Title

– Proposal: This proposal intends to set up the Security Services Subsidy Fund ('SSSF') Sub-committee, seeking 60,000 ARB to fund the members of the SSSF Sub-committee over 1 cohort spanning 8 weeks.

Constitutional / Non-Constitutional

- Non-Constitutional

Abstract

- The creation of a specialised sub-committee to administer the Subsidy Fund for Security Services.

Steps to Implement

- Snapshot Vote to signal approval of the process, followed by the initiation of the election process in conjunction with the on-chain vote for the sub-committee.

Timeline

- Snapshot Date: 20th May 2024

Overall Cost

- 60,000ARB

Executive Summary & TLDR

This proposal intends to set up the Security Services Subsidy Fund ('SSSF') Sub-committee, seeking 60,000 ARB to fund the members of the SSSF Sub-committee over 1 cohort spanning 8 weeks. This will ensure that each of the 5 members to be elected will be paid 100 ARB per hour, capped at 15 hours per week. This is in line with the compensation structures of recently approved committees within Arbitrum DAO with similar workloads (e.g., LTIPP). Additionally, the SSSF Sub-committee will be tasked with administering $2.5 million worth of ARB and selecting the security service providers most deserving of a subsidy fund based on the Means Test outlined in the [Subsidy Fund Proposal](#).

TL;DR

Proposal Overview:

- Establish the Security Services Subsidy Fund (SSSF) Sub-committee with 5 elected members.

- Members will be compensated 100 ARB per hour, up to 15 hours per week, for 8 weeks.

Funding and Structure:

- The SSSF Sub-committee will manage $2.5 million in ARB to subsidize security service providers.

- Members are elected through a Snapshot voting process using a weighted voting system.

Operational Details:

- The Sub-committee will use the Means Test from the Subsidy Fund Proposal to select deserving security service providers.

- The Sub-committee aims to maintain transparency and efficiency in the allocation of the subsidy fund.

Member Criteria and Selection:

- Candidates should possess expertise in security, legal, procurement, operational management, and financial management.

- They are expected to have strong communication skills, technical knowledge, and a track record of ethical conduct.

Election and Onboarding Process:

- Election involves a 7-day application period and a 7-day voting period, followed by KYB/KYC checks and a 3-week

onboarding period.

- The total process from election to subsidy disbursement adds approximately 6 weeks to the initial timeline.

Application and Review Process.

- A two-week submission period followed by a 6-week review period using the Means Test to evaluate applications.
- Initial screening based on key sub-criteria like funding gap rationale and KPIs.

Reporting and Accountability:

- The Sub-committee will provide monthly updates on project progress and fund utilization.
- Outcome metrics include the percentage of projects successfully deployed on Arbitrum and achievements of outlined KPIs.

Budget and Allocation Constraints:

- The maximum subsidy for any single project is capped at 10% of the total fund, or $250,000 in ARB.

Introduction

Following discussions on the Subsidy Fund Proposal from the Arbitrum DAO Procurement Committee ('ADPC'), which can be found here, the administration and selection process for these subsidies will be overseen by the SSSF Sub-committee, rather than the ADPC as originally proposed. The ADPC would also like to clarify that the applications for the Subsidy Fund will only be accepted after vendors are whitelisted in accordance with the Procurement Framework for security-oriented service providers, by the ADPC.

The original intention behind the inclusion of this task under the remit of the ADPC at no additional cost to the DAO was in part based on the fact that during the elections for the ADPC, there was a low number of applicants with a procurement background.

While the ADPC wishes to remain responsive to the wishes of the DAO, we should note the adverse impacts and risks associated with the requested approach. These include (i) the creation of a new workstream that was not part of the original mandate and distracts from the core functions of the ADPC (ii) the natural delays associated with teams getting voted in, fully briefed on the procurement strategy and developing the necessary understanding of the legalities of the framework agreement. They will also need to establish working relationships, work allocation and deal-flow, get up to speed on the state of negotiations, tools, processes, etc.

This will require at minimum a 3-4 week onboarding period, which will delay the disbursement of the subsidies by several weeks. We hope the current proposal of setting aside 3 weeks as the expectation for completion of this process represents an acceptable middle ground for the community.

This proposal aims to establish the SSSF Sub-committee, which will be composed of five [5] members. These members will be selected through an open election process using Snapshot's weighted voting system, with the five [5] highest-ranked candidates being elected to the Committee. The committee's term will last for 8 weeks.

While the final decision will rest with the SSSF Sub-committee, their evaluations will be strongly guided by the Means Test from the ADPC's Subsidy Fund proposal that assesses key metrics to identify deserving projects.

