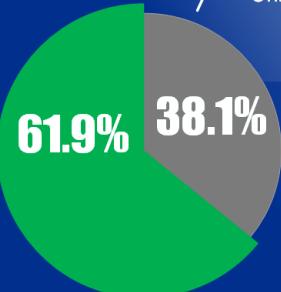


### Thresholds

*What represents 100% of the voting power on which SPOs threshold can be calculated?*

All ADA staked to stake pools are included within the SPO's active voting stake calculations. On the other hand, all unstaked ADA and ADA staked to retired stake pools as well as SPO's abstain votes are not included in the SPO active voting stake.

21,814,850,171 ₢  
Staked to stake pools



13,427,234,113 ₢  
- Staked to Retired Stake Pools  
- Unstaked ADA

**Example:** This pie chart represents a Snap shot from March 18, 2024 where you can see the percentage of ADA staked to stake pools. Consequently, 61.9% of the ADA which is staked represents 100% of the SPOs voting power. It is important to understand that the SPO thresholds are calculated from this amount.



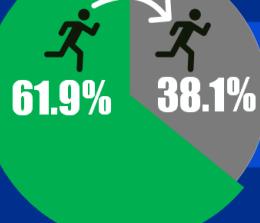
← Threshold 51%



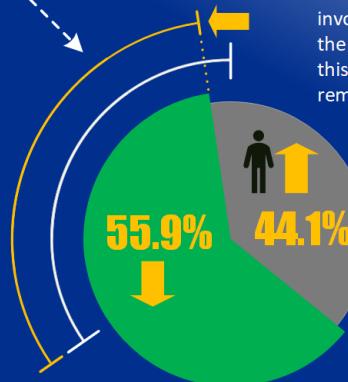
### Abstention

*What happens to stake pool's voting power when they votes abstain or retire?*

When an SPO votes abstain, then their stake is actively marked as not participating in a specific governance action at the next epoch boundary. On the other hand, When a stake pool is officially retired, its voting power will not be considered as inactive until 2 epochs following its retirement.



**Example:** In this example, a centralized exchange holding 6% of the total amount of ADA in circulation in their stake pools does not wish to be involved in the governance of Cardano for regulatory purposes and decides to vote abstain on all governance actions involving an SPO vote. So no longer being part of the active voting stakes, it allows the percentage of this influence to be redistributed to the other remaining SPOs.





### "poolVotingThresholds"

*How many updatable thresholds do SPOs have and what are they?*

SPOs has five thresholds in total. And two of them are linked to the same governance action. ("committeeNormal" and "committeeNoConfidence").  
Being the security stewards of the Cardano network, they also have a security threshold among three of the four protocol parameter groups that DReps can vote on. ("ppSecurityGroup")

### "ppSecurityGroup"

Some protocol parameters are relevant to security properties of the system. Any proposal attempting to change such a parameter requires an additional vote of the SPOs

### "committeeNormal"

The SPO voting threshold value that must be reached to approve an "Update-Committee" action during a Committee "Normal State". This consists of electing and/or removing one or more Constitutional Committee members and/or also modifying their terms and threshold value

### "hardForkInitiation"

The SPO voting threshold value that must be reached to approve the initiation of a Hardfork. It is very important to note that when SPOs vote in favor of a "hardForkInitiation", they are confident that enough SPOs have updated their node to a commonly approved updated version and that the initiation of this "hard fork" will be done in due form.



If this action is ratified, the current committee will no longer be able to participate in governance actions and should be replaced before any governance actions can be ratified



### "committeeNoConfidence"

The SPO voting threshold value that must be reached to approve an "Update-Committee" action during a Committee "No-confidence State". This consists of electing one or more Constitutional Committee members following the ousting of the previous committee.

