Summary

Kickstart a discussion around preparing the DAO for possible governance attacks.

Motivation

In 2023, several major DAOs faced governance crises due to attacks that exploited weaknesses in their treasury management. Nouns DAO encountered an incident when investor DCF GOD and allies amassed enough NFTs to propose liquidating the treasury. Amidst a bear market and disagreements over spending priorities, they used the governance structure for personal gain, withdrawing $27 million from the treasury.

Similarly, Aragon DAO experienced a governance exploit in May 2023. Investors gained control of 51% of the token supply and proposed liquidating the treasury. Despite efforts to oppose the move, they extracted $163 million, which led to Aragon's dissolution.

Most recently, in 2024, Compound DAO suffered a governance attack by a group known as the "Golden Boys." They exploited the governance process to pass a proposal transferring $24 million in COMP tokens to a protocol under their control. This attack succeeded due to several factors: low voter turnout, poor timing of the vote (during a weekend), and lack of transparency.

These cases highlight a critical vulnerability in DAOs—concentrated voting power and low voter engagement can lead to malicious actors seizing governance control and draining the treasury for personal gain.

Rationale

Uniswap DAO's core mission is to govern its protocol and manage treasury resources to support its long-term objectives. However, as the DAO grows, its treasury expands, creating an attractive target for potential attacks.

The current dynamic poses a threat: while the value of the treasury increases, the percentage of tokens actively delegated for governance decreases. This creates an imbalance where an attacker could acquire enough $UNI to take control of the DAO at a cost far below the total value of the treasury. Without safeguards, Uniswap DAO is at risk of facing a similar governance attack.

Implementation

We see two possible solutions to address this challenge:

1. Establish a Veto Council

One proposed solution to safeguard the DAO's treasury is to create a Veto Council. This council would have the authority to veto any proposal deemed harmful to the DAO. However, to avoid centralisation risks, the council's veto power would be limited—lasting only 18 months. This ensures the council's role is temporary, allowing time to strengthen governance while minimising the risk of long-term centralisation.

The Veto Council would provide an immediate defence mechanism, intervening when malicious proposals threaten the DAO's stability or treasury. The ENS DAO recently adopted a similar solution (link).

1. Introduce Proposal Staking

An alternative solution is to implement a staking requirement for proposal authors. Under this system, anyone submitting a proposal must stake a small amount of UNI tokens, which would be locked until the vote concluded. Additionally, the vote would include a default option to cancel the proposal and slash the author if it receives over 33% of the votes to veto the proposal. This would effectively discourage bad actors from submitting harmful proposals, as they risk losing their staked tokens. The Cosmos hub governance has successfully implemented the ''No with Veto'' option to combat spam and malicious proposals and has achieved tremendous success. This approach, however, can only be implemented in matured DAOs in terms of governance processes as an irrational stakeholder(s) with 33% of the voting power could exploit the system and veto any proposal and slash an innocent participant.

Benefits:

- Unlike the Veto Council, which introduces some level of centralisation, proposal staking preserves the DAO's decentralised nature. It empowers the broader delegate community to assess and vote on the validity of proposals, ensuring the process remains transparent and democratic.

- By adding financial risk to submitting proposals, the staking mechanism discourages malicious intent while encouraging more thoughtful, well-constructed proposals.

- No with Veto could be used by minor delegates to convey their strong disagreement with a particular proposal.

Next Steps

- Gather consensus from the DAO about next steps.

Voting Options

- Establish a Veto council

- Explore Proposal staking

- Make no changes

- Other