Problem Statement

We define Lido DAO's treasury as all non-native tokens1

held in Aragon which includes the stETH left over in the DAO after accounting for rebases and node operator transfers, as well as ETH or stablecoin proceeds. This treasury has a primary function, to protect the integrity of stETH and ensure the robustness of the protocol. On top of that, it is also meant to fund expenses that contribute to research and development.

However, there are no explicit rules nor delegates with authority sourced from LDO token holders to take specific actions that can help manage the treasury.

We've considered solving this by polling individual policies to token holders, but there's a risk that this increases the burden on LDO holders who may not have the bandwidth to study the proposals closely. It also diffuses responsibility which could be less effective than empowering an accountable, smaller, group to look at issues in greater depth.

Furthermore, additional dynamics such as USDC's recent mismanagement of banking exposure and the token's subsequent depegging have illustrated the single-order and second-order risks to holding large amounts of stablecoins (in this case, Dai is exposed to USDC through the Maker PSM2

). This event in particular reinforced the importance of proactivity and having principles outlined in advance. We are picking up the thread on Hasu's desire (recommending a common practice) to see the creationof a new committee that would be charged with the development of principles to guide the management of the treasury, and be authorized by token holders to execute on them.

Solution

This proposal is asking for the approval of a few key Treasury Management Principles (Principles)

, and the creation of a Treasury Management Committee (Committee)

to put forward Treasury Management Strategies (Strategies)

constrained by the Principles

, and Treasury Management Actions (Actions)

to execute them using On-chain tools

.

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cdn.com/business20/uploads/lido/original/2X/d/dea22d9fe944c2e25047ee267c10bcc2d02924b0.png)

Treasury Management Principles

1. ETH is Lido DAO's primary Unit of Account, interchangeable with stETH through deposits and withdrawals using Lido

2. Lido DAO's treasury is the source of its resilience and future growth, and can fund initiatives that further the protocol's decentralization and network security objectives

3. The purpose of Lido DAO's treasury is to support the integrity, growth and robustness of the Lido protocols

4. The treasury may also be used for funding many initiatives, including but not limited to, research, maintenance, development, education and advocacy that further the decentralization and network security objectives of the protocol

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6. The treasury may also be used for funding many initiatives, including but not limited to, research, maintenance, development, education and advocacy that further the decentralization and network security objectives of the protocol

7. Risk of loss to treasury funds should be minimized at every instance

8. All treasury ETH must be staked using Lido

9. Token holders have the ultimate say

10. Token holder decisions can can amend and update the Principles

, as well as override the Committee

through separate on-chain votes

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- (nb. 20,304 ETH at time of writing)

Treasury Management Committee

1. A Committee should be formed to maintain and execute policies

2. Token holders authorize the formation of a Treasury Management Committee

composed of members (alt. signers) around a multisig that will be allowed to submit a narrow set of possible Strategies

and activate their corresponding on-chain Actions

, constrained through On-chain tools

1. The Committee

multisig will strictly never take custody of Aragon funds and will use a suitable technical solution for executing swaps in a permissionless way

1. This 4/7 multisig will be composed of 7 individual members or entities and will not be authorized to function with fewer than 7 members

2. A new signer who doesn't otherwise participate in the Token Rewards Program will be eligible to participate. This will enhance governance decentralization of Lido DAO by adding new members over time consistent with the loyalty to the

project. These signers would be eligible to receive the equivalent of 25 ETH a year in LDO tokens, priced on the day the signer joins the multisig for the first time (subject to usual TRP rules including milestones)

3. If any signer fails to register their approval or rejection on at least 50% of the Actions

proposed in a given year, their TRP program membership (if any) will forfeit and the signer will be rotated from the multisig and removed from the Committee

1. Members will retain membership of the Committee

until they offboard either of their own accord or by token holder demand, forfeiting any pending TRP tokens, and leaving the multisig seat open for new prospective members to be approved by token holders

1. Deliberations, Strategies

, and Actions

will be communicated transparently to the DAO and the community is encouraged to engage, propose and participate

1. New prospective members can apply in public forums to empty Committee seats and request approval of their inclusion into the Committee

by token holders, an approval which will instruct the Committee

to rotate the new member/s onto the empty place/s on the multisig

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1. Committee may submit Strategies and enact Actions

2. All Strategies

must be encodable into Actions

through On-chain tools

1. All deployed on-chain Actions

will allow for at least 72h of token holder veto periods prior to deployment or execution

1. The Committee

will submit these Strategies

in the following way:

