

# DeXe Protocol DAO Memorandum

## Introduction

DeXe Protocol Decentralized Autonomous Organization (“DeXe Protocol DAO” or the “DAO”) includes on-chain governance structure and off-chain ministerial structure, DeXe Protocol Association, an association incorporated and registered in Canton Zug, Switzerland (the “Association”). The DAO manages DeXe Protocol (the “Protocol”) through the voting power of DeXe Protocol utility token (“DEXE”) holders and further implementation of the decisions of DEXE holders by the Association.

The Protocol is a constructor for building and governing decentralized autonomous organizations. Based on this, any products for building and governing decentralized autonomous organizations for any user level (from no-code to the most technical specialists) may grow. It offers users broad flexibility in setting parameters for their organizations.

The Protocol introduces more effective and rewarding governance mechanics based on meritocracy, anti-plutocracy, and a proper alignment of incentives. DeXe Protocol DAO uses the proposal and voting process to manage each decision regarding the Protocol.

As the Protocol is an open-source builder, anyone can utilize it to develop new tools and advance governance technologies. Now, DeXe Protocol DAO operates within the DeXe DAO Studio platform, an interface developed by the DAO and community members based on the Protocol (the “Venue”).

## Membership

### Holders

DeXe Protocol DAO recognizes each DEXE token holder as an essential contributor to the Protocol and a member of the DAO. We declare the importance of active member participation in shaping the future of the Protocol and decentralised governance technologies. Members are empowered to engage in decision-making through voting and proposal initiatives if their voting power meets the corresponding minimum thresholds established by the DAO's voting rules. These rules are

established and may be changed by the DAO, and now are the subject of the DAO's Constitution and, governed through on-chain proposals, are accessible through [the DAO's profile link](#). The default overview of voting parameters and minimums is described in the "Governance model".

DEXE holders also benefit from internal incentives for active participation as decided by DeXe Protocol DAO via the proposal and voting process.

## Experts

DeXe Protocol DAO is responsible for designating experts, who may be individual entities or other DAOs and have to be the contributors of the Protocol. As the governing body of the Protocol, the DAO can allocate voting roles to **local experts** functioning exclusively within the DAO and **global experts**, whose influence extends across all DAOs created within the Protocol.

These appointed experts can receive token delegations from the Treasury (as defined below) or holder balances. Strategic delegation empowers experts to contribute to a more decentralized and knowledgeable decision-making process within the DAO. In essence, the DAO leverages expert appointments to enhance decentralization and competence in its governance mechanisms.

This mechanism strategically aligns with the overarching goal of DeXe Protocol DAO – fostering decentralized decision-making by including qualified and trusted experts, whether operating locally within the DAO or globally across its protocol creations.

## Validators

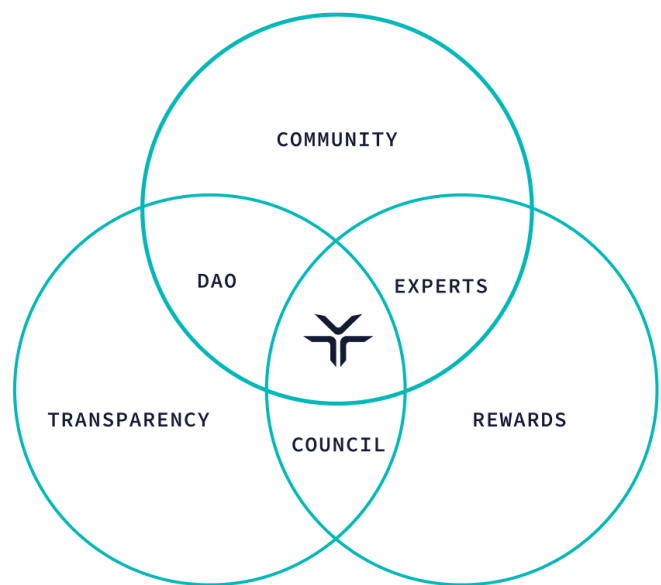
Validators are responsible for maintaining the Protocol's integrity and security. They vote on proposals that have passed the initial member voting phase. Validators are appointed or removed by the DAO, ensuring a trustworthy governance system.

Validators can also initiate independent and transparent proposals (the "Validators' voting") envisioned by DeXe Protocol DAO to address specific operational requirements without the need for DeXe DAO members' participation.