Albeit not legally binding, both delegates and token holders are encouraged to adhere to the specified selection criteria when voting for the SSSF Sub-committee members. This will ensure that the committee is adequately equipped to effectively carry out its duties and responsibilities.

Note: The ADPC members will not be applying for any sub-committee positions unless this is explicitly requested by the community.

[1] Selection Criteria

In order for the committee to effectively fulfill its duties and responsibilities, it should ideally be comprised of individuals who possess the following attributes:

[i] Core Attributes

Security Knowledge

Experience with digital asset security services (on the client or service provider side) and familiar with concepts such as static analysis bug detection, visualising the state of governance contracts, ensuring correct encoding of values, whitebox source code reviews, identifying design flaws, etc.

Legal Knowledge

A solid background and understanding of legal frameworks and core legal aspects, particularly those relating to contract law. Legal professionals can identify and mitigate legal risks associated with the operations of subsidy fund as facilitated by the legal agreements underpinning this process as developed by the ADPC. This aims to safeguard the committee, ensure an airtight legal workflow for the procurement framework, and aids in ensuring that all agreements are legally sound and thus.

Procurement Expertise

Prior experience in leading and managing a strategic sourcing process, in particular relating to project planning, strategic execution and thorough performance evaluation. This skill set supports the effective oversight of deadlines, optimal allocation of resources, and management of the strategic sourcing deliverables with precision, all while ensuring that transparency and fairness are maintained.

Operational Expertise

Prior operational experience relating to the managing, administration and selection of prospective applicants, particularly in managing IT and security services.

[ii] Other relevant attributes

Proven Track Record in Collaborative Environments

Strong communication skills and proven ability to work well in team settings, especially in other DAO Communities. This encompasses skills that enhance collaboration with other fellow committee members, stakeholders, and service providers. It also includes a readiness to entertain different perspectives and achieve consensus.

Financial Acumen

A solid grasp of financial management, including budgeting, cost analysis, and understanding financial impacts is essential. This knowledge will aid in evaluating the financial health of subsidy applicants and ensure efficient distributions of subsidies, helping to maximize the ROI of the subsidy fund for the ArbitrumDAO.

Technical Knowledge & Analytical Skills

This includes robust analytical capabilities for reviewing subsidy fund proposals and performance indicators. Practical knowledge of security services is advantageous, as it enables the committee to identify and evaluate technical gaps associated with subsidy fund proposals, leading to a more thorough evaluation of technical proposals.

Ethical Conduct & Integrity

Candidates must have a clear professional record and remain free from any conflicts of interest related to potential subsidy recipients. They must disclose any existing or potential conflicts that could compromise their ability to make decisions impartially and independently. Additionally, candidates are expected to commit to the highest standards of integrity and confidentiality in their roles, ensuring transparency and fairness in the selection of security service providers.

[2] Election Timeline

The following process will be overseen by the ADPC.

[i] Application Submission Period (7 days):

Candidates can apply on this dedicated page on the ArbitrumDAO Forums, adhering to the stipulated application template. Should the ArbitrumDAO vote in favor of this proposal on Snapshot, the submission period will be initiated for a period of 7 days.

[ii] Member Election (7-day period following the end of Application Submission Period):

A Snapshot with weighted voting will be included, including the list of all eligible candidates. The five [5] highest-voted candidates will be elected to the Security Services Subsidy Fund Sub-committee.

[iii] KYB/KYC & Delegate Review Period (7-day period following the end of member election):

Applicants who have been elected will then be required to undergo KYB/KYC processes. The Arbitrum Foundation will oversee this compliance process, disqualifying any candidates who fail to meet KYB/KYC standards.

[iv] Elected Members Onboarding & Organisation (21-day period following the end of KYB/KYC + Delegate Review Period):

Following the elections, the five [5] highest-voted candidates will be briefed by the ADPC and given 3-weeks to familiarize themselves with the procurement strategy, legal frameworks, negotiation states, tools, processes, etc. Following this, the elected committee members will be responsible for executing the Application Process described in the Subsidy Fund Proposal.

As determined by the Snapshot proposal, the Subsidy Fund will take place over 1 cohort consisting of a period of 8 weeks.

Subsequently, the process underlying the election of the SSSF Sub-committee will add 6 weeks to the previously expected timeframes relating to this proposal. Therefore, this will result in a total timeframe of around 14 weeks.

[3] Election Application Timeline

Kindly refer to the Selection Criteria outlined above when completing the election application template. For additional detail, reference can be made to the following [guidance note](#).

