**FACTOM**

**COMMUNITY**

**DRAFT**

**Factom Grant Process**

**DOC 107**

|  |  |  |  |
| --- | --- | --- | --- |
| Document control matrix\* | | | |
| **ENTITY/ENTITIES** | **PART OF DOCUMENT** | **APPROVAL TYPE** | **APPROVAL AUTHORITY FOR THIS DOCUMENT** |
| Standing Parties\*\* | No highlight | ⅗ ANO approval | **Yes** |
|  |  |  |  |
| Not applicable | Not applicable | Single entity approval | No |

\* See [Doc 002 - Administration of governance and community documents](https://docs.google.com/document/d/12nvQVDOoLFNtmV_jqFEeWo1Ixx3R08z4KqLNVEbDoU4/edit?usp=sharing), Chapter 3.

\*\* See [Doc 001 - *Factom Governance*](https://docs.google.com/document/d/1RVaVR7lvfGgOBMG-7oca9TtpnR7qaEfr6XJVaZJwd3M/edit?usp=sharing), Definitions.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| VERSION | DATE | CHANGED BY | CHANGES | APPROVED BY | APPROVED DATE |
| 1.0 | 2019-04-17 | Factom Standing Parties | Ratified Document |  |  |
| 1.1 | 2019-07-14 | Factom Standing Parties | Ratified Document |  |  |
| 2.0.0 | 2020-03-30 | Governance Working Group | Removed Guide roles |  |  |

# Introduction

* 1. This document describes the process for managing Factom Grant application rounds.
  2. This document may contain terms that are described in the Factom governance. The latest version can be found [here](https://factomize.com/forums/documents/doc-001-factom-governance.9/).
  3. Currently this grant document deviates from section 4.3 in the Factom governance document, as at this time important prerequisites like support categories, on chain voting and standing are not available.This document shall be amended in the future to comply with the intention and description in the Factom governance document as the mentioned prerequisites are met and necessary infrastructure comes online.

# Scope

* 1. This document describes the complete process of issuing grants in the Factom protocol, and includes information on:
* Dates & Deadlines
* Amount of Factoids to be issued
* Grant denomination
* Formal requirements (checklist format)
* Application procedure
* Public discussion about grant proposals
* Grant voting
* Grant payout procedure
* Definition and Purpose of a Sponsor
* Becoming a Sponsor
* Sponsor Reporting
* Accountability of a Sponsor
* Sponsor Performance Enforcement

# Communication channels and announcements

* 1. The grant application round starts with an automated announcement. This automated software shall also cover further announcements as outlined in Section 4.2. This initial announcement contains information about how to apply for a grant in the respective grant round as well as dates and deadlines for said round. This announcement will be made in the #governance-chat Discord channel on the [Factom Community Discord server](https://discord.gg/XWJezKm), as well as in the [Community Forum](https://factomize.com/forums/factom/grants/.). All users in the discord server will be tagged for this message by the use of the @everyone tag.
     1. In the event of any technical difficulties relating to announcements and other automated actions e.g. as referenced in 3.1., any Standing Party, committee or working group with implied authority shall be at liberty to bridge this role until the technical difficulties are resolved.
     2. The Standing Parties may also appoint an individual to handle all announcements and required actions.
  2. Links to this initial announcement will be placed on social media like the [Factom subreddit](https://www.reddit.com/r/factom) to ensure the widest distribution.
  3. Not all subsequent events in application rounds will be announced, as to keep the number of announcements at a manageable level for the wider community. Cells with blue background in table 4.2 mark the obligatory announcements.

# Grant application process

## Grant application payout dates

* + 1. Factom grants are paid out quarterly at the following dates:
       1. YYYY-03-01
       2. YYYY-06-01
       3. YYYY-09-01
       4. YYYY-12-01

Note: A Factom network pause happening during a grant round may postpone the payout date if the delay can not be absorbed inside the grant round. A delayed grant payout date shall not affect subsequent grant round payout dates.