## Council

The Association's Council functions as an off-chain ministerial structure, primarily managing the off-chain Treasury and implementing the DAO's decisions via off-chain instruments. Key functions include executing the DAO's decisions for fund transfers, administering grant programs, engaging service providers for the Protocol development, and conducting other beneficial off-chain activities. The Council operates within parameters set by the DAO, with the ability to distribute funds from

the Treasury for operational needs. The Council membership can change based on the DAO's decisions. Each appointed. The Council membership can change based on the DAO's decisions.



## Delegated governance

In DeXe Protocol DAO, delegated governance allows members to transfer decision-making power by delegating their DEXE to other members or experts. This delegation is managed via a smart contract, with voting power recalculated based on the delegate's status, such as experts having higher voting power coefficients. Tokens can be withdrawn anytime, even during active voting, though this may increase gas fees due to recalculations. Importantly, the DAO may delegate tokens from its Treasury, enhancing governance participation and decentralization. This system aims to increase decision-making quorums, moving from nominal levels to over 50%, fostering a more decentralized, equitable, and transparent organizational activity.

## Interaction channels

Before an idea is transformed into a proposal within DeXe Protocol DAO, it must undergo thorough discussion and validation with the community and experts. Only ideas that pass this initial validation or urgent measures may be converted into proposals. This discovery ensures that ideas are viable and worthy of further expansion. Ideas that do not pass this stage may require further refinement or could

be set aside. This validation process occurs but is not limited to communication channels like Telegram or the Venue.

## DAO Constitution

### Voting rules

DeXe Protocol DAO was configured with initial voting parameters set by the contributors alongside the deployment of the Protocol. Effective from its publication, this Memorandum marks a pivotal change, placing the future evolution of these parameters into the hands of the DAO members. However, the contributors and community have outlined a gradual path towards decentralizing decision-making. This strategy aims to gradually achieve a 50+0% quorum and establish a distributed system of delegated management by delegating tokens from the Treasury to experts (individuals, legal entities or other DAOs), involving more competence in decision-making.

Actual Voting rules of DeXe Protocol DAO's Constitution are always available at the DAO profile on the Venue.

### Voting power

DeXe Protocol DAO employs a mathematical model featuring piecewise linear and nonlinear functions for vote tallying and reward distribution (a.k.a. Meritocratic voting model), enhanced through collaboration between the community and the Association's Council members. The model converts each token holder's or delegate's balance into voting power using tailored formulas. This model addresses the limitations of linear and square-root voting systems by preventing plutocracy and manipulation. It includes mechanisms to diminish voting power concentration in a few hands, recognize the expertise of certain members with higher voting efficiency, and prevent Sybil attacks. This model also uses polynomial functions of the 4th and 3rd degree, with different formulas for regular members and experts, ensuring fair and secure voting power distribution and reward allocation. The model's design ensures that all voting parameters, such as quorums and minimums for voting and proposal creation, are defined in terms of voting power, as prescribed by the DAO Constitution.

Members of DeXe Protocol DAO possess proposal and voting power and are highly encouraged to benefit from these powers by contributing to the community. DeXe Protocol DAO is governed exclusively through the voting procedure. Each proposal

must pass through the whole proposal circuit before it can be implemented and integrated into the DAO.

## **Proposal circuit**

Proposals follow a simple multi-step process that gives everyone a voice while avoiding unnecessary delays and preventing malicious proposals from hurting the DAO.

### **N. Idea Incubation**

Ideas are born and fostered within the DAO community in this. Members are encouraged to spark discussions around new concepts, leveraging the community's collective intelligence and diverse perspectives. This stage encourages members to initiate and discuss potential initiatives, refining and validating them through community interaction.

In early-stage ideas, members are advised to use their research and thinking skills and then discuss them in specialized communication channels like Telegram.

More grown ideas should be validated through off-chain proposals in the Venue, where the members of the contributors have established a specific "For/Against" proposal type. Other members study, leave comments, and vote in this thread whether they support this proposal or not. Any DAO member with minimum voting power (by default 5,000) for off-chain discussion proposals can submit such a proposal type.

