ARBITRUM RESEARCH & DEVELOPMENT COLLECTIVE [V2]

Tally Proposal: [Tally | Arbitrum | (V2) Arbitrum Research & Development Collective](#)

Important Note: the sums voted on on Snapshot and requested via Tally are representative of the 12-month budget. In the immediate, only 50% of the budget voted in favour by the DAO will be used with the remaining 50% subject to utilisation via Snapshot vote as explained in the extension mechanics.

Update log:

1. [30/09/2024

] Snapshot Date: 10th October 2024

1. [10/10/2024

] Snapshot Date: 17th October 2024

1. [16/10/2024

]

1. [28/10/2024

]

A brief summary of the changes carried out include:

- Removal of the Operations Lead Position

: The responsibilities previously managed by the Operations Lead will now fall under the Supervisory Council's remit.

- Removal of Hats Protocol

: No longer included in the proposed framework, saving 45,000 ARB in costs.

- Extension Option for the ARDC Term

: Introducing the possibility to extend the ARDC's term by an additional six (6) months, pending approval through a Snapshot proposal. This brings the potential total term to one (1) year.

- Funding Structure Revision

: A restructuring of the funding approach to better align with the updated objectives and framework.

- Supervisory Council Composition

: The Supervisory Council will have responsibilities at both macro and micro levels, ensuring comprehensive oversight, strategic alignment, and effective day-to-day operations. At the micro level, two (2) of the elected members will focus on communications and one (1) will focus on operations.

- Supervisory Council Elections

: Candidates will specify their preferred roles in the application form, but a single general election snapshot will still be conducted as initially proposed. If multiple top-ranking candidates choose the same role, the highest-ranking ones are selected for that role, while others are redirected to fill alternative roles based on their preferences.

- Retainer Model

: The payment structure for working members has been refined to better align incentives and reduce the risk of underutilization in ARDC V2. Now, four-fifths of the cap allocated for the initial six-month term per vertical is contingent upon actual project needs, ensuring that these payments are directly tied to usage.

A call discussing the details and updates for ARDC v2 was held on 16-Oct-2024.

The Snapshot proposal for ARDC V2 was successfully passed on 24-Oct-2024.

Non-Constitutional

Defining 'Arbitrum Research & Development Collective' or 'ARDC':

An alliance for combined action used to achieve a common goal in the best interests of the ArbitrumDAO in relation to research & development initiatives

TL;DR

- This proposal seeks to extend and build upon the Arbitrum Research & Development Collective [V1], which ended up publishing 42 deliverables in the forum relating to the three verticals (Research – Security – Risk).

- ARDC V1 returned over 1.0 million ARB to the DAO's Treasury demonstrating how the ARDC can deliver tangible value. As ARDC V2 moves forward, this underscores the potential for further benefits that, although not always predictable, can significantly enhance the DAO's financial position.

- The ARDC V2 is being proposed for an initial 6-month term, with the possibility of a 6-month extension pending a future Snapshot vote.

- Establishes a more structured and well-managed framework through the introduction of the Supervisory Council. At the micro level, the Council will consist of three elected members, with two focused on communications and one dedicated to operations.

- The ARDC's mandate will aid in future-proofing the ArbitrumDAO by virtue of its cohort of industry-leading research providers.

- Utilisation of a Protocol-Owned Execution strategy on Aera to convert the program's ARB into USDC for operational purposes.

- The introduction of a Retainer Model to better align incentives between the Working Members and the DAO, mitigating the risk of underutilization by tying four-fifths of the applicable cap for the initial six-month term to usage as required.

- The Snapshot proposal for ARDC V2 was successfully passed on 24-Oct-2024 and can be found[here](here).

ARDC v1 Overview

In the first iteration of the ARDC, we experimented with the structure and the remuneration framework. In this regard, we adopted a DAOAdvocate role as inspired by the Arbitrum Coalition (Refer: Proposal: The Arbitrum Coalition). Also, we adopted the same seats as envisaged in Proposal: The Arbitrum Coalition the Arbitrum Coalition proposal ergo, Research, Risk and Security. In the first iteration of the ARDC, we had the pleasure of utilising the following service providers as elected by the ArbitrumDAO:

- L2Beat & Ant Federation – DAO Advocate(s)

- Blockworks Research – Research Member

- Delphi Digital – Research Member

- Chaos Labs – Risk Member

- OpenZeppelin – Security Member

Below a summary of the key deliverables and achievements of the ARDC have been provided:

1. [Blockworks Research] STIP Analysis Case Study: GMX

2. [Blockworks Research] STIP Analysis Case Study: JOJO

3. [Blockworks Research] STIP Analysis: Concerns Regarding Possible Misconduct by Synapse with Respect to the Usage of ARB Incentives Allocated Through the STIP