## Grant round timelines and deadlines

|  |  |  |  |
| --- | --- | --- | --- |
| **Event** | **Days prior to payout** | **Time of event** | **Comment** |
| Grant round announcement by Standing Parties | 42 | N/A | Standing Parties will announce the start of the grant round in accordance with section 3.1, 3.2 and 4.3.1. |
| Application deadline | 27 | 23:59 | All grant applications will have to be submitted to the community forum prior to this deadline. |
| Grant application discussion period starts | 26 | 00:00 | The public discussion on the grants will be opened via threads on the community forum. This is the start of the public questions and review process by means of discussion in the protocol forum.The grant application may be amended/updated during the discussion period based on feedback and input from the community. Any such edits should be described in the initial grant-proposal post preceded by this text: “GRANT-PROPOSAL EDITED [YYYY-MM-DD]:” |
| Forum threads closes for questions | 20 | 23:59 | The grant forum threads closes for new questions, providing the grantees with 24 hours to answer any remaining ones. |
| Grant application discussion period ends | 19 | 23:59 | The grant application discussion period ends and the threads are locked also for grantees. |
| Deadline for amended applications | 19 | 23:59 | Along with the discussion period ending the ability for applicants to amend their grant applications also ends. |
| Deadline for announcement of FCT available in round | 19 | 23:59 | Prior to this time the Standing Parties or any appointed individual will determine the FCT available for the grant round as described in section 4.3 below. |
| Grant application voting period starts | 18 | 00:00 | During the voting period votes can be cast by Standing Parties as described in the section 4.8 of this document. |
| Grant application voting period ends | 16 | 23:59 | N/A |
| Voting results are made public | 15 | 12:00 | The Automated Grant System, via the community forum, will make the final results available to the public by this deadline. |
| Factomd software release | 10 | N/A | Approximately 10 days prior to the grant payout date the factomd software release which contains the grant payout will be made available to the Standing Parties. A majority of the authority set nodes will have to update to the new release for the coinbase transactions to be executed. |
| Coinbase activation of grants | 7 | N/A | The *coinbase activation* happens 1000 blocks (approx 7 days) prior to the grant payout. If a majority of Authority set nodes have updated prior to the coinbase activation along with a majority of the active federated servers, the non-updated federated servers will be faulted out. |
| Grant payout | 0 | N/A | The grants will be paid out 1000 blocks after successful coinbase activation. Grants may be cancelled by the issue of successful *coinbase cancellation messages* during this timeframe as described in [Doc 203](https://docs.google.com/document/d/1P7w_M8QSU3Z3GUftx4AMWR_jHXkcPgenFgM0wdOFMHc/edit?usp=sharing).. |

Note: The blue cells mark the events that should as a minimum be announced by the process as set forth in Section 3.1..

## Amount of Factoids to be issued in a grant round

* + 1. The amount of Factoids to be issued at the conclusion of the grant round will be determined by the Standing Parties through automation or by any appointed individual and a vote to approve the final amount must be completed prior to grant round voting commencing. Final grant round amount must meet a ⅗ approval threshold to pass.

## Grant denomination

* + 1. The requested grants shall be denominated in FCT only.
    2. An applicant shall request a specific amount of FCT, which is the amount of FCT that will be paid out in the coinbase transactions if the grant is awarded.
    3. There will be no adjustments to the amount of FCT being paid out for a grant after it has been awarded by the Standing Parties.

## Grant applications; formal requirements

* + 1. To be considered for a Factom Community Grant, grant applications must meet the following minimum requirements:
       1. Grant applications must be submitted before the application deadline described in section 4.2
       2. Grant applications must be submitted on a project-by-project basis and should only cover the costs, expenses, and fees directly connected with the proposed project.

Example: a development grant might propose the necessary elements to accomplish external sharding. It probably should not include trips to conferences or marketing, at least not without justification. If your grant is to develop a small EC using application, then you might need to include a small marketing budget in that project proposal but be prepared to justify it. This will be somewhat of a grey area and we ask those submitting grants to comply with the spirit of the clause.