### **I. Initiation**

Any DAO member may submit an on-chain or off-chain proposal if it has enough votes to surpass the minimum threshold. Off-chain proposals are used to initiate efforts that require off-chain actions or to validate the idea within the community.

In the proposal thread, all DeXe Protocol DAO members may comment on it, fostering a healthy discussion.

Off-chain and on-chain are not mutually exclusive. The author may be encouraged by a positive response to his off-chain proposal and wish to turn it into an on-chain one.

## **II. Members' Voting**

After the proposal is published, the DAO members may vote on it. Members must vote on a proposal before accessing the current voting results to prevent preference in decision-making.

For a vote to be considered successful, both of the following must be met:

- A minimum quorum must be reached;
- Most of the votes must be "Yes" (in favour);

## **III. Completion**

Once the quorum is reached, unless "early voting completion" is terminated by the decision of the DAO, the members' voting round is complete. Otherwise, voting will be active until the "voting duration" ends. If an on-chain proposal is approved, it can be executed by any member of the DAO. Off-chain proposals are moved straight to the "Implementation" phase or may be transformed into on-chain ones after the proof of idea.

## **IV. Validators' voting**

If DeXe Protocol DAO has appointed validators, they conduct an additional internal voting round to confirm that the proposal is not harmful to the DAO. Off-chain proposals and proposals on appointing or removing the Validator (initiated by DeXe Protocol DAO members specifically) are not subject to an additional voting round by the Validators.

## **V. DeXecution**

Once an on-chain proposal passes all the required voting rounds, any member of the DAO may execute its transaction, paying a small gas fee that gets refunded via the execution reward he receives (if rewards are active by the decision of the DAO). A particular proposal type may have a specific "execution delay" — a cooldown period between the approval and execution.

## **VI. Implementation**

Smart contracts (and/or the Association's Council where necessary) turn the proposal's initiatives into action.

Every proposal shall be made in good faith to the benefit of the Protocol and the DAO. The proposals and discussions shall follow the [Community Guidelines](#).

## Treasury

A certain amount of DEXE and other assets (as per the DeXe Protocol DAO decision) will comprise the treasury of the DAO (the "Treasury").

The funds of the Treasury are intended to be used for the current and future needs of DeXe Protocol DAO, including its governance. Naturally, the Treasury is also managed by the DAO, and any decisions regarding the funds and their allocation are voted through the proposal process.

More about DEXE [here](#). Potential purposes of Treasury funds allocation include, though, obviously are not limited to:

- **Incentives within the community**

To promote active participation in the DAO and the ecosystem in general, the members may decide to introduce internal incentives.

- **Grant programs**

Besides the internal incentives, the DAO vision foresees contribution to the broader blockchain and DeFi ecosystem. Therefore, the members may institute supportive grant programs for start-ups and young projects to develop their products and solutions with funding from the Treasury and the community's input. Simultaneously, the DAO may establish bug bounty and other reward-winning programs, which will involve input into the Protocol from outside and attract new members and ideas to the DAO.

- **Compensation for services** (e.g. development, legal or marketing services)

The functioning of DeXe Protocol DAO will inevitably demand the involvement of various experts. These may include auditors of the protocols and the DAO's governance, developers or marketing specialists who improve and amend the products, legal

experts who assess regulatory risks, etc. The DAO's members will vote on such expenses and involvement, including the choice of certain experts.

- **Social/marketing campaigns, advertising, and promotion**

To promote the Protocol, expand the DAO community, and spread awareness, a portion of the Treasury funds may be allocated to marketing. Some of the marketing can be performed by the DAO itself through various social marketing campaigns, such as interactive quizzes, contests, competitions, and more. A part of marketing efforts will involve external parties, such as bloggers and influencers, for promotion and attraction of new audiences, as well as marketing contractors, designers, advertising agencies, etc.

- **Liquidity provision**

DeXe Protocol DAO can allocate assets from the Treasury to provide liquidity.

## Conclusion

DeXe Protocol DAO aims to be both a blueprint and a behaviour model for DAOs and their members, emphasizing meritocracy, democracy, and transparency. Our inclusive model offers various avenues for contributions and incentives, aligning individual and collective motivations.

The Protocol facilitates organizational flexibility for different groups, communities, or companies, encouraging members to find the best organizational structure for their needs. This approach fosters collaboration and ensures mutual growth. Let's DeXecute it!