4. [Blockworks Research] STIP Bridge: Support Material for the Community

5. [OpenZeppelin] Using Hedgey for Proposal Payment Vesting

6. [Delphi Digital] Gaming Catalyst Program: SWOT Analysis

7. [Delphi Digital] Gaming Catalyst Program - Compensation Structure Memo

8. [Chaos Labs] STIP Risk Analysis — Case Study #1: Vertex Protocol

9. [Chaos Labs] STIP Risk Analysis — Case Study #2: Silo Finance

10. [Delphi Digital] BOLD Dispute Mechanism Summary & Comparisons

11. [OpenZeppelin] Security Council Improvement Proposal

12. [Blockworks Research] STIP Retroactive Analysis - Perp DEX Protocols Volume Report

13. [Open Zeppelin] BOLD Security Analysis

14. [Chaos Labs] [STIP Risk Analysis — Case Study #3: Pendle Finance](#)

15. [Blockworks Research] [STIP Retroactive Analysis – Spot DEX TVL](#)

16. [Blockworks Research] [STIP Analysis of Operations and Incentive Mechanisms](#)

17. [Delphi Digital] [Arbitrum DAO Treasury Research](#)

18. [OpenZeppelin] [ETH Staking Options and Risks for the DAO](#)

19. [OpenZeppelin] [Event Horizon Franchiser Contract Audit](#)

20. [Chaos Labs] [STIP Analysis | Insights & Key Findings](#)

21. [Chaos Labs] [Risk Analysis of Adjusting the Minimum Base Fee on Arbitrum](#)

22. [OpenZeppelin] [ArbOS 31 "Bianca" Proposal Review](#)

23. [Blockworks Research] [STIP Retroactive Analysis – Sequencer](#)

24. [Delphi Digital] [Response to Arbitrum Staking Proposal](#)

25. [Blockworks Research] [Treasury-Backed Vault Research](#)

26. [Open Zeppelin] [Arbitrum Governor V2 Review](#)

27. [Open Zeppelin] [Arbitrum Governor Upgrade Rollout & Timeline](#)

28. [Chaos Labs] [Treasury Backed Vaults Risk Analysis](#)

29. [Open Zeppelin] [Security Analysis of Arbitrum Staking Proposal](#)

30. [Delphi Digital] Follow Up - [DAO Incomes Sources and the Path to Staking](#)

31. [Chaos Labs] [Risk Analysis of Adjusting the minimum base fee on Arbitrum](#)

32. [Blockworks Research] [Incentives Research Summary](#)

33. [Blockworks Research] [Timeboost Revenue and LP Impact Analysis](#)*

34. [Delphi Digital] [Transaction Ordering Policies & Value Accrual in L2s: Timeboost, OP PGA, Fastlane & OEV Network](#)

35. [Chaos Labs] [Timeboost Risk Analysis](#)

36. [OpenZeppelin] [Timeboost Security Analysis](#)

37. [OpenZeppelin] [Arbitrum L2 Time Lock Delay Proposal Security Review](#)

38. [OpenZeppelin] [RARI Multichain Governance Proposal Security Review](#)

39. [OpenZeppelin] [Arbitrum daoURI Proposal Security Review](#)

40. [Blockworks Research] Retroactive LTIPP Analysis**

41. [Delphi Digital] Incentives Programs in other protocols**

42. [Chaos Labs] Treasury Management Risk Assessment**

*Although Blockworks didn't pick up this workstream specifically as a member of the ARDC, it has been included in the list since it was relevant to the Timeboost discussion and since it was published in the overall context of the work ARDC was doing on that front.

*These deliverables haven't been published on the forum yet. Although the ARDC term has concluded, the engagement of the members will be officially regarded as 'concluded' upon publishing the final deliverables.

As outlined in the [Final Outcome Report](#) prepared by the DAO Advocate, L2Beat, member performance should not be assessed solely by the number of deliverables completed. Each deliverable varies in complexity, making a simple tally an inadequate measure of contribution. For this reason, individual totals for each member were not compiled, as it would not provide an accurate comparison.

Since the ARDC launched in April, several in-depth studies have been undertaken. A particular focus was attributed to the STIP program in individual protocols like GMX, JOJO, Vertex, Silo Finance and Pendle Finance. This included retroactive analyses on the impact of the STIP on trading volumes in perp DEX protocols, spot DEX and yield aggregator TVL, and

sequencer revenue. These analyses provided valuable insights into the broader market impacts of the STIP incentives and their effectiveness in driving desired outcomes, resulting in an average

of 1,000,000 ARB being returned to the DAOs treasury.