- Name of Applicant & Applicant's Representative [If Applicable]:

- Email Address:

- Telegram Handle (if applicable):

- LinkedIn Profile (if applicable):

- Primary languages spoken:

- Disclosure of other time commitments:

- Qualifications:

- Objectives & Motivation:

- Examples of Track Record:

- Security Expertise (if applicable):

- Legal Expertise (if applicable):

- Procurement Expertise (if applicable):

- Strategic Expertise (if applicable):

- Operational Expertise (if applicable):

- Financial Acumen:

- Technical Proficiency:

[4] Application Process

The [Means Test from the Subsidy Fund proposal](#)will be utilized by the SSSF Sub-committee to identify which subsidy fund applicants would benefit most from support, ensuring equitable access to subsidies within the Arbitrum ecosystem.

Each application will be scored by the SSSF Sub-committee, followed by a collective decision on the most deserving grant recipients, taking into account the rating against the eligibility criteria, a value-for-money evaluation and the funds available.

As per the [proposal](#) passed on 25-Apr-2024, the Arbitrum DAO will fund 1 cohort of 8 weeks (2 months) for a total fund size of $2.5 million.

[i] Application & Review Windows

After the members are elected and the onboarding process has been completed, the next stage involves a cohort that will consist of a submission period of 2 weeks, followed by a 6-week review period.

[ii] Initial Screening

To efficiently handle the anticipated surge in applications and ensure the highest quality most relevant applications are selected, the below 5 sub-criteria (with the highest weights as mentioned in the Means Test) will first be applied to all applicants, with the top-scoring applicants moving forward in the evaluation process and being assessed in greater depth:

1. Funding Gap Rationale

2. Reasonableness of Subsidy Amount Requested

3. KPIs

4. Ecosystem Contribution

5. Accountability Measures

[iii] In-Depth Review & Feedback

Projects that pass the initial screening will undergo a comprehensive review due diligence (DD) by the SSSF Sub-committee utilizing the entire Means Test, including interviews and constructive feedback (either individually or on a collective basis).

[iv] Award & Monitoring

Once approved, projects receive subsidies, with periodic check-ins and a concluding evaluation to measure impact and success.

[v] Selection Process & Reporting

Transparency and continuous dialogue form the backbone of the selection and reporting process, ensuring that each funded project remains aligned with program expectations.

In this regard, given the 2-month term of the SSSF Sub-committee, they will be tasked with providing two monthly updates towards the end of the first 30 days, and the next 30 days on their selections and updates on funded projects.

These updates will include general project trajectory and progress toward milestones. To create the reports the SSSF Sub-committee will set two monthly check-ins where projects fill a template/slide in order to give the key info about the project's status, such as:

- Summary of Achievements for the Month

- Funds Utilized

- Milestones Reached

- Challenges Faced & Plan of Action

- Feedback Integration, i.e., how projects have incorporated feedback provided.

- Next Steps & Priorities

Output Metrics

With the initial priorities in mind, some effective measures for meaningful output will look as follows:

- Number of Projects Funded: Total number of projects that have been funded.

- Total Funds Allocated: Cumulative sum of funds distributed, showcasing the program's financial impact.

- Percentage of projects funded in target verticals: As outlined in the Means Test, the three key verticals identified are RWAs & Tokenization, Gaming, and Collab Tech.

Outcome Metrics

Depending on the final portfolio of funded projects, the SSSF Sub-committee will gauge the success rate of awarded projects through specific outcome metrics. While these metrics can be influenced by a wide range of external factors, such as market conditions and individual decisions on a project level, the sub-committee will be committed to supporting and funding the most promising projects to the best of their ability. Metrics include:

- Percentage of funded projects successfully deployed on Arbitrum

- Percentage of KPIs outlined in the application achieved by funded projects

- Percentage of projects successfully deployed as Orbit chains: One of the key aims of the Arbitrum DAO is to build and expand the Orbit ecosystem. Funding projects that grow the Orbit ecosystem is a net positive for the DAO.

Since the results of the grants will naturally incur a time lag, the SSSF sub-committee is required to report on the outcome metrics no later than 6 months post the end of the first 8-week cohort.

[vi] Project Allocation

The allocation of the subsidy fund focuses on achieving high impact while ensuring that a de minimus number of projects obtain funding.

To ensure that the subsidy is spread across a large number of projects rather than concentrated in several larger projects, the maximum subsidy to be granted will comprise 10% of the subsidy fund available. Therefore, given that the subsidy fund amounts up to $2.5 million, the maximum subsidy that a project can receive will comprise no more than $250K worth of ARB.