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Summary:

The Uniswap DAO's treasury, containing assets worth nearly ~\$6B, predominantly in \$UNI tokens, faces challenges due to its single-asset composition and the lack of a plan for productively putting it to work. To address the treasury's volatility and underutilization, we propose forming the Uniswap Treasury Working Group (UTWG) to explore treasury management strategies aimed at achieving sustainability and growth for the DAO. This involves diversifying assets to stabilize the treasury and finding revenue-generating investments beyond the protocol's core operations. The UTWG will examine various treasury plans for Uniswap DAO based on 8 weeks of research and interviews with various entities and individuals familiar with treasury management and adjacent subject matters. A deliverable will correspondingly be released on the forum where we present at least two viable treasury management options for the DAO to begin pursuing. Both of these options will be presented as their individual RFC/RFP, ideally allowing treasury managers to present their products and services to the DAO. The UTWG will help facilitate this process.

The proposal's ultimate goal is to ensure the DAO's long-term financial health and support the sustenance of Uniswap. However, there is one caveat—before implementing any of the proposed strategies, in other words, before moving any \$UNI to and from the treasury, we must have clarity around the legal implications of administering this program. There has to be a way to pay taxes and limit liability. We hope that a simultaneous discussion around, say, DUNA, or other legal frameworks, takes place. It seems unlikely that the DAO will be able to conduct treasury management if it doesn't open itself up to adopting a legal architecture. Our hope is that while the Foundation and potentially another working group sort out the legal side, we are able to make some strides on treasury management research. Upon adoption of a legal entity, we can then hit the ground running by actually implementing the conclusions derived from the UTWG's research.

Treating the Uniswap Treasury as an Endowment

"Treasury" is a broad term that typically mirrors the nature of its underlying protocol. Some treasuries quite literally reflect a protocol's balance sheet, where the holdings are used to cover capital expenditures, and income is either paid out as a dividend to token holders or used to further grow the protocol. Other treasuries are integral in managing risk, with Aave and Compound being prime examples. Then, some treasuries, like that of Uniswap, are structured more similarly to an endowment, where the DAO must manage a large pool of capital to further the sustenance of the protocol in the long-term.

The concept of an endowment refers to a collective pool of assets held by a nonprofit institution. These assets are employed to support an institution perpetually, with a clear directive of aligning with the desires of the contributing donor(s). In Uniswap's case, the DAO was established upon the creation of the \$UNI token—and 43% of the total supply was endowed to the DAO.

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Source: Uniswap Labs

The goal of the DAO is to support Uniswap's growth and development in a manner that aligns with the collective vision of the token holders and their entrusted cohort of delegates. These objectives can be achieved by funding development projects, liquidity incentives, community grants, and other programs that contribute to the ecosystem's growth and resilience. However, such pursuits cannot be facilitated without robust treasury management.

The Native Token Problem

The Uniswap treasury is often touted as one of the largest sums of capital at the disposal of a DAO. As of today, Uniswap's treasury boasts nearly ~\$6B of assets, larger than any other DeFi protocol. That number, however, is highly inflated due to the composition of the treasury. Nearly 100% of the treasury is solely composed of one asset: the native \$UNI token. Hence, the value of the treasury, in dollar terms, should be massively discounted.

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Source: DeepDAO

Imagine if a traditional endowment was allotted billions of dollars in a singular, volatile asset, with a directive of using that treasury to sustain its core business—preposterous, right? That's exactly the position where Uniswap is. What's more is that there's no current plan to mobilize this treasury in a productive manner. There lies a large amount of dormant capital simply sitting in the treasury without any explicit plan to be utilized. From our perspective, there needs to be an initiative to spur this dormant capital into action, even if it means doing so little by little. The goal of this proposal is to create a committee to begin researching ways by which we can put this treasury into effect.

What Are We Optimizing For?

This proposal optimizes for two variables:

1. Sustainability:

the DAO should be a self-sustaining entity, able to cover its future costs in perpetuity.

1. Growth:

the DAO should utilize its capital to grow its principal \$UNI allotment in terms of dollars, thereby further propelling the adoption of Uniswap and delivering value to relevant stakeholders.

Sustainability is the bare minimum. It acts as a floor. Unless the \$UNI price continues to increase forever, the DAO, whenever it reaches into its treasury reserves, is reducing its runway. Hence, the first objective in any treasury management initiative should be to diversify out of the native token and into a more stable asset, like a basket of stablecoins. One could go as far as stating that any \$UNI held in the treasury should actually be written down to zero. This mindset, where treasury-should-spur us towards diversification.

Since crypto is prone to fat-tail events, the DAO should establish a more robust cushion in case the market crashes. In 2021, the Uni treasury value ran to nearly \$19B, and it quickly fell into a limbo zone between \$1.5B - \$2B for nearly 1.5 years between Q2 2022 and Q1 2024. No endowment should be this volatile. We should be in a position where if the DAO needs to fund certain initiatives, there are reserves to draw from without causing significant impairment to the token price. For instance, when the Foundation needs to be funded again, it should ideally be the case that a large portion of those requested funds are given in the form of stablecoins for instant liquidity.

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Source: TokenTerminal

Beyond mere diversification, the DAO needs to pursue growth. Currently there are no programs in place for the treasury to increase its net asset value beyond \$UNI appreciation. This is where the treasury can be used to generate revenue, either from operating or non-operating activities. Let's break this concept down–distinguishing between the operating and non-operating income for the DAO is important for defining the source of treasury growth.