Significant concerns regarding Synapse's handling of ARB incentives, leading to the withdrawal of Synapse's application from the STIP Bridge. This incident highlights the importance of ongoing monitoring and transparency in the allocation and usage of incentives. Moreover, risk assessments were conducted across multiple initiatives, accompanied by several security evaluations. These included the BOLD proposal, Security Council improvements, Event Horizon contracts as well as an analysis of the Gaming Catalyst Program.

This highlights the importance of post-rollout research as a critical tool for continuous improvement, allowing the DAO to learn from past experiences and refine its strategies. By systematically analyzing outcomes and identifying areas for enhancement, the DAO can build on successes, address challenges, and make increasingly informed decisions.

Summary

This proposal builds upon the foundation established by the Arbitrum Research and Development Collective [V1], introducing a more efficient and structured framework. In ARDC [V2], proposed working members are required to specify their hourly rate in a separate application form, with the payment structure being refined to follow that of a retainer model. This will help to better align incentives given that four-fifths of the cap allocated per vertical for the initial six-month term is contingent upon actual project needs, ensuring that these payments are directly tied to usage.

We are also pleased to announce that the Arbitrum Foundation will be undertaking an 'Observer' role in relation to the Supervisory Council to aid in streamlining ARDC efforts, communication and overall efficacy.

Additionally, applicants must outline a scope of work for the ArbitrumDAO covering one-third of their total workload for the initial 6-month term, complete with clear deliverables and timelines. The remainder of their workload will serve as a flexible budget to address tasks on an "as-needed" basis, allowing providers to demonstrate their understanding of the ArbitrumDAO's most pressing needs.

The final decision on the work carried out by elected working members will ultimately rest with the Supervisory Council. While the proposed scope serves as an initial framework, the Council will oversee and adjust the workload on a case-by-case basis, prioritizing deliverables within each vertical and addressing any conflicts between pre-determined tasks and requests made by the ArbitrumDAO. Therefore, this proposed scope of work will not automatically apply after the election. This emphasizes the Council's crucial role in maximizing the effectiveness of ARDC v2, aligning tasks with the DAO's priorities, and ensuring smooth daily operations.

The goal is for this structure to gradually incorporate an Optimistic Governance Module (OGM), giving the community the power to veto ARDC deliverables. Unlike traditional token-based governance, which requires a majority of affirmative votes for proposals to pass, Optimistic Governance enables proposals to pass automatically unless they meet a predefined threshold of objection votes. This approach minimizes bureaucratic overhead, facilitating more efficient decision-making for non-contentious proposals and fostering a more agile governance framework.

It's important to note that ARDC v2 does not depend on the OGM for implementation; however, once Tally deploys the OGM for the DAO, a proposal will be submitted to integrate it into the ARDC structure.

Supervisory Council

SUPERVISORY COUNCIL ROLE IN THE ARDC: DETAILED RESPONSIBILITIES AND IMPORTANCE

The DAOAdvocate's role was intended as a single designated entity responsible for guiding the ARDC's efforts and acting as a mediator between the DAO and the ARDC. This is fundamentally about representing the DAO's best interests, rather than the operational management of the coalition's activities.

These operational tasks, carried out by L2Beat included the establishing of communication channels and coordination among members, creating and maintaining a Notion page to document meeting minutes and track tasks through a kanban board, compliance and onboarding processes like KYC/KYB as well as regular updates and the maintenance of open communication channels among several others.

In the revised structure of the ARDC, we propose establishing the Supervisory Council, a body elected by the DAO to ensure alignment with its strategic and operational priorities. The Supervisory Council will be better positioned to capture the full range of perspectives and needs of the DAO community, bringing a variety of skills and viewpoints to strategic discussions.

At the same time, this Council will also be responsible for day-to-day management and coordination. This dual focus ensures that the ARDC's activities are strategically sound while being operationally effective, closing the gap between high-level guidance and the actual execution of tasks.

This structure will consist of three (3) individuals elected by the DAO for an initial six-month term, with the option to extend for an additional six months. Each member will receive a monthly compensation of 5,000 ARB throughout their tenure. As a

result, the total compensation for the council over the initial six-month period will be 90,000 ARB, and, if extended, the total cost for a full year will amount to 180,000 ARB.

At a current price of $0.52/ARB, the initial 6-month term would cost approximately $46,800. For context, the DAOAdvocate role for ARDC v1 was compensated with 50,000 ARB, which, at the current price of $1.70 would have equated to $85,000. This comparison underscores the cost-effectiveness of the ARDC v2.

The Supervisory Council will operate at both macro and micro levels, ensuring comprehensive oversight, strategic alignment, and effective day-to-day operations. At the micro level, two (2) of the elected members will focus on communications and one (1) will focus on operations.

