STON.fi DAO Governance Rules

1. **Overview and Governance Structure**

   1.1. **DAO Platform and Purpose:** The STON.fi DAO (the "**DAO**") is a decentralized governance platform (available at **dao.ston.fi,** the **"DAO Platform"**) enabling STON.fi community members and contributors to participate in STON.fi protocol (the "**Protocol**") development and decision-making. The DAO's primary function is to gather community members' and contributors' positions on various matters related to the Protocol, to determine and to approve long-term strategies related to the Protocol development, treasury disbursements, including budgets for the Protocol's contributors, including Ston Foundation which mission is to serve as an Protocol and enacted entity (the "**Foundation**"). The DAO itself cannot directly execute protocol changes or enter into contracts because it's a community governance forum; instead, it serves as a transparent mechanism for community input, while the Foundation carries out approved actions in accordance with legal and operational requirements.

   1.2. **Governance Tokens (STON and ARKENSTON):** STON is the native token that must be staked to participate in governance. Upon staking STON in the STON.fi app, a soulbound **ARKENSTON NFT** (the **"NFT"**) is minted to the user's wallet. **The NFTs represent the holder's voting power (VP)** in the DAO, with voting weight determined by the amount of STON staked and the duration of the stake lock (longer lock-ups confer greater voting power). The NFTs are non-transferrable (soulbound) and remain in the wallet as proof of stake and governance weight.

   1.3. **Voting Power Calculation:** The voting power of the NFT increases linearly or exponentially (per the protocol's formula) with both the quantity of STON staked and the remaining lock duration on that stake. In effect, staking more tokens for a longer period results in higher voting weight. *For example, staking 1,000 STON for the maximum 24 months provides a baseline voting power used as a reference for thresholds*. Only staked positions that remain locked through the entire voting period are eligible to vote on a given proposal. The NFT whose lock expires before the proposal's end cannot be used to vote on that proposal.

2. **Proposal Eligibility Requirements**

   2.1. **All proposals are submitted under the following requirements:**

      2.1.1. **Scope:** Proposals may address changes or improvements to the Protocol (including parameter adjustments, new features, or governance process amendments) as well as treasury matters such as allocation of funds, budget approvals for the Foundation or other contributors, and funding for specific initiatives.

      2.1.2. **Threshold to propose:** the standard proposal threshold (see Section 2.2. below) – by default, **voting power equal to 1,000 STON locked for 24 months**.

      2.1.3. **Quorum:** the **standard quorum** (see Section 2.3. below).

   2.2. **Proposal Threshold :** For any on-chain proposal to enter voting, the proposer must have a minimum amount of voting power staked. By default, this **Proposal Creation Threshold** is set to the voting power equivalent of **1,000 STON staked for the maximum 24-month term**. In practice, the user must hold at least one NFT whose voting power meets or exceeds this threshold.

   2.3. **Quorum Requirement:** For a proposal vote to be considered valid and passable, a minimum level of participation is required. The **quorum threshold** is defined as a total voting power (sum of For and Against votes) that must be cast by the end of the voting period. By default, quorum is fixed at the start of each voting phase to the equivalent of **100,000 STON staked for 24 months.** In other words, if the combined voting power of all yes and no votes is below this fixed amount, the proposal fails due to lack of quorum, regardless of the vote split.

2.4. Staking Duration for Proposers: The NFT used to meet the proposal threshold should extend beyond the end of the proposal's voting period to count for proposal eligibility. *For example, user cannot use the NFT that unlocks in 1 week to propose if the voting period is 2 weeks.*

2.5. Proposal Submission Process: Any eligible member (meeting the threshold and not blacklisted) can initiate a **Draft Proposal** off-chain in the interface of the DAO Platform. The draft includes a clear title, abstract, and detailed description of the proposal's problem, proposed solution, rationale, and any risks or impacts. Drafts are private to the author initially (visible only to the proposer) and can be edited freely with no time limit while in Draft status. When ready, the proposer may publish the draft on-chain to enter the **Discussion phase** *(actioned by signing a transaction on the DAO Platform).*

2.6. Blacklists and Eligibility Checks. Moderation Blacklist: The community maintains a blacklist for users (wallet addresses) or specific NFTs that have violated community rules or are flagged for compliance reasons. Any address or NFT on the blacklist is **prohibited from submitting new proposals**. This check is enforced at the time of moving a draft to on-chain Discussion phase: if the author or their NFT is blacklisted, the proposal cannot proceed. *However, being on the blacklist does not automatically strip a user of voting rights on others' proposals in the baseline design – see Section 6 (**Moderation & Compliance)** below for details on different blacklist tiers.*