* + - 1. Grant applications for future work shall only cover a three-month period. For future work that spans a longer timeline, the grant application shall be limited in scope to cover the first three months of work, starting on the date the grant is paid out. Any expected additional work/costs shall be applied for in a future grant round, and approved separately by the Factom Standing Parties.

Note: this limitation does not affect proposals for work already completed which can be applied for in any grant round and span a longer time period than 3 months.

* + 1. Grant applications not adhering to the requirements described in section 4.5.1 will not be accepted by the automated grant system.

## Grant application process

The Factom Protocol uses an Automated Grant System built into the community forum. If a bug or other system issue results in the grant round being unable to commence or be finalized, the grant round will be delayed until the Automated Grant System is fixed, or a suitable solution is approved by the Standing Parties.

* + 1. Applying for grants is only possible by utilizing the Automated Grant System built into the community forum. Applicants [may start the process on this webpage](https://factomize.com/forums/grant-pool/).
    2. Applicants must answer all required questions. Standing Parties may add, edit, or remove questions prior to the commencement of the grant round with ⅗ approval.

## Public discussion

* + 1. After the grant application submission deadline described in section 4.2 has passed, everyone is allowed to ask questions about the grant proposal in the respective thread on the community forum.
    2. Suggestions on changing scope, deliverables, timelines or other matters can be provided by any entity or individual, and it is up to the grant proposal submitter to decide whether these suggestions should be incorporated in an updated grant proposal.

## Voting on grants

#### General principles

* + - 1. Authority Node Operators are eligible to vote on grants as Standing Parties. Each Standing Party has the same weight per vote.

Note: When the Standing Parties are expanded to recognize additional Standing Parties this process shall be amended to recognize the expansion. Future standing weight is still TBD.

* + - 1. If a Standing Party does not submit a score during the voting period, the Standing Party shall be deemed to have abstained from voting.

#### Voting principles

* + - 1. Rank-Based Voting (RBV) forms the basis of the voting methodology in use. It is a rank-based system that allows a voting party to specify its preferred options in a given set of choices (from most preferred to least preferred). In doing so, every party employs the same base set of values with which to rank the available choices, 1-N where N is the total number of grants ranked, with each rank only used once.
      2. Each grant application requires two separate voting actions, an Approve/Disapprove vote and a rank-based vote, except for the governance-defined grants (Anchor, and Oracle) which will only have an Approve/Disapprove vote if there are no competing grants. The Approve/Disapprove vote marks whether the Standing Party believes the grant meets the threshold for eligibility for the grant round.

The rank-based vote is filled out simultaneously. In this vote, the voting party will give a rank from 1-N where N is the number of grants in the grant pool, and where the parties ranking of the grant starts at 1 as most favorable and goes to N as least favorable.

* + - 1. Standing Parties may *abstain* from a vote for any reason. Grants abstained from must still appear on the ranking list but the ranked score will not be taken into account during the score averaging. Additionally, abstentions are not considered votes cast and will have no effect on approving or disapproving a grant.
      2. Voting is executed by the Standing Parties successfully submitting the scoresheet via the Automated Grant System.

#### Scoring

* + - 1. If there is no competition for the governance-defined grants, then, if approved by at least ⅗ of the votes cast, they will be set aside along with their corresponding FCT amounts from the grant pool. Unapproved grants are not funded.  
           
         If there is competition for the governance-defined grants then these will be scored as per paragraph 4.8.3.2.
      2. Next, all Standing Parties’ ranks for a given grant will be averaged to produce a composite score. The composite scores for the grants will then be ranked from lowest composite rank to highest composite rank.
      3. Then, for a non-governance grant to be eligible, it must be approved by ⅗ of the votes cast. If the grant does not receive the required votes, it will be removed from the list of ranked grants.
      4. Finally, grants are awarded from the lowest composite rank to the highest until the remaining FCT is not enough to fully fund the next grant in order.
      5. If two grants tie in score, the grant that was submitted first will rank above the other.