By clearly defining these roles and their corresponding responsibilities, the Council is better positioned to attract the right talent to enhance ARDC visibility and improve communication with OffChain Labs and the Arbitrum Foundation. This approach aims to bridge the gap between the ARDC, the DAO, the Arbitrum Foundation, and OffChain Labs.

[A] MACRO-LEVEL RESPONSIBILITIES

Strategic Oversight & Resource Management:

1. Define overall strategic priorities for ARDC initiatives, conducting regular evaluations to ensure alignment with the DAO's objectives. Intervene as necessary to realign projects with these priorities.

2. Set guidelines for financial, human, and technical resource allocations, establishing frameworks that prioritize high-impact projects while allowing the micro-level team to handle daily resource distribution.

3. Provide high-level budget oversight, ensuring resources are allocated according to strategic guidelines while empowering operations to manage day-to-day budget adherence.

Representation of DAO Interests & Coordination:

1. Serve as a central point of contact between ARDC members, the ArbitrumDAO, and external partners, ensuring the DAO's strategic interests are reflected in ARDC decision-making.

2. Organize periodic community consultations on major initiatives, delegating routine community engagement to the communications team. Ensure strategic topics and updates are shared with key stakeholders, including the Arbitrum community, OffChain Labs, and the Arbitrum Foundation.

Conflict Resolution & Mediation:

1. Mediate conflicts that have strategic implications for the ARDC or that arise between the ARDC and the DAO, ensuring resolutions uphold the DAO's objectives.

2. Provide a neutral platform for resolving disputes that may impact the ARDC's alignment with DAO goals.

[B] MICRO-LEVEL RESPONSIBILITIES

Communication Roles: Stakeholder Communication & Engagement:

1. Translate ARDC updates and research findings into accessible language for the Arbitrum community, emphasizing the significance of research and milestones.

2. Lead routine engagement and knowledge transfer between the ARDC, OffChain Labs, and the Arbitrum Foundation, ensuring stakeholders are well-informed on ARDC developments.

3. Host bi-weekly community calls to keep the community informed and involved.

Communication Roles: Communication Strategy & Publication:

:

1. Develop and implement a communications strategy that aligns with ARDC goals and enhances visibility across the Arbitrum ecosystem.

2. Create branding and messaging guidelines to ensure clarity and consistency in ARDC's public presence.

3. Manage press releases, media relations, and social media to increase ARDC's visibility and support strategic messaging.

Operations Role: Internal Organisation & Financial Management:

:

1. Maintain accurate meeting minutes, publishing them on a public Notion site for review by the ArbitrumDAO.

2. Oversee a public dashboard for ARDC members to submit task updates, ensuring transparency and accountability.

3. Solicit quotes from service providers for deliverables approved at the macro level.

4. Track the completion of the initial one-fifth of hours for each project, which would have been pre-paid at the start, to ensure timely monitoring of progress and facilitate smooth transitions to subsequent payment phases as required.

5. Coordinate payments with MSS and service providers, facilitating 50% pre-delivery and 50% post-delivery payments for the remaining hours for each project.

6. Collaborate with service providers to submit invoices to the Arbitrum Foundation, ensuring payment aligns with approved deliverables.

Operations Role: Additional Operational Parameters:

:

1. Produce monthly reports detailing ARDC performance, including proposal updates, deliverables, and feedback from the Council.

2. At the end of each 6-month term, prepare a comprehensive final outcome report summarizing deliverables, priorities, and lessons learned, with feedback from working members on successes, challenges and key lessons learned.

Additionally, if a simple majority (2/3) of the Supervisory Council deem a member of the ARDC to have acted negligently, in bad faith, or contrary to the mandate/purposes of the ARDC as ratified by the ArbitrumDAO, the Supervisory Council will be obliged to submit a proposal via Snapshot to terminate such a member of the ARDC together with the necessary details that justify such termination.

Following this, the Supervisory Council will have an ancillary obligation to submit a call for applications for the vacant ARDC seat. The decision as to who ought to take up the vacant seat will be determined by the ArbitrumDAO via the election mechanism stipulated in this Forum Post (for intra-ARDC elections, the same RFP-Based + Application election model will be utilised).

Risk, Security, Research

The Risk Member [Strictly Research & Analysis]

The ideal Risk Member should possess strong quantitative skills to evaluate and manage risks across DeFi protocols, with sufficient expertise in modeling, simulations, and economic risk analysis. On an as-requested basis, they will assess protocol design, tokenomics, and governance mechanisms to ensure economic efficiency, incentivize usage, and safeguard systemic health. The role involves conducting thorough risk-focused research and applying modeling techniques to identify and mitigate potential threats. Additionally, the Risk Member will provide strategic guidance and data-driven insights to optimize risk management practices, supporting continuous monitoring, reporting, and informed decision-making to promote trust and sustainability in within the ArbitrumDAO.