Prohibited Content: Proposal content must meet basic quality and compliance standards. In addition to following the required template, proposals must not contain any of the following prohibited categories of content:

- Adult content of any kind, including pornography, sexually explicit material, or any form of sexual services.
- Content that infringes intellectual property rights, including copyrighted materials, trademarks, proprietary data, or other protected works used without authorization.
- Defamation, harassment, threats, or hate speech, including content targeting individuals or groups on the basis of personal characteristics.
- Illegal activities, including instructions, facilitation, or promotion of unlawful conduct.
- Malware, harmful code, or security-compromising materials.
- *Financial Advice:* Content that provides, implies, or solicits investment, financial, or trading advice of any form, including but not limited to recommendations to buy, sell, stake, trade, or otherwise invest in any digital assets, tokens, or financial instruments. This includes both explicit financial advice and implicit suggestions framed as personal opinions or "signals," whether made inside proposals or in discussion/comment threads associated with proposals.
- *Promotion of Third-Party or Competing Tokens/Projects:* Advertising, marketing, or promotional content for tokens, products, services, or projects not affiliated with the Protocol or STON.fi ecosystem, including (but not limited to) competitor platforms, alternative governance tokens, or speculative assets. Informational mentions for context are permissible, but promotional or persuasive language is prohibited.

DAO/Foundation administrators (or appointed moderators) review new proposals for compliance with format and rules during the Discussion phase; proposals failing to meet standards can be flagged as inappropriate and halted by the moderators if not corrected within a grace period.

3. Proposal Lifecycle and Stages

Each proposal undergoes a defined lifecycle with distinct stages, ensuring sufficient time for deliberation and orderly progression:

3.1. **Draft (Off-Chain):** Initial stage when a proposal is composed. The draft is visible only to the proposer (private) and can be edited indefinitely. There is no voting at this stage. The proposer uses this time to refine the idea. There is no time limit on how long a proposal can remain a draft. When the proposer is satisfied and ready to open the idea to the community, they may advance the proposal to

the Discussion stage by publishing it on-chain (triggered by an on-chain transaction that creates a Proposal NFT record).

3.2. **Discussion (On-Chain):** Once in **Discussion**, the proposal becomes publicly visible to all community members and contributors on the DAO Platform. This stage serves as a mandatory **voting delay and discussion period** before formal voting begins. By default, the discussion period lasts **7 days** (168 hours). During this time, **voting is disabled** – users cannot yet cast votes, but they can comment off-chain (e.g., in a forum or the interface discussion thread on the DAO Platform) and signal opinions. The proposer may **edit the proposal content** during the Discussion (to incorporate feedback or clarifications); however, each content update requires publishing a new content hash on-chain and **resets the 7-day discussion timer** from zero. This mechanism ensures the community has a full 7 days to consider the final version of the proposal after the last change. The proposer also has the right to **cancel** their proposal during Discussion, which returns it to Draft status or marks it withdrawn (the on-chain proposal NFT can be marked "Cancelled" if the author decides not to proceed before voting). **Moderator intervention:** During Discussion, moderators can review the proposal; if it violates guidelines or is deemed malicious/inappropriate, a moderator can **block (ban) the proposal**, moving it to a "Banned" status where it is effectively inactive and will not proceed to a vote. When a proposal is banned, its content remains visible for transparency, but it cannot advance to Voting and no votes can be cast on it. Assuming no cancellation or ban, and once the Discussion phase has lasted the required 7 days since the last edit, the proposal becomes eligible to transition to the Voting stage. The proposer (or an automated scheduler) must then formally start the voting by calling the on-chain function to change the status to Voting (this final check ensures at transition that the proposal still meets all criteria and is not blacklisted).

3.3. **Voting (On-Chain):** In the **Voting** stage, the proposal is frozen from further edits and open for vote casting. The Voting period lasts **14 days** (336 hours) by default. At the moment the Voting stage begins, the system fixes the quorum threshold value (based on the current config) for that proposal. Voters may now cast their votes on-chain, choosing either **"For" (Yes)** or **"Against" (No)** the proposal. Abstain is not explicitly coded as an option in this iteration; not voting is effectively abstaining. Votes are weighted by the voting power of the NFTs used.