## Grant payouts

* + 1. Currently grant payouts are hardcoded and implemented via factomd releases specifically built to trigger coinbase transactions for awarded grants.
    2. After the vote has been concluded, a manual process will start to include the addresses and FCT amounts of the awarded grants into the Factom code, as this is not automated at this stage.
    3. The factomd developers will seek contact through Discord (or other channels as necessary) with the appropriate awarded grantees to verify the FCT addresses are authentic and correct.
    4. A new release of factomd will be published where the only difference with the previous version will be the inclusion of the grants. The developers will aim at releasing the new factomd version in accordance with the table in section 4.2
    5. After 1000 blocks are built after the activation blockheight, which takes approximately seven days, the grants will be received by the grantees, pending no coinbase cancellation message from the majority of the Authority Nodes. Authority Node Operators can cancel pending coinbase-transactions (through which FCT that gets created) for various reasons, like mistakes, bugs, hacks etc.

## Grant Tracking and success determination

* + 1. Recipients of grants will post an update on their grant within one month of receipt in the Grant Tracking area of the community forum and continue to update the community on the progress at appropriate intervals.
    2. The initial post required in 4.10.1 shall contain an initial intended grant completion date.
    3. If the grantee determines that they will not be able to adhere to the initial intended grant completion date they shall provide a revised date, as well as an explanation for the delay.

Note: For grant success determination in accordance with [Doc 106](https://docs.google.com/document/d/19pG4-wM8mxmr1Om2CQUN5nB221KDEiWuJCa56jZQvgs/edit?usp=sharing), the initial intended completion date is used.

* + 1. As part of putting the grant up for success determination as described in [Doc 106](https://docs.google.com/document/d/19pG4-wM8mxmr1Om2CQUN5nB221KDEiWuJCa56jZQvgs/edit?usp=sharing), a self assessment shall be presented to the Standing Parties in the grant tracking thread ([example](https://factomize.com/forums/threads/factomize-core-development-grant-update-grant-round-1-2019.1721/#post-16201)). If the scope of the grant work is comparatively large and/or complicated a more extensive final report should be submitted ([example](https://docs.google.com/document/d/1zS-9xciz-JVF6ILlPjIBneCFkg19gQJWh4VrFKrFcWY/edit?usp=sharing)).

## Indemnification & waiver

The following indemnification/waiver shall be agreed to by all applicants:

By submitting a grant proposal or participating in the grant proposal process, the submitter hereby agrees to release, waive, discharge Authority Set Members, Standing Parties, and their respective employees, contractors, agents, representatives, successors, and assigns (collectively, the “Releasees”) from any and all liabilities, claims, and demands of whatever kind of nature, either in law or in equity, which arise or may hereafter arise from participating in the grant proposal process, except for those caused by the willful misconduct or intentional torts of the Releasees. The submitter further agrees to indemnify and hold harmless the Releasees against all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, costs, or expenses which may be imposed on, asserted against or incurred by any Releasee as a result of, or arising out of, or relating to this grant process contemplated by this document, including without limitation, any judgment, settlement, attorneys’ fees and other costs or expenses incurred in connection with the defense of any actual or threatened action or proceeding, except for the liabilities caused by the willful misconduct or intentional torts of the Releasees.

Note: Please see [the Factom governance document (Doc 001)](https://factomize.com/forums/documents/doc-001-factom-governance.9/) for definitions of Authority Set Members, and Standing Parties. Grant proposals submitted in another format shall include this indemnification and waiver.