The Security Member [Strictly Research & Analysis]

The Security member should ideally possess skills in specific static analysis bug detection targeting code updates and developing fuzzing capabilities to validate upgrade states. They should be proficient in visualizing the state of governance contracts, ensuring correct encoding of values, and providing educational materials and guidelines for reviewing upgrade procedures. Additionally, they should have expertise in identifying design flaws, and ensuring security and correctness properties in on-chain upgrade proposals. This role is crucial for preventing governance attacks and may involve building tools and educational materials to support proposal reviews.

The Research Member [Strictly Research & Analysis]

The Research member should ideally possess a range of skills, including the ability to conduct objective analysis and contribute to the design of various mechanisms such as sequencers, fraud proofs, and data availability solutions, with a strong emphasis on objective data-driven research. They should also be proficient in creating processes that incentivize active delegate participation, such as developing delegate incentives frameworks and hosting regular collaborative calls. Additionally, they should be skilled in content creation to promote the Arbitrum ecosystem's growth.

Moreover, the candidate should have a knack for producing impartial, data-driven research to aid delegates in making informed decisions and improving proposal quality. Excellent communication skills and the ability to manage interactions with DAO stakeholders and service providers are essential, along with the capacity to document ARDC activities and recommend solutions for any issues that arise, maintaining a governance process for continuity.

Retainer Model

In the application form, working members must specify their hourly rate, incentivizing them to propose competitive rates to enhance their chances of selection. The maximum allowable hours for each term will be calculated by dividing the total applicable cap by the hourly rate, which will assist the Supervisory Council in budgeting and establishing a benchmark for

future budget planning.

Aligned with the principle that "incentives dictate outcomes

," the Supervisory Council will oversee task approval, whether from proposed scopes of work by the working members or from incoming requests. The Council will evaluate each potential deliverable's cost-effectiveness based on the elected members' estimated time commitment and hourly rate. This process motivates working members to provide accurate time estimates, as overestimating could reduce their chances of being assigned the deliverable.

To provide greater financial security for working members, one-fifth of the applicable cap relating to the initial six-month term will be paid upfront upon election. For example, if a working member's rate is $100 per hour and the DAO-approved retainer cap is $1,000, they would have a maximum of 10 hours available. In this scenario, the member would receive an upfront payment of one-fifth of the cap ($200), covering the first 2 hours of work.

The remaining portion of the cap will be contingent on actual work performed. This approach mitigates the risk of underutilization by tying the remaining four-fifths of the applicable cap ($800) to usage as required. Once the Supervisory Council identifies a deliverable, the Operations member will issue a Request for Quotation (RFQ) to the relevant working member, outlining the anticipated hours needed. Following delegate feedback, the amount to be paid upfront was updated from one-third to one-fifth of the applicable cap for the initial six-month term.

This model ensures that:

- Work allocation is optimized, avoiding the pitfall of completing suboptimal tasks solely to justify a pre-paid expense, a challenge faced in ARDC V1 where DAO leverage was reduced.

- Working members remain incentivized to perform efficiently, as the remainder of their payment is linked directly to hours allocated by the Supervisory Council.

Following the completion of the initial one-fifth allocation, payment for subsequent work will be structured as follows: members will receive 50% of the quoted hours' payment before commencing each deliverable, with the remaining amount paid upon satisfactory completion. This phased payment structure promotes accountability and reinforces efficient, quality work.

Election Process

The ARDC election process is scheduled to begin 3 business days from the passing of the Snapshot proposal. A high-level overview of this process can be found in the diagram below.

[

image

940×705 85.8 KB

](https://global.discourse-cdn.com/flex029/uploads/arbitrum1/original/2X/0/073d389803ce93e4d5ce5d2cac79e61f0b1743b2.png)

All ARDC members are expected to serve their term unless terminated by the ArbitrumDAO through Snapshot as stipulated in the Agreement regulating the ARDC [Further details below re. the Agreement & Defining provisions].

There will be four separate elections held:

1. Risk-Oriented Member;

2. Security-Oriented Member;

3. Research-Oriented Member; and

4. Supervisory Council.

To minimize voter fatigue, the Supervisory Council elections will be conducted through a single, general election snapshot. Candidates will be required to specify their desired role in their application. For instance, if the top three elected candidates all apply for the Communication role, only the top two will be selected for that role. The third position will then be filled by the highest-ranking candidate who applied for the Operations role, ensuring a balanced allocation of roles within the Council.

The following timeline governs an election process that starts at time T ['T' means the date that the Snapshot vote passes +3 days]:

GOVERNING RULES

While a joint application for each seat is permissible, an applicant may not apply as part of a joint application with other applicants & then proceed to apply as a Supervisory Council member or for another seat.