   3.3.1. **Partial voting and multiple NFTs:** A voter can allocate voting power from one or multiple NFTs they own. Due to technical limits of wallet contracts, each on-chain voting transaction can include a limited number of NFTs – typically up to **4 NFTs per transaction/signature** (depending on the wallet implementation). The UI will indicate how many NFTs can be selected at once based on the user's wallet capabilities. If a voter has more than 4 NFTs, they may submit multiple transactions to use additional NFTs. However, a single wallet **may not vote with more than 255 NFTs in total on one proposal**. When casting a vote, each NFT's voting power and the wallet's chosen direction (For/Against) are recorded on-chain.

   3.3.2. **No switching sides:** Once an address has cast a vote, it cannot change its vote from For to Against or vice versa – revoting to change one's position is disallowed.

   3.3.3. **Extending votes with increased stake:** If a voter increases the stake in the NFT (e.g. by restaking more STON or extending its lock) during the voting period, the system allows the voter to **cast an additional vote using the newly acquired voting power (the "delta")** from that same NFT, but **only in the** *same* **direction as their original vote with that NFT**. *In other words, you can reinforce your initial vote if you boost your stake, but you cannot shift that new power to the opposite side.* Similarly, if a user acquires new NFTs (by staking additional STON) while a vote is ongoing, those new NFT can also be used to vote (again, only For or Against as the user's choice per NFT).

   3.3.4. Throughout the voting period, the current totals of "For" and "Against" voting power are visible, as well as the sum which indicates how close the quorum is.

3.3.5. **Dynamic voting extension mechanism:** In addition to the **default 14-day Voting period**, the system includes an automatic extension mechanism designed to ensure stability of the final outcome. If at any moment during the last **72 hours** of the ongoing Voting period *the projected final result of the vote changes*, the Voting period is automatically extended by **an additional 72 hours.** A **"change in the projected result"** means any of the following events: (1) Quorum is reached during the last 72 hours (i.e., the proposal changes from "*non-quorate*" to "*quorate*", which makes an outcome possible for the first time); (2) The projected outcome changes from Passing to Failing (i.e., the share of "For" votes drops below the acceptance threshold); (3) The projected outcome changes *from Failing to Passing* (i.e., the share of "For" votes rises to meet/exceed the acceptance threshold). Each such event triggers a single 72-hour extension from the moment of the change. If multiple qualifying changes occur during an ongoing extension period, the countdown restarts, but only one extension is active at a time. **The Voting stage finally ends only once the last 72-hour stability period elapses without any further changes in the projected outcome.**

3.4. **Conclusion (Passed or Rejected):** At the end of the 14-day voting period, including any automatic extensions triggered under *the dynamic voting extension mechanism*, the proposal is automatically moved into a **concluded state** by the smart contract. The voting results are tallied, and the outcome is determined as follows:

3.4.1. Accepted/Passed: A Proposal is marked as Accepted (Passed) if:

(a) Quorum was met (total For + Against ≥ quorum threshold) and

(b) At least 50% of the voting power cast is "For" the proposal (Acceptance Threshold). This supermajority requirement replaces a simple majority and is mandatory.

3.4.2. Rejected: A Proposal is Rejected if any of the following conditions apply:

(a) Quorum was not met by the deadline (insufficient participation);

(b) Quorum was met, but the Proposal received less than 50% "For" votes (i.e., 50% or more are "Against");

(c) Tie (exactly equal For and Against while meeting quorum).

3.4.3. Once concluded, the final status (Accepted or Rejected) is recorded on-chain automatically. The proposal's voting phase is closed and no further votes are accepted.

3.5. **Execution/Implementation:** A proposal that has **Passed** (Accepted by the vote) may not be executed automatically on-chain by the Protocol's or adjacent contracts — in this case, it moves into an off-chain implementation phase under the oversight of the Foundation. The on-chain status changes to **"Passed"**, and subsequently an authorized community member from the Foundation (the "DAO Manager") will mark it as **"Implemented"** once the decision has actually been executed in the real world. Specifically, for Proposals relating to the spendings of the Protocol treasury , a successful vote serves as authorization for the recipient to carry out the specified budget or fund transfer. Once the funds are transferred or allocated as directed, the DAO Manager will mark the proposal Implemented on-chain as a record of completion.

