

Edits August 15th

- Clarified language regarding abstaining to also include neutral voting. ie. voting for all candidates in an election equally to effectively abstain.
- Clarified language on “Responsible Voting”

Abstract

This proposal aims to restart the conversation around the creation of self-voting and conflict of interests policies. The proposal outlines various options, ranging from maintaining the status quo to enforcing strict self-voting policies. A Snapshot vote to gauge the DAO’s sentiment will be posted on Thursday, August 15th. Please note, this is an actual temperature check

, just to gauge the DAO’s opinion on the subject. Based on the results, certain policies may be included in a future delegate of code of conduct as part of an effort to professionalize the DAO’s operations.

Background

Strict policies regarding conflicts of interest (COI) and self-dealing are standard practices in traditional corporate industries. However, with crypto just now emerging from an early stage, entirely avoiding conflict of interests is challenging. Many individuals are either investors, employees, or contributors across multiple companies/protocols on not only Arbitrum, but other L1/L2 chains.

Several other DAOs have established a code of conduct in an attempt to address these issues. Examples range from being opt-in recommendations ([Uniswap](#)), simple pledges ([Maker](#), [Gitcoin](#), [Aave](#)), and strict no self-dealing policies & expectations enforced by a council and violations resulting in suspension from the DAO’s platforms (Optimism: [Code of Conduct Committee](#), [Optimist Expectations](#)).

While Arbitrum has standard [rules of engagement](#) for the forums, it currently lacks a delegate code of conduct in addition to an official policy on conflicts of interest. The only mention of the term in the Arbitrum [Constitution](#) is in relation to candidate eligibility for the Security Council.

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Creating a self-voting policy was first [raised](#) by [@Immutablelawyer](#) at the beginning of 2024 following the LTIPP council elections. While the post resulted in a good discussion, many delegates at the time indicated a strong preference to not move forward with any policy that restricted a delegate’s ability to vote. Thus a temperature check to gather the larger DAO’s sentiment on this issue never occurred.

In recent weeks, the topic has reemerged in conversations, and as part of a series of proposals focusing on professionalizing the Arbitrum DAO’s operations, Entropy Advisors is looking to restart the conversation on a proposed self-voting and COI policy in order to reach a definite consensus. Policies that are voted are favored by the DAO will be included in a future delegate code of conduct proposal.

Rationale

We would argue that within a DAO’s operations, the majority of instances involving COI are the result of an individual/company using their delegated voting power to engage in self-voting or “self-enrichment”. This can exist when a delegate votes for themselves to get elected to a committee, thereby receiving financial gain, or a delegate votes in favor of a proposal that directly benefits themselves or their company. There are certainly other situations where COI can arise such as oversight, but for the purposes of this proposal, the focus is centered on the practice of self-voting.

For clarity and the purposes of this conversation we will lean on the definitions that [@Immutablelawyer](#) established back when the topic of self-voting was previously [discussed](#).

- Conflicts of Interest:

A situation where a token-holder or their close-associates stand to directly benefit from the outcome of a proposal.

- Self-Voting:

The practice of where token holders use their voting power to vote on proposals that involve or benefit themselves.

- Self-Enrichment (Self-Dealing):

The act of increasing or enhancing one's own personal financial wealth as a result of one's own vote.

As mentioned above, the majority of comments indicated that it was unwise to restrict a delegate's ability to vote in any manner. To paraphrase the discussion, hesitation to implement a self-voting policy boiled down to primarily two reasons:

- Philosophical Objections:

Delegates are entrusted by token holders to best represent their own values and interests. Forcing a delegate to abstain from a vote due to COI concerns prevents the delegate from truly representing their base's interests and thus disenfranchises the token holders delegating.

- Lack of Enforceability:

Even if self-voting was monitored manually by contributors or a committee, it is quite easy to circumvent self-voting policies onchain by simply transferring voting power to anonymous wallets. To quote [@DisruptionJoe](#), in general, "unenforceable rules create situations where bad actors have an advantage over good actors".

While both are strong objections, there are positives to implementing COI and self-voting policies. First, they help establish the "rules of the game", so that every participant in Arbitrum governance is operating under the same set of expectations. Furthermore, disclosure requirements can help lead to greater transparency while also incentivizing participants to act in an ethical manner. Most importantly, with such policies standard practice in other industries, Arbitrum DAO can improve its image as a professional organization by holding its actors to similar standards.