The fees (hourly rate/s) in the respective elected member's forum post application will apply once elected via Snapshot as per the Election Process.

ELECTION STRUCTURE

1. Application Submission (T+14 business days):

Anyone may submit an application on a dedicated page on the ArbitrumDAO Forums in conformity with the application template;

1. Proposal Review Period (7 business day period following end of Application Submission Period):

This period will be utilised for delegates to be able to review each proposal as submitted by applicants.

1. Amendment Period (3 business day period following the end of the Proposal Review period whereby applicants may amend their application):

Applicants may amend their applications in light of community feedback during this time period.

1. Member election (7 business day period following end of Amendment Period):

A Snapshot with weighted voting will be put up per vertical including the list of all eligible candidates:

1. Snapshot for Risk-Oriented Member election;

2. Snapshot for Security-Oriented Member election;

3. Snapshot for Research-Oriented Member election; and

4. Snapshot for Supervisory Council.

The ArbitrumDAO may approve and implement a Non-Constitutional AIP to change the rules governing future ARDC elections, but the AIP process may not be used to intervene in an ongoing election.

Furthermore, please find the election templates for the Supervisory Council and respective seats, designed to guide prospective applicants through the application process, as well as details regarding timelines on the published Notion site here. Interested applicants are encouraged to join the ARDC V2 Election chat on Telegram here.

Checks & Balances

The ARDC will be regulated via an Agreement entered into by all elected ARDC Members with the Arbitrum Foundation serving as a counterparty to the Agreement.

The Agreement will be made public & include, but will not be limited to the following provisions:

Appointment & Termination: ARDC Members will be appointed via the forecited election process in accordance with ArbitrumDAO Consent by the Arbitrum Community.

- Arbitrum Community will be defined as follows:

"Arbitrum Community" means those persons who have the right to propose and vote on proposals ergo, the token holders of the ARB token with the following contract address [0x912CE59144191C1204E64559FE8253a0e49E6548] from time to time visible at [$1.73 | Arbitrum (ARB) Token Tracker | Arbiscan 3].

- ArbitrumDAO Consent will be defined as follows:

""ArbitrumDAO Consent" means a vote of the ArbitrumDAO Community in favour of a proposal satisfying the minimum requirements set forth at The Amended Constitution of the Arbitrum DAO | Arbitrum DAO - Governance docs 4 (as such minimum requirements set forth therein on the date hereof may be revised from time to time with ArbitrumDAO Consent) taken by any of the following means:

1. *Snapshot 1 (or any successor thereto); or*

2. another mechanism, whether on or off a blockchain, that ensures only and all people voting hold or have been delegated blockchain-based tokens known as ARB.

"

CONFLICT OF INTEREST PROVISION

:

ARDC Members will be bound to act in absolute good faith, with utmost honesty, refraining from deriving unauthorized

profits from their position & disclosing conflicts of interest. ARDC members should always disclose any potential or actual conflicts of interest to the Supervisory Council who will then proceed to mitigate the respective ARDC Member's involvement in the task in relation to which such ARDC Member is conflicted.

To sum up, all ARDC Members must declare the nature and extent of any interest, direct or indirect, which the ARDC Member is aware that she, he or it has in a proposed task at hand.

MANDATE & PURPOSE OF THE ARDC

:

The ARDC members are pivotal in executing the purposes of the ARDC, ensuring that the activities thereof align with the ARDC's objectives and the stipulations of ratified proposal. Here, it is also the role of the Supervisory Council, to see that this is actually being done and that activities within the ARDC will actually further or are in conformity with the purposes outlined in the ratified proposal.

RECORD-KEEPING AND REPORTING

:

Comprehensive and precise record-keeping is imperative. The Supervisory Council will be required to maintain detailed accounts and documentation of the ARDC's internal operational workflow together with meeting minutes taken by the Supervisory Council. Furthermore, periodic reporting is essential so as to keep the ArbitrumDAO updated re. Task-specific progress & internal ARDC Administration (such as which ARDC Member is working on which task & deadlines for the expected publication of tasks that fall in line with the purposes of the ARDC).

DUTY OF IMPARTIALITY:

ARDC Members will have an obligation to act in an impartial manner in relation to their tasks & workflow, ensuring that the ARDC is not compromised by personal interests or external influences.

OBLIGATION OF RECUSAL

:

ARDC Members with a conflict of interest involving a project being reviewed by the ARDC should recuse themselves from participating in the evaluation and should vote Abstain if a proposal directly related to the ARDC is submitted. Additionally, ARDC members will abstain from commenting or voting on proposals made by any company that can be deemed a direct competitor.