3.6. **Timelock:** As a safeguard, any binding action resulting from a proposal (particularly protocol changes or large fund disbursements) will be subject to a **timelock delay** after the vote concludes but before execution. During this window, an emergency review can be done and, if necessary, an intervention can take place to halt a malicious or unsafe action. Only after the timelock expires will the Foundation multisig execute the changes or transfers. This delay enhances security by providing a last chance to catch issues or respond to unforeseen risks.

3.7. **Final States:** A proposal ends as either **Implemented**, **Rejected**, **Cancelled**, or **Banned**:

3.7.1. **Implemented:** The proposal was Passed and then successfully executed/fulfilled. Marked by admin on-chain when done.

3.7.2. **Rejected:** The proposal failed (either did not meet quorum or was voted down) – no further action taken.

3.7.3. **Cancelled:** The proposer withdrew the proposal before Voting (during Discussion), or it failed off-chain preliminary criteria (e.g. did not gather required off-chain signal support in a future process). Cancelled proposals do not proceed to voting.

3.7.4. **Banned:** The proposal was blocked by DAO Managers (e.g. due to rule violations or legal issues). Banned proposals do not proceed, and if banned during voting, the voting is immediately halted/disabled. Banned proposals remain visible but inactive.

4. **Voting Rules and Limitations**

4.1. **Voting Eligibility:** Any wallet holding at least one NFT (i.e., any amount of STON staked) has the right to vote on active proposals. There is no minimum voting power required to cast a vote. Each wallet's vote power is the sum of voting power from the NFTs it uses to vote. *Note:* A user's available voting power is measured at the time of voting transaction – if a user has multiple NFTs, they may choose which ones to apply. An NFT can only be used to vote **once per proposal** (except when adding power after restaking as described) – once an NFT's vote is recorded, it cannot be reused on the same proposal. Only NFTs whose locks end after the proposal's end date are eligible (ensuring the stake backing the vote remains in place through the vote).

4.2. **One Wallet, One Vote (per proposal):** A single wallet address may vote only once per proposal per side. If a user holds multiple NFTs, they should consolidate their selected NFTs into their vote transactions (subject to the per-tx limit). The DAO Platform interface will guide voters to use all desired NFTs in either one or a few transactions, but all votes from one wallet toward a given proposal should be in the same direction (you cannot split your wallet's NFTs to vote both For and Against on the same proposal). The first vote a wallet casts on a proposal locks that wallet's stance (*yes* or *no*). As noted, additional NFTs or newly increased stakes can only be used to reinforce that same stance. **Changing a vote** from yes to no or vice versa is disallowed once cast.

4.3. **Voting Period and Extensions:** The standard voting duration is **14 days** for every proposal (unless adjusted for a specific class of proposal). There is no "early end" – even if a majority and quorum are reached early, voting stays open the full period to allow maximum participation. However, if quorum is not met by the end of 14 days, the vote simply fails (no extensions by default). The protocol does not automatically extend voting periods, but the **Emergency Council** could pause a vote in extraordinary cases (effectively extending time for review).

4.4. **Quorum and Outcome Enforcement:** During voting, the DAO Platform smart contracts keep a running tally of *For* and *Against* vote totals, and the sum of those is compared to the fixed quorum number for that proposal. If the quorum threshold is not reached by the end of the period, the proposal is considered to have **"Not Reached Quorum"** and is **invalid**, thus Rejected. If quorum *is* reached, the majority vote (greater of For vs Against voting power) decides the outcome. The result (Passed or Rejected) is finalized automatically when the voting period expires. There is no manual intervention in counting - votes are tallied on-chain, ensuring transparency and integrity.

4.5. **Abstentions:** The Protocol governance process currently does not count explicit "abstain" votes. Token holders who do not wish to take a side may simply not vote; only *For* and *Against* are tracked. Unused voting power (abstention by inaction) does not contribute to quorum. This means quorum effectively measures active participation.

4.6. **Multiple Proposal Voting:** A single NFT can be used to vote on multiple different proposals concurrently, as long as each proposal's voting period is active. Casting a vote on one proposal does not lock the NFT from voting on other proposals. It only locks its vote for that specific proposal.