### "motionNoConfidence"

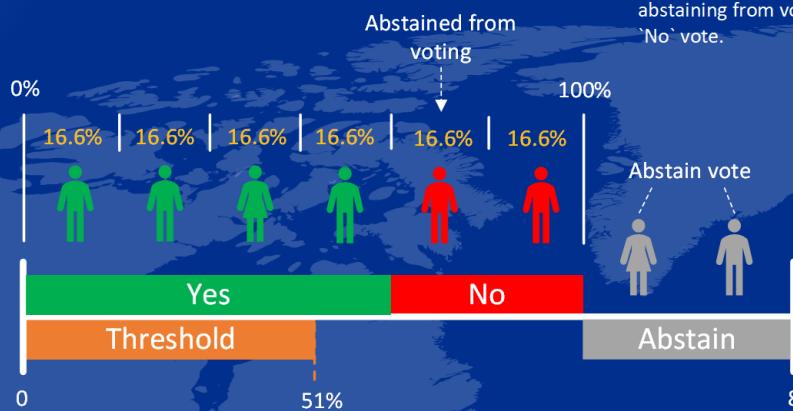
## protocol parameters group



### Threshold

*How many thresholds do Constitutional Committee members have and how is their vote calculated?*

The Constitutional Committee has only one threshold which can be determined and modified through an "Update Committee" governance action. No matter how many members they are, their voting power will always be equally distributed among each of them.



*Example:* If there are for example 8 CC-members in total, each of them will have equal voting power. The 'Abstain' vote still works in the same way for SPOs, DReps and CC-members. They can remove their influence from this calculation. And remember, abstaining from voting has the same weight as a 'No' vote.



### "committeeMinSize"

*What happens when the total number of CC-members falls below this value?*

Whenever the number of active committee members (those who are neither expired nor resigned) falls below the "committeeMinSize" protocol parameter, the system enters a mode in which it is as though all committee members have cast a 'No' vote.

- = Vote 'Yes'
- = Vote 'No' / abstain from voting
- = Vote 'Abstain'

*Example:* If for example, a Committee made up of eight members with a "committeeMinSize" value of 7 loses two members, they will no longer be able to actively participate in governance as long as the number of CC-members remains below 7.



### "govActionLifetime"

*How long does my governance action last on chain and what happens when it is ratified?*

The value of the "govActionLifetime" parameter is in Epoch and the countdown begins from the Epoch boundary following its submission until its expiration or ratification despite the fact that it is active immediately when submitted.

**Example:** In the example below, the value of "govActionLifetime" is 3. The governance action is visible in the governance-state as soon as it is submitted and can receive votes immediately. If the governance action does not receive enough votes to pass all their thresholds, it will expire, be removed and the submitter will receive its deposit back.

Gov-Action Submitted

Gov-Action Lifetime = 3

Gov-Action Lifetime = 2

Gov-Action Lifetime = 1

Gov-Action Expired

Epoch N

Epoch N+1

Epoch N+2

Epoch N+3

Epoch N+4

#### Ratification

*So what happens when it is ratified?*

When all the thresholds of a governance action are crossed, it is ratified at the Epoch boundary. From this moment on, nothing can prevent its enactment which will take place at the following Epoch boundary

Ratified

Enacted

#### Enactment

*What happens once it is enacted?*

Once enacted, the governance action will be officially applied onchain and will then be removed from the governance-state. The submitter's deposit will then be returned to the address he/she mentioned in his/her governance action.

# GOVERNANCE

## protocol parameters group



### "committeeMaxTermLength"

*How can you calculate the maximum submissible term limit of a CC-member ?*



#### "proposedIn"

The epoch number when the "Update Committee" governance action is proposed.



#### "govActionLifetime"

You can add to this the number of epochs of the total lifetime of a governance action.

**Example:** In the example below, you can add the value of all these parameters to know the maximum term length that you can assign for each CC-member's cold-key-hash when you submit an "Update Committee" governance action. All these values are in Epochs.



#### "committeeMaxTermLength"

Add the value of the "committee max term length" which will give you the maximum value that can be submitted as term length for one or more members of the constitutional committee.



### "dRepActivity"

*What is this parameter and how can I be sure, as a DRep, to stay active.*

Registered DReps will need to vote regularly to still be considered active. Specifically, if a DRep does not submit any votes for "dRepActivity"-many epochs, the DRep is considered inactive.



**Example:** In the example below, a DRep inactive since Epoch 281 immediately becomes active again after having performed a vote during epoch 287. It therefore resets its expiry counter to "Epoch N + dRepActivity".