Operating Income:

Operating income would pertain to any income generated from the primary business activities of the protocol, which, in Uniswap's case, is fees from swaps. Currently, the DAO does not collect any income from fees and likely won't in the future under the Uniswap Foundation's recently proposed fee architecture. The Uniswap DAO will therefore not be sustainable in the long-run by relying on income from operations—fees generated will most likely be paid out to token holders in full, leaving the DAO with near zero income. To that end, we must rely on non-operating activities to ensure the sustainability of the Uni DAO.

Non-Operating Income:

All income not generated from fees falls into this category. If the Uniswap DAO does not plan on attaining revenue from operations, then it must utilize its current treasury to collect income via alternative methods—likely through yield-bearing strategies and investments. Reliance on non-operating income further establishes why the Uni treasury mirrors the setup of an endowment, where the long-term sustainability of the protocol is built on indirect investments detached from the protocol's core operations. These methods are to be further explored, and the present proposal aims to pioneer such exploration.

Working Group Details

Based on the above reasoning, the UTWG will conduct 8 weeks worth of research into the types of treasury management initiatives that the DAO may reasonably pursue in the short-to-medium term. The group will note on the experience of treasury management practices of other DAOs, adopting practices that have historically worked well and conforming them to

Uniswap's current situation, along with the presentation of new models that we believe are potentially more effective. Considering treasury management has been a key aspect of many prominent DAOs like Maker and Aave to Lido and Gnosis, we believe that there are many case studies and frameworks that can be explored to ensure initial experiments will return positive results.

The UTWG will also try to collaborate with those working on various legal developments including the recent Wyoming Decentralized Unincorporated Nonprofit Association (DUNA) Act. This process may fall outside of the jurisdiction of the treasury committee and may require outsourcing entirely to another party. It's vital that this treasury research is analyzed in the context of potential legal structures, and we won't move forward with implementing our research unless there are proper legal frameworks in place. The Uniswap DAO has yet to formalize its opinions on how to set up legal entities, so this caveat may delay the implementation of the proposed treasury initiatives. The UTWG's research may conclude that a legal working group should work in concert with the treasury group to effectively bring this program to fruition.

It's also important to emphasize that the deliverables of the UTWG will aim to highlight potential treasury management options rather than pinpointing specific service providers. If the committee comes to the conclusion that an RFP process is the ideal manner by which treasury managers should be appointed, for example, then one of the UTWG deliverables will be a call to action for various service providers. After ample discussion in the forum, the most promising service providers will qualify for a vote of confidence from the DAO. The elected members will then collaborate with the UTWG to implement a proposed treasury management initiative—granted a legal framework is in place. At this point, the working group will act as the liaison between the DAO and the service providers, ensuring proper accountability and transparency for the sake of the DAO.

Note that it's too early in the research process to conclude the exact operations of the treasury initiatives—the above paragraph simply outlines a potential order of operations, which is subject to change based on our research. Our goal is to simply present the DAO with an assortment of options, backed by interviews and research.

The Uniswap Treasury Working Group Members

The UTWG will be composed of four members. 2/4 members are listed below and are a part of working group zero (WG0).

StableLab

• StableLab is a governance firm focused on professional delegation, DAO framework design, and product development. StableLab works with various projects, from the ones just starting their journey to decentralization to the most prominent DeFi protocols.

Arana Digital

AD is a professional governance group. The team is deeply steeped in the crypto space and has multiple years of
participation in protocol governance. With delegation history for DEXs, money markets, L2s, liquid staking protocols,
and stablecoins. AD brings a diversity of experience to DAOs—its members have consulted for companies like
Immutable and dYdX, worked at crypto investment and trading firms, set up various validator nodes, and run
educational events for university students.

They will be helping administer and organize this proposal. The other two members will be elected via a Snapshot vote. Elected members, along with WG0, will be responsible for helping conduct research and aiding in proposing the final deliverables to the DAO. After the 8-week research period, the 4 UTWG members will act as the the liaison between the treasury managers and the DAO for 6 months. The UTWG's role would then focus on ensuring accountability and transparency for treasury management initiatives. A UTWG election will be conducted in every 6-month interval thereafter.

Budget

The UTWG asks for a budget of 6,000 \$UNI. The hourly rate will be the same as the Accountability Committee at \$200 per hour. If this committee is formed, then the UTWG will form a 3/4 multisig to conduct payroll. Retroactive compensation will be distributed to WG0 based on their input hours by the start of the program (i.e. once the onchain vote passes).

Tentative Next Steps

1. March 19 - March 26:

RFC

1. March 26 - March 30:

A temperature check will go live to gauge the interest to launch the The Uniswap Treasury Working Group.

1. March 30 - April 6:

If temp check to form UTWG passes, a 7-day period will take place for prospective candidates to apply to the working group on the forum

1. April 7 - April 11:

A Snapshot election will take place, allowing the DAO to vote for the two remaining members of the UTWG out of the given applicant pool

1. April 12 - April 19:

the onchain vote will be live, batching together the formation of the working group, its four members, and sending the budget to a multisig

1. If the onchain vote passes, then over the course of 8 weeks, the UTWG will examine various treasury initiatives for the Uniswap DAO and create at least two viable treasury management options, which will be put into their separate RFC/RFP processes.

The exact implementation of this program after step 6 is to be determined based on the working group's research and adjacent legal developments.