

Preamble

MIP102c2-SP#: 10 MIP(s) to be amended: MIP 109 Author(s): layerzero Contributors: layerzero Tags: subproposal Status: RFC Date Proposed: 2023-04-26 Date Ratified: N/A Forum URL: <https://forum.makerdao.com/t/mip102c2-sp10-mip-amendment-subproposals/20657> Ratification Poll URL:

Specification

This subproposal amends The Resilience Scope Framework and the Resilience Fund.

Motivation

This subproposal amends the Physical Resilience Scope Frameworks and introduces important procedural and structural elements of the Resilience fund

Amended MIPs and Components

- MIP109

MIP109: The Physical Resilience Scope Framework

MIP109c1: Preamble

The Physical Resilience Scope Framework covers legal research, regulatory and government relations strategy and resource allocation, privacy and operational security research and tool development, Physically Resilient collateral research and designation, Defensive Stance parameter adjustments.

MIP109c2: Scope Framework Articles

1: The Physical Resilience Advisory Council

1.1: The Physical Resilience Advisory Council definition

The Physical Resilience Advisory Council is a group of Physical Resilience Actors that have been approved by Maker Governance to carry out advisory work related to improving the content of the Physical Resilience Scope Framework.

1.2: Physical Resilience Advisory Council membership management

Members of the Advisory Council are directly approved by Maker Governance through a governance poll, and must fulfill specific criteria.

1.2.1: The Responsible Facilitators must ensure that potential Advisory Council Members can apply to be approved by Maker Governance, using an open process with clear instructions.

1.2.2: Advisory Council Members must be Physical Resilience actors that are not involved in any business activity that could result in a conflict of interest, either directly or indirectly. They must also have relevant skills for providing professional expert input on the content that the Physical Resilience Scope is covering.

1.2.3: The Responsible Facilitators must periodically, when it is relevant, review the Advisory Council Applications, and if they find applications that are suitable, bring them to a vote through an MKR governance poll. Approved Advisory Council Members are added to 10.2.3.1:

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1.2.4: The Responsible Facilitators may, if they deem it necessary, hold a vote to remove an Advisory Council Member. If an Advisory Council Member has not done any paid work for the Scope for at least 1 year, then the Responsible Facilitators can choose to remove them at will, if they deem it necessary.

1.2.5: The current approved Advisory Council Members are recorded in the soft element 1.2.5.1

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1.2.5.1

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Current list of Advisory Council Members:

- N/A

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1.3: Physical Resilience Advisory Council projects and funding

The Advisory Council is paid on a project basis to do specific work that improves all or specific parts of the Scope Framework.

1.3.1: Each Quarter, if they deem it necessary, the Responsible Facilitators must solicit proposals and find one or more suitable Advisory Council Members to perform a project that will result in output that can be used to improve the Scope Framework. This work output will be presented to the CVC Subcommittee Meetings as the starting point for the CVC Scope Framework Position Documents. As many CVCs as possible should be supported this way, prioritized by the Responsible Facilitators.

1.3.2: In case an ambiguous, uncertain or challenging situation arises related to the Scope Framework, the Responsible Facilitator may approach one or more Advisory Council Members to perform a reactive project that aims to specify the language of the Scope Framework to take into account the specific situation. The Responsible Facilitator can then directly propose the change to the Scope Framework in a weekly governance poll, quickly resolving the challenge.

1.3.3: The Advisory Council may not produce work output that is directly compatible with the formatting of the Scope Framework. In this case the Responsible Facilitator must either transcribe it themselves, or hire an Ecosystem Actor to perform the transcription. This role does not require preapproval by Maker Governance.

1.3.4: The Responsible Facilitators may also produce advisory input on the content of the Scope Framework themselves, as long as it is focused on improving process and governance content. They are prohibited from providing unilateral input on expert subject matter content.

1.3.5: The Responsible Facilitators have a budget available to pay for Advisory Council Projects per quarter. All spending must be limited to only what is deemed necessary and with a high probability of producing clearly measurable value, and this must be transparently be accounted for in a forum post at least a week before any transaction occurs.

1.3.5.1

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The Advisory Council project budget is as follows:

Quarterly Budget (DAI)

Method of Distribution

Maximum Limit (DAI)

0

Keg - streamed at a linear rate over 3 months

0

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2: The Implementation of the Physical Resilience Scope Framework through Software

The Responsible Facilitators must in collaboration with the CVC Subcommittees, periodically review possibilities of integrating DAO toolkit innovation into the processes and content of the Scope Framework.

3: Resilience Protocol

This section defines the process for funding legal defense and responding against a legal or regulatory action targeted against a participant of the Maker Ecosystem or against MakerDAO.

3.1: Resilience Defense Bodies

This section covers the resources available for legal defense. Over time it can include both Maker Governance controlled assets and external third party resources.