PROHIBITION OF SELF-DEALING

:

Participants should refrain from voting on sending funds to themselves or organizations where any portion of those funds is expected to flow to them, their other projects, or anyone they have a close personal or economic relationship.

ETHICAL TRADING

:

Members are required to follow ethical trading standards in regard to ARB and any other relevant digital assets.

Term

The ARDC's mandate will be structured in two phases:

- Phase 1

: Upon the passing of this proposal, the first tranche of funding for 182 days (6 months) will be unlocked. The ARDC's mandate will commence 30 days (not business days) after the on-chain proposal is approved and executed. This provides sufficient time for the elected members and personnel to complete KYC/KYB with the Arbitrum Foundation and finalize the grant agreement.

- Phase 2
- Extending Decision

: At the end of the initial 6-month term, a Snapshot vote will be held, offering the ArbitrumDAO the following options: * Extend the ARDC with the same working members.

- Extend the ARDC with a re-election of the working members.

- Do not extend the ARDC

- Extend the ARDC with the same working members.

- Extend the ARDC with a re-election of the working members.

- Do not extend the ARDC

If the DAO chooses not to extend the ARDC after the initial term, MSS will return the remaining USDC + ARB to the Treasury. There will be no subsequent OTC to buy back ARB with the USDC.

The ARDC may seek to identify and complete other initiatives for the ArbitrumDAO & the wider Arbitrum Ecosystem, depending on the changing needs of such ecosystem, at the discretion of the Supervisory Council following consultation with the ArbitrumDAO via the necessary communication channels.

Funding & Voting

In the ARDC v1, the ARDC was funded with 1.76M ARB, which at a price of $1.7/ARB amounted to approximately $3.01M USD, inclusive of a bugger of around 30%. For the elected members at the time of the proposal, this would have amounted to:

- Research – $1.13M USD [Quoted fees by Blockworks Research & Delphi Digital - $960,000]

- Security – $1.13M USD [Quoted fees by OpenZeppelin - $$750,000]

- Risk – $0.57M [Quoted fees by Chaos Labs - $320,000]

- DAO Advocate – $85,000

While the Final Outcome Report notes that the 'ROI' of ARDC V1 can't be objectively quantified, the return of over 1.0 million ARB to the DAO's Treasury demonstrates how ARDC can deliver tangible value. As ARDC V2 moves forward, this achievement underscores the potential for further benefits that, although not always predictable, can significantly enhance the DAO's financial position and overall impact.

Due to the decrease in ARB's price, the total cost of ARDC V1 amounted to approximately $1.0M USD, which we've designated as the baseline for Option B below. The amounts for Option A and Option C are estimated to be around 20% higher and lower, respectively.

In ARDC v1 funds were held in a 3/5 multi sig, however, for the ARDC v2, the multi-sig requested to manage the funds is within the Multi-Sig Support Service (MSS) established by Entropy Advisors. This adjustment will save the ARDC V2 30,000 ARB by reducing the need for five multi-signature signers.

Costs

35,000 ARB to @Immutablelawyer as retroactive payment for the drafting, review and refinement of this proposal, as well as the managing of the election process itself and ensuring execution of all steps pre-commencement of the term. The 35,000 ARB will be delegated to the Immutablelawyer Tally profile for a minimum period of 90 days following receipt of funds. This increase is reflective of additional reviews, amendments, and hours allocated for refinement by our team.

It is important to note that the applicable cap outlined below represents the maximum allowable amount

that may be paid to prospective applicants in the application phase, ensuring that total spending does not exceed this limit. Thus, this is not a guaranteed amount to be paid, but rather the ceiling that cannot be surpassed.

In response to feedback received, allocations associated with risk have been increased by 20%. Additionally, the figures provided below are based on a full 1-year term. Should a decision be made not to extend ARDC v2, the funded amount would be capped at a maximum of half the amounts shown.

ARB Token Calculation

To determine the ARB token amount, we used the 14-day Time-Weighted Average Price (TWAP) of ARB/USD, each as listed EOD UTC, until EOD on 27-Oct-2024 on CoinGecko, prior to the proposal being posted on Tally. This method ensures a fair and current valuation while mitigating short-term price volatility.

A 20% buffer has been added to account for potential price fluctuations between proposal submission and execution, so in the case of ARB depreciation, the ARDC multi-sig under the Multi-Sig Service (MSS) is still able to satisfy payments. The remaining unused funds of this buffer will be returned to the Arbitrum DAO treasury. The Multi-Sig wallet established by the MSS can be found at the following address: arb1:0x8deBa81C874C68C27a09706CdEa50d4F727E0711

The total budget requested from the on-chain vote is ARB 3,982,602, calculated based on the time-weighted ARB price of $0.5574/ARB. Please find the Google sheet with the corresponding calculation of the TWAP ARB amount here. Upon receiving the ARB, we will convert 1.73M USDC worth of ARB. Payment distributions will be managed through Llama Pay to

ensure a steady and transparent streaming of funds.