# Sponsors

## Sponsor Roles

* + 1. In the Factom Protocol, a Sponsor can be defined as an individual, group of individuals, or company that acts as a third party reporting agent for a funded Grant. Henceforth, the term “Sponsor” or “Sponsors” can be considered singular or plural, interchangeably, with respect to one or more than one individual or company acting as a Sponsor for a given Grant.
    2. A Sponsor aids in providing insight and oversight into a Grant’s effectiveness, and can reliably comment on the Grant recipient’s progress, and overall success or failure of the Grant. Most importantly, the Sponsor’s reporting is shared with the community in a transparent, open, and discussion-based manner.
    3. Since ANO Efficiency, as defined in [Doc 001](https://factomize.com/forums/documents/doc-001-factom-governance.9/), directly and wholly contributes to funding the Grant pool, the Sponsor role represents a step forward in yielding decentralized and transparent oversight of Protocol funds.
    4. Sponsors do not receive or achieve a position of Standing in the Factom Protocol by virtue of being a Sponsor. A given Sponsor may have existing Standing by interacting with the Protocol in a way that provides Standing, but the Sponsor role, in and of itself, is not imparted with or otherwise conveyed with Standing.
    5. A given individual, group of individuals, or a company may Sponsor more than one Grant at a time. There is no limitation on how many Grants an individual, group of individuals, or company may Sponsor at any given time. It is, however, recommended that any Sponsor limit their efforts in the Sponsor role to a low quantity of Grants at one time so that effective and reliable reporting can be provided to the community, and to best ensure that a given Sponsor’s labor bandwidth is not unreasonably challenged.

## Sponsor Selection

* + 1. A Grantee may choose to use a Sponsor or Sponsors, or the community, during the discussion period, may suggest the use of a Sponsor.
    2. A selected Sponsor has the right to accept or decline any offer, received from a prospective Grantee, to become a Sponsor.
    3. Should the role be a paid Sponsor role, the amount to be paid to the Sponsor is chosen by the Grantee or by the Grantee in collaboration with the prospective Sponsor.
    4. Should the role be a paid Sponsor role, the amount of funds to be given to the Sponsor from the total funds requested in the Grant Proposal is to be specified in the application, enabling the community to have insight of the Sponsor’s compensation for filling the Sponsor role for the given Grant.
    5. The Sponsor shall provide their specified payout address in the Grant Proposal. When a Grant is paid out, the Sponsor should also be paid out at the same time with funds delivered from the Grant Pool to the Sponsor’s payout address specified in the Grant Proposal.

## Sponsor Reporting

* + 1. If a Sponsor has been chosen and accepts their position for a given Grant, and the Grant receives funding, status updates, progress reports, and a final report, pursuant to the Grant, should be published by the Sponsor in collaboration with the Grantees. Thus, ideally Grantees are not tasked with reporting on their own Grant, and Sponsors are tasked with reporting to the community on the given Grant. With more complex Grants, report generation may be the purview of the Grantee.
    2. Sponsors shall engage with the Grantee to produce progress reports and a final report. The progress reports will update the community as to the progress of the Grant. The final report will specify the success or failure of the Grant and provide any final details.
    3. All reports (inclusive of progress reports and final report) will be presented to the community in the respective Grant’s thread in the Grant Tracking section of the community forum.
    4. Sponsors shall engage with the Factom Protocol community when questions arise or when details are subsequently requested by community members on the community forum. Thus, the community can request clarification or further detail into the inner workings of the Grant, and the Sponsor can respond to these inquiries.

## Sponsor Accountability

* + 1. Ideally, the Sponsor reports to and is accountable towards the community. However, the Grantee is ultimately responsible for reporting on their own Grant, even when a Sponsor is utilized, and in the event that the Sponsor does not fulfill their obligations to report to the community, for whatever reason, the Grantee should locate another Sponsor or should report on their Grant’s progress, directly.
    2. Sponsors should, to the best of their ability, report on a Grant’s progress, funding, insights, and eventual success or failure with objectivity, honesty, absence of bias, and represent the community’s best interest.
    3. Sponsors should make themselves available to the community, and should respond to inquiries or prompts from the community on the community forum in a reasonable amount of time.