3.1.1: The Resilience Fund

The Resilience Fund (RF) is a self-insurance instrument fully controlled by Maker Governance which will cover legal defense expenses in case of legal or regulatory action against the DAO or active participants in the Maker ecosystem. The RF will be

the primary source for direct legal defense funding. The conditions of use are defined in “Legal Defense Claims Process” (3.4).

3.1.1.1 The budget of the Resilience Fund is defined in 3.1.1.1.1A

. The Physical Resilience Facilitator can propose to pay out the budget manually through weekly cycle, according to the rules related to claims described in this Section. The Physical Resilience Facilitator can propose modifications to 3.1.1.1.1A through the weekly cycle.

- 3.1.1.1.1A:

□□□ The current active budget for the Resilience Fund is: 5000000 Dai per year, with the full amount available at the start of each calendar year. □□□

3.2 The Resilience Technical Committee

The Resilience Technical Committee is a group of Ecosystem Actors that provide advice on assessing claims against the LDF and advice on further development of the fund and risk management topics.

3.2.1: Members of the Resilience Technical Committee are selected and paid for services on a project basis by the Physical Resilience Facilitator. The budget for this is included in 3.1.1.1.1A

. This is later intended to move to a separate budget.

3.2.2: The members of the Resilience Technical Committee must fulfill the following requirements:

3.2.2.1 Members must have experience equivalent to working for a world leading insurance broker, insurance company or risk management company.

3.2.2.2 Members must have at least three years of experience in management of Self Insurance instruments.

3.2.2.3: Members must have law, management, risk, or insurance professional degrees.

3.3: The Lawyer Registry (LR)

The LR is a registry of specialized Ecosystem Actors who are qualified for performing legal representation or legal defense for MakerDAO participants.

3.3.1: Lawyer Registry Acceptance Criteria. Lawyers that are included in the Lawyer Registry must fulfill the requirements described in the following subelements.

3.3.1.1Licensed legal professional in their respective jurisdiction.

3.3.1.2Proven experience with MakerDAO or crypto.

3.3.1.3No Conflict of Interest.

3.3.2: Legal counsel providing services funded through the LDF must fulfill additional requirements specified in the following subelements. Legal counsel qualified for LDF will be listed as such in the Lawyer Registry.

3.3.2.1 20 years of relevant professional experience.

3.3.2.2 Lead Counsel in at least 15 cases in the relevant area of law, type of process and jurisdiction.

3.3.3: LR template.

Entries in the LR must follow this template:

%%%

- .x:

[Advisor name and short description] * .x.1:

[Name of Firm]

- .x.2:

[Specialization Area]

- .x.3:

[Jurisdiction]

- .x.4:

[LDF qualified (y/n)] %%%

- .x.1:

[Name of Firm]

- .x.2:

[Specialization Area]

- .x.3:

[Jurisdiction]

- .x.4:

[LDF qualified (y/n)] %%%

3.3.4: The current approved legal counsels in the LR are recorded in 3.3.3.1A

. The Physical Resilience Facilitator can directly edit the active element to include new legal counsel that fit the criteria.

- 3.3.3.1A:

▣▣▣ List of active legal counsel in the Lawyer Registry: ▣▣▣

3.4: Resilience Claims Process

This section will govern the conditions and terms of use of the Resilience Fund.

3.4.1: Loss Event

The Resilience Process covers legal defense or legal representation expenses incurred by a participant of the Maker Ecosystem when they are the target of a legal or regulatory action. There must be a direct relationship between the legal or regulatory action and the Beneficiary's activity at MakerDAO. A (Non - exhaustive) list of legal or regulatory actions that may qualify are described in the following subelements.

3.4.1.1 Official requirements, or communications, from a regulatory body or a court

3.4.1.2 Subpoenas

3.4.1.3 Lawsuit

3.4.1.4 Writs

3.4.2: The cases specified in the following subelements will generally be excluded from coverage by the legal defense process.

3.4.2.1 Prior or pending claims.

3.4.2.2 Claims between persons involved in the Maker ecosystem.

3.4.2.3 Loss covered by other insurance.

3.4.2.4 Willful criminal.

3.4.2.5 Conflict of Interest.

3.4.3: Eligible beneficiaries are persons who fulfill the following requirements:

a) act on their own behalf OR b) act on behalf of a legal entity OR c) act on behalf of a collective AND have one of following roles: Current Structure:

- Recognized Delegates

- Core Unit Facilitators
- Core Unit Contributors
- Active MKR Token Holders that participate regularly in governance (e.g. voting, writing proposals)
- Constitutional Conservators
- Constitutional Voter Committee Members (CVCs)
- Constitutional Delegates (CDs)
- Core Unit Members (Facilitator SubDAO)

3.4.3.1 Beneficiaries can be identified through their own name or through a pseudonym.

3.4.4: Onboarding process Resilience Process

Overview of the onboarding processes:

- Application.
- Approval.
- Registration. These processes are described in the following subelements.