1. The committee will publish a forum post submitting the Strategy

(e.g. sell stETH in Aragon for one of a pre approved list of tokens)

1. No sooner than 7 days from the moment it is published, the treasury multisig can initiate the start of an on-chain Action

or series of Actions

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1. The Committee

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1. Committee may propose modifications to authorized Strategies

2. The Committee

may elect to propose changes or new Strategies

, provided they are encodable into Actions

through On-chain tools

1. To enact a new rule or change, the Committee

will publish a forum post outlining the change to request comments and allow for a feasibility study

1. No sooner than 7 days from the moment it is published, if suitable as an on-chain Action

, token holders will vote on the approval of the deployment of an on-chain Action

to reflect the new Strategy

, or change in Strategy

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1. The Committee

will maintain an up-to-date frontend listing the Principles

, all of the Strategies

they are authorized to submit and links to the relevant on-chain Treasury Actions

for these rules

1. The Committee

will only be able to propose changes or new rules provided 4/7 members register their agreement with the proposal

1. Community members may propose a new Strategy

to the Committee

for consideration, but the Committee

will need 3/5 members to register their agreement prior to submitting these changes

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will need 3/5 members to register their agreement prior to submitting these changes

1. Committee mandate is bounded by token holder approval
2. Token holders may choose to dissolve the Committee

at any time through a vote, following which the Committee

will disband, terminate the TRP if necessary and remove its access from any on-chain motions

1. Should an overall governance framework be agreed on by token holders at a later date, this could lead to the ratification, modification or dissolution of the Committee
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1. Should an overall governance framework be agreed on by token holders at a later date, this could lead to the ratification, modification or dissolution of the Committee
2. Committee's ultimate objective is to automate itself
3. The Committee

is charged, in the long-term, with identifying and implementing ways of automating its deliberations and replacing the function of the Committee

with permissionless smart contracts with no dependencies, capable of replacing the above workflow in a neutral manner

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On-chain tools

These are on-chain contracts or function calls, such as [EasyTrack](#) motions or Aragon votes, that can execute any Actions

triggered by the Committee

multisig. Token holders authorize the Committee

to request the development of new Actions

to the [Lido Contributors Group](). Alternatively, token holders authorize the Committee

to propose development projects to the Lido Contributors Group, with separate funding requirements, if needed. Any new development must undergo strict security procedures and audits prior to being used in production.

Treasury Management Strategies

An example of the Strategies

that could be submitted by the Committee

are the following:

- Hold no more than 6mos of estimated working capital to fund research, development, education and advocacy initiatives (based on approved budgets) in stablecoins in Aragon

- Hold only DAI, LUSD and USDT in stablecoin reserves (60% USDT, 40% DAI)

- Only use Cowswap as a pre approved trading venue

Treasury Management Actions

An example of the Actions

that could be executed by the Committee

are the following:

- Stake any ETH held in the Aragon treasury using Lido

- Sell stETH or any other tokens in Aragon for one of a list of preapproved stables through a preapproved trading venue

The example flow for enacting a Action

to sell stETH for stablecoins could look like the below:

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The example optimistic governance flow from Strategy

proposal to Action

enactment:

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Initial Treasury Management Committee composition

The below slate of prospective Treasury Management Committee members helped, among others, in producing this proposal and is proposed concurrently with this vote. Note that karpatkey and [@marcbcs]() are Lido DAO members who are not pre-existing contributors. They will be entitled to apply for membership in the TRP program based on the rules approved in the Proposal.

Composition

The proposed initial composition of the Committee is as follows:

- [@karpatkey](#) (eligible for TRP)

- [@marcbcs](#) (eligible for TRP)

- [@steakhouse](#) (not eligible for TRP)

- [@pipistrella](#) (not eligible for TRP)

- [@sabrychiaa](#) (not eligible for TRP)

- @Mol_Eliza

(not eligible for TRP)

- [@kadmil](#) (not eligible for TRP)

Non-voting committee observers, not eligible for TRP, but motivated to contribute to discussions:

- [@nicole_maffeo](#)

- [@Red_Bull](#)

- Open to more participants, please register your interest below

Community discussion

Please provide your thoughts and comments on the above. Thank you for your time and consideration of this proposal.

EDITS:

- Increased threshold to 4/7

- Added @Mol_Eliza

and [@kadmil](#)

- Included the provision that the TMC will seek to make itself obsolete with smart contract deployments

- a missing apostrophe

- clarifying language

1

[No DAO should ever count its native tokens in its treasury](#)

2

Steakhouse Financial serves MakerDAO in various capacities, and collaborates with karpatkey on reporting for the ENS endowment