Option A: Funded with 1.73M USDC + Council

- Security:

660,000 USDC (Applicable Cap)

- Research:

660,000 USDC (Applicable Cap)

- Risk:

410,000 USDC (Applicable Cap)

- Supervisory Council:

180,000 ARB

Option B: Funded with 2.09M USDC + Council

- Security:

800,000 USDC (Applicable Cap)

- Research:

800,000 USDC (Applicable Cap)

- Risk:

490,000 USDC (Applicable Cap)

- Supervisory Council:

180,000 ARB

Option C: Funded with 2.60M USDC + Council

- Security:

1,000,000 USDC (Applicable Cap)

- Research:

1,000,000 USDC (Applicable Cap)

- Risk:

600,000 USDC (Applicable Cap)

- Supervisory Council:

180,000 ARB

Option D: Abstain

Option E: Do not fund the ARDC

Fund Conversion (Aera)

Arb Conversion Strategy

The ARDC will utilize a Protocol-Owned Execution strategy on Aera to convert the program's ARB into USDC for operational purposes, reducing counterparty price risk on OTC desks. The Protocol-Owned Execution strategy utilizes off-chain logic to monitor onchain liquidity and model the price impact of trading. The ARDC will use an Aera Vault, with Gauntlet as the guardian, to execute the conversion. Trade execution is scheduled and sized according to impact modeling and executed on Odos, or Bebop.

[

1570×584 39.4 KB

](https://global.discourse-cdn.com/flex029/uploads/arbitrum1/original/2X/3/3b943c469cde04b38e382f4368c5bf8ae83a7843.png)

Protocol-Owned Execution

The Protocol-Owned Execution strategy uses off-chain logic to monitor onchain liquidity, model price impact, and plan the execution of active and passive trading.

For ARB on the Arbitrum Chain, Gauntlet will swap out tokens using either Odos (DEX aggregator) or BeBop (self-execution solver).

Passive execution uses concentrated ARB positions in an ARB/USDC pool (Odos supports projects such as Camelot, Uniswap V3, and [more](#)). The amount converted through this position is periodically claimed, and a new ARB position is set in the pool. These can be thought of as limit orders.

[

1600×363 30.6 KB

](https://global.discourse-cdn.com/flex029/uploads/arbitrum1/original/2X/a/aade3a73d75ffa1ea72597eb1df71d9004c4b9ed.png)

Active and passive execution are used in tandem to maximize liquidity sourcing. Price impact modeling and gas cost determine the intraday trading schedule and size. Historical data is used to determine initial parameters. We continuously monitor slippage, intraday price impact, and medium-term price impact and adjust execution parameters if necessary.

Intraday price impact is measured as the likelihood of observable price divergence in the hour after trading. The medium-term impact is measured as the effect of trade size on the divergence relative to a peer benchmark.

[

1148×846 71.8 KB

](https://global.discourse-cdn.com/flex029/uploads/arbitrum1/original/2X/0/0c9f3eeeb917ededb18933437469b130ee7bb34b.png)

The example chart shows rolling slippage for one of Aera's Trade Execution Customers.

[

1278×890 31.7 KB

](https://global.discourse-cdn.com/flex029/uploads/arbitrum1/original/2X/6/6cf4e97b0288c15b7d138f624e3ec7eb03ea5daa.png)

The example chart shows the likelihood of intraday impact for one of Aera's Trade Execution Customers.

ARDC Vault Parameters

- Chain: Arbitrum

- Vault Owner: MSS (Address to be created post-snapshot)

- Guardian: Gauntlet

- Tokens: ARB, USDC

- Protocols: Odos, Bebop

- Strategy: Swap ARB for USDC; minimizing market impact

- Fee: 0%

About Aera

Aera is an on-chain solution to optimize DAO funds autonomously. It addresses the common pain point of inactive treasury management, which often hinders a DAO's ability to maintain its runway, cover liabilities, and benefit from market growth. Unlike traditional institutions that rely on agile managers for fund allocation, DAOs face unique challenges, including governance and incentive alignment with external managers.

To address these, Aera offers a unified solution for efficiently and transparently managing on-chain treasuries, grants, and incentive funds through customizable vaults. Aera vaults can hold stablecoins, native tokens, and other cryptocurrencies,

with their objective functions tailored to each DAO's needs. Guardians leverage off-chain logic to automate rebalancing decisions, ensuring the vaults meet their objectives across various market scenarios and time horizons.

You can read more about Aera[here](#).