Specifications

Below are a few policy options the DAO can adopt to help address and mitigate COI and self-voting. The options are presented from least restrictive (do nothing) to what we view as the most restrictive.

Keep the Status Quo:

Arbitrum DAO can continue to operate as it has been. A delegate code of conduct does not need to include specific policies on disclosure or self-voting.

Disclosure and Transparency Policy:

If a potential COI exists, it is expected that proposal authors or delegates disclose the nature and extent of the interest. While it may not always be clear if an individual stands to gain "directly" or "indirectly", it is recommended to lean on the side of over-communication in the name of transparency. Delegates are not expected to abstain or alter their voting preferences in any way, but are free to choose to abstain.

"Responsible Voting" Policy in Elections:

In an election with multiple seats, candidates may vote for themselves as long as they also cast votes to fill the remaining positions. Put more simply, a candidate should not cast a vote solely for themselves in an election. In the case of a weighted voting election, the candidate's weight for themselves should not be larger than the weights for other candidate. To the best of their ability they should strive to make the weights as equal as possible among the number of candidates necessary to fill each position.

- Example: I am running in the GCP council election, which has 3 open seats. I can vote for my own candidacy, but must also cast 2 additional votes for other candidates.

This is a policy that has worked well in other DAOs and helps address the natural incentive to withhold votes for competing candidates in an election while also making sure token-holders are not disenfranchised.

Credit to [@JoJo](#) for the term "Responsible Voting".

Strict Self-Voting Policy:

In the event of a conflict of interest, under the simple definitions stated in the Rationale above, it is expected that a delegate or proposal author abstains during the voting process. In the event that "Abstain" is not presented as a voting option, it is expected that the delegate votes in a neutral manner as to not impact the results of the vote. For example, in an election a delegate may even divide their voting power in equal weight to effectively abstain. This policy would include candidates being prevented from self-voting in elections and delegates from voting on proposals that directly benefit oneself, company, or interests.

Enforcement

To date, the primary deterrent to egregious breaches of an adopted code of conduct is the potential for reputational damage. Other DAOs have experimented with various enforcement mechanisms in regards to upholding a COI or self-voting policy.

One of the best examples is Optimism DAO, which created a delegate code of conduct in 2021 with enforcement carried out by its foundation. In its Season 5 (September, 2023), Optimism created a Code of Conduct Council that took over responsibility for overseeing and enforcing breaches. However, recently this council has been [scaled back](#) and its Token House self-dealing policies have returned to being enforced “via the free market for delegation.”

This journey highlights the difficulty of enforcing any type of self-voting policies and the likely ineffectiveness of simply creating another committee to provide oversight. To our knowledge, no major DAO has taken the steps to actually bar an individual from voting at the contract level (not that this is recommended). Enforcement is an area in which Entropy is actively seeking input

and encouraging delegates to share opinions and ideas.

Currently, our team is leaning towards making the future delegate code of conduct opt-in

, following in Uniswap DAO’s footsteps by creating a document that serves simply as a form of guidance. We envision soft-enforcement can be applied through the Delegate Incentive Program by requiring participating delegates to abide by the ratified code of conduct in order to be eligible for rewards. Further UI changes on Tally could also be applied to help token holders discover which delegates have publicly committed to following the agreed upon code of conduct.

Voting Choices

The temperature check on Snapshot will use [approval voting](#). Each delegate can select any number of choices, each selected choice will receive equal voting power. So for example, if a delegate wishes to see the DAO adopt both a disclosure policy and responsible voting, then they should select both options on the Snapshot vote.

Since this is a proposal that changes the DAO’s current status quo, the following choices have been worded in a manner that each “FOR” vote indicates desire to adopt a certain policy.

FOR: Disclosure Policy

FOR: Responsible Voting Policy

FOR: Strict Self-Voting Policy

AGAINST: Maintain Status Quo

ABSTAIN

Timeline

A Snapshot poll will be posted on August 15th

to gauge the DAO’s overall sentiment. This will allow for ample conversation and input from delegates beforehand.

This proposal is part of a series of temperature checks to further improve and professionalize the DAO’s operations. Others include the [Improving Predictability](#) and [Adopting Shielded Voting](#) proposals. Depending on the outcome of this vote, COI and self dealing policies will be included in a delegate code of conduct. As mentioned [previously](#), a future, more comprehensive proposal will look to combine all of the DAO’s new processes into a trial period, with the successful ideas eventually implemented into the Constitution.

Cost

This proposal carries no cost to the DAO.