"Expiry": 281

$$\text{Epoch } N + \text{'dRepActivity'} = \text{Expiry}$$

"Expiry": 297



# GOVERNANCE

## protocol parameters group



### "dRepDeposit"

#### *What is it?*

"dRepDeposit" is a deposit that must be made when an ADA holder wishes to become a DRep. This deposit must be made when they submit their DRep registration certificate onchain and can be recovered when they deregister.

#### *Why are Drep deposits necessary?*

In the case of registering DRep credentials, it protects the blockchain against sybil attacks. This prevents a malicious actor from spamming the network with millions of DReps credentials.

### "govActionDeposit"

#### *What is it?*

"govActionDeposit" is a deposit that must be made when an ADA holder wishes to submit a governance action onchain. This deposit can be recovered upon enactment or expiration of the governance action.

#### *Why are governance action deposits necessary?*

In the same way as for "KeyDeposits", the governance action deposit protects the governance-state against spamming of governance actions. This updateable amount, which aims to protect the chain, can also slow down the governance process if the amount of this deposit is not meticulously chosen.

#### *Where are these deposits going?*

These deposits go into a pot assigned for them. At all times this deposit is linked to the credential which was used for the submission of a certificate or a governance action.

#### *What happens to my deposit if the value of the deposit parameter changes.*

If the value of a parameter linked to your deposit is modified, this will not change the nature of your deposit. The exact amount of your deposit will be returned to you if you deregister your credential or when your governance action is enacted or expired.



# Cardano Constitution Consultation Period

- Interim constitution available
- Guardrails smart contract testing on SanchoNet
- Interim constitution included in Chang Hard Fork
- DRep Pioneer Program

**Q2**

**2024**



April



May



June



July



August



September



October



November



December



January

**2025**

- Full Constitution draft available for community consultation
- Global Community Workshop Series
- Delegates selected by workshop participants

**July - October**

- Constitutional Committee training program starts

**Nov - Dec**

- Constitution draft updated based on community feedback

**Q3 - Q4**

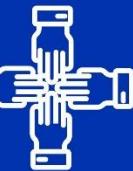
\*All dates are indicative based on the current trajectory

**INTERSECT**

**January**  
On - Chain constitution amendment submitted

**First Week of December**  
Constitutional Convention in Buenos Aires

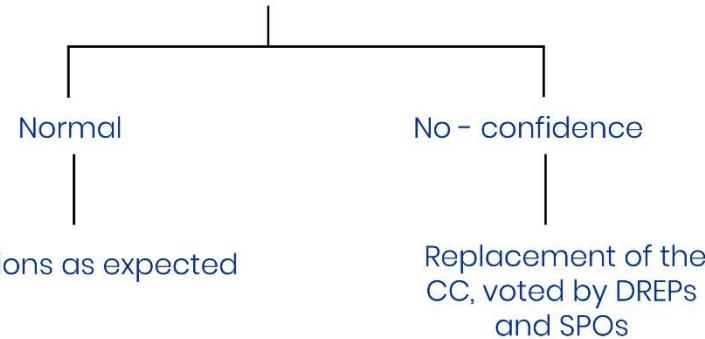
# (CC) CONSTITUTIONAL COMMITTEE



The Constitutional Committee is a set of individuals or entities that are collectively responsible for ensuring that the Cardano Constitution is respected.

The members of the Constitutional Committee have to vote on any decision that affects governance and decide if it goes against the Constitution.

Can be in two states:  
**Normal and No - confidence**



The Cardano Constitution represents a set of foundational principles and rules that guide the governance and operation of the Cardano blockchain.



It serves as the overarching framework for decision-making, ensuring that all actions and changes within the Cardano ecosystem align with the community's values and long-term vision.

**The 1st Cardano Constitution will be signed in Buenos Aires at the Constitutional Convention in December 2024.**

# DRES (DELEGATED REPRESENTATIVE)

## REGULAR DREP :



Similar to how you delegate to a Stake Pool, you will delegate to a DREP. This will be a person you trust to make voting decisions aligned with your values.

You will be able to delegate to several DREPs and easily remove delegation if you are not satisfied with their decisions.

## ABSTAIN DREP (AUTOMATIC):



Enables ADA holders to delegate without participating in governance or being considered active voting stake.

## NON-CONFIDENCE DREP (AUTOMATIC):



Automatically votes Yes on every no -confidence action and No on all others.