3.4.4.1 Application process.

Applicant fills in the below registration form.

- [User Name / Pseudonym]
- [Verified Ethereum Address]
- [Proof of Eligibility]
- Examples of Eligibility Lists
- [Core unit facilitators - The Maker Forum](#)
- [Maker Governance - Delegates](#)
- <https://expenses.makerdao.network/>
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- <https://expenses.makerdao.network/>
- Contact point (e-mail, discord, etc.)

3.4.4.2 Approval Process.

The Physical Resilience Facilitators must work towards developing an automatic solution that enables eligible ecosystem participants to easily apply for the Resilience Fund Process.

If no automatic process is in place, or if the process doesn't function correctly, the Physical Resilience Facilitator must process the request

manually, and must publish an easy to understand guide for how to apply through the manual process.

3.4.5: Claim Management.

Overview of the claim management processes:

- Legal Counsel Pre- approval
- Claim approval
- Reimbursement

3.4.5.1 Legal Counsel and quote Pre-approval

The first step in the claim management process is to approve the Legal Counsel that will undertake legal defense or legal representation and the quote presented to commence legal work. The Beneficiary must present the Quote from the law firm they selected for their legal defense / representation. The Quote must indicate, at least:

- Name of Legal Counsel
- Name of Law Firm
- If not in [Lawyer Registry], Proof of Eligibility
- The Quote must include:
 - The initial payment required by Counsel to commence work immediately. This is the initial amount to be claimed against the Resilience Fund.
 - A global estimated fee based on an hourly rate OR fix fee OR retainer
- 3.4.5.1.1:

If the Legal Counsel is LDF qualified in the Lawyer Registry (3.3.2), the claim is automatically pre approved.

- 3.4.5.1.2:

If Legal Counsel is NOT LDF qualified in the Lawyer Registry (3.3.2), then the Physical Resilience Facilitators verifies if the Legal Counsel complies with requisites in 3.3.1 (Lawyer Registry Acceptance Criteria) and 3.3.2 (Resilience Fund Acceptance Criteria). * 3.4.5.1.2.1:

If the Legal Counsel of the quote is found to comply with the requirements, the quote is pre-approved and the legal counsel is added to the LR.

- 3.4.5.1.2.2:

If the Legal Counsel doesn't comply with the LR requirements, the claim is rejected and the Beneficiary must propose a different Legal Counsel.

- 3.4.5.1.2.1:

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If the Legal Counsel doesn't comply with the LR requirements, the claim is rejected and the Beneficiary must propose a different Legal Counsel.

3.4.5.2 Claim Approval.

If a Beneficiary incurs in a Loss Event, they can submit a Reimbursement Claim against the LDF by sending an encrypted message to a Physical Resilience Facilitator. The Physical Resilience Facilitator must review the Reimbursement Claim and decide whether to trigger a Governance Poll to perform a claims payout, by developing an internal model with input from experts and professionals.

- 3.4.5.2.1:

The Reimbursement Claim must contain following elements: * Description of Loss Event with relevant commentaries and context

- Advance Payment

- Type of process
- Date of writ / subpoena / lawsuit
- Supportive Documentation
- Law firm's proposal and invoice OR Quote
- Copy of the Lawsuit / writ/ communication OR official requirement issued by a Court or Governmental Agency
Supportive documentation is highly sensible. It is required to use encryption tools.
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The Recognized Facilitator must develop a framework for establishing limits and coverage amounts per case, and apply these limits to individual claims.

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3.4.5.3 Payment/reimbursement.

If the governance poll for paying out a claim is successful, an executive vote must be created to draw the funds from the Surplus buffer and send them to the Beneficiary's registered wallet. The spend must be accounted for in the active element of the relevant budget.

4: Legal research and preparedness

The Physical Resilience Facilitators must ensure that legal research and legal preparedness work is covered continuously to ensure the ecosystem is well positioned to deal with any legal uncertainty or risk that should arise. This must generally be broadly diversified across all jurisdictions where the Maker Ecosystem could be directly or indirectly exposed, but efforts and resources must be prioritized towards jurisdictions where risks are more likely to emerge.

4.1: The Legal research and preparedness budget is described in 4.6.1.1A

. The Physical Resilience Facilitators can trigger a payout from the budget to a relevant recipient address through the weekly cycle.

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.1.1A:

▣▣▣ The Legal research and preparedness budget is: Up to 2,000,000 DAI available per year. The full amount is immediately available at the start of the calendar year. ▣▣▣

MIP109c3: Responsible Facilitators

The Responsible Facilitators of the Physical Resilience Scope Framework are defined in [MIP113c2](#).6.1.2.1A.

MIP109c4: Scope Framework Articles Modification Subproposal Process

During the Pregame the Scope Framework articles can be modified through the Monthly Governance Cycle using a [MIP102c2](#) subproposal.