4.7. **Off-Chain Signaling (Future):** At launch, the governance process runs via the on-chain Discussion and Voting phases described. In the future, the community may introduce an **off-chain "temperature check" phase** (e.g. forum polls or Snapshot votes) prior to on-chain voting, to avoid voter fatigue on unpopular proposals. Such a phase would let the community indicate support informally before expending on-chain effort. If introduced, off-chain polls could have their own quorum (perhaps counted in a reputational token like GEMSTON for engagement) and would need to meet defined criteria to move proposals to an on-chain vote. Currently, this step is not active ("N/A now"), and all proposals that meet the on-chain requirements can proceed directly to a vote.

5. **Roles and Responsibilities**

5.1. **The Foundation:** The Foundation (and its designated members) serves as the administrator and legal vehicle of the Protocol. In ambiguous or unforeseen situations, the Foundation's authority prevails to ensure the stability of the platform. The Foundation is responsible for:

5.1.1. Maintaining the DAO Platform smart contracts and front-end.

5.1.2. Managing treasury assets off-chain and executing transactions approved by community votes.

5.1.3. Appointing and overseeing DAO managers, admins and moderators.

5.1.4. Enforcing compliance with applicable laws (e.g. ensuring no sanctioned persons or illicit funds engage in governance).

5.1.5. Ultimate decision-making on protocol upgrades or emergencies if a DAO decision could endanger the project or violate regulations. (In practice, this is exercised via the Emergency Council or admin actions as described, always with transparency.)

5.1.6. Updating governance parameters (thresholds, quorum, periods) in the DAO configuration smart contract when needed with community input or via a meta-governance proposal.

5.2. **Community Members (Token Holders):** Any holder of STON (via the NFT) is considered a community member with the ability to propose (if meeting the threshold) and vote. Community members are encouraged to discuss proposals and provide feedback during the Draft and Discussion phases. They can also voluntarily form working groups or committees to analyze proposals (especially complex protocol changes or budgets) and make recommendations.

6. **Moderation and Compliance Measures**

To maintain a healthy governance system, STON.fi DAO uses moderation and compliance measures, notably through a tiered **blacklist system**:

6.1. **Proposal Blacklist:** A list of proposal IDs that are banned. If a proposal is added to this blacklist (by moderator/admin action), **voting on that proposal is immediately disabled** and the proposal is effectively dead. The proposal's content remains visible for record-keeping, but it will not move to execution even if it had votes. This is used for proposals deemed illegitimate (phishing, offensive, violating terms) or rendered moot (e.g. duplicates or author withdrawal). Community members can see that the proposal was banned and typically a reason will be provided in an announcement. Banned proposals show a status like "Banned" or "Removed" on the interface.

6.2. **User & NFT Blacklists:** These are lists of addresses and specific NFT IDs that are barred from certain governance actions *(a)*. The **blacklist has two levels based on the nature of the issue**:

6.2.1. **Level 1 – Conduct Blacklist (Behavioral):** This includes users or NFTs that have violated community guidelines (e.g. spamming proposals, submitting fraudulent content, or abusing other participants) but are not necessarily legal/compliance risks. Addresses on this list are **prevented from creating new proposals or posting discussion comments**, as a penalty for their behavior. However, in line with the philosophy of not disenfranchising stakeholders, these users *retain their right to vote on other proposals* in this scenario. They can still exercise their voting power on governance matters (since voting itself cannot cause spam in the same way, and the community wants their stakes to remain engaged in decision-making). Essentially, they lose proposal initiation privileges but not voting privileges.

6.2.2. **Level 2 – Compliance Blacklist (Legal/Security):** This list includes addresses that pose legal risks (such as sanctioned addresses, known attackers, or those required to be excluded under applicable laws) or technical threats. If an address or NFT is on this severe blacklist, the **wallet is barred from *all* active governance participation**, including proposing and voting. The smart contract will reject votes from a blacklisted address, ensuring such an entity cannot influence outcomes. This stricter measure is only used when necessary to comply with regulations or protect the community and the Protocol from a security threat (for example, an attacker Sybil account). The community will be informed if such a compliance ban is in effect, although in some cases the specifics might be sensitive (e.g. legal reason).

6.3. *Implementation:* The DAO Platform's voting contract checks the blacklist before allowing a vote or proposal to proceed. Moderators/Admins can add entries to these blacklists. In practice, the Foundation will maintain these lists, with input from moderators and legal counsel. The governance rules acknowledge that the Foundation has discretion over blacklisting to meet legal obligations and community guidelines.

6.4. **Proposal Content Guidelines:** All proposals must adhere to the content rules set forth by the Foundation. Proposals should be about the Protocol or community – no advertising, irrelevant or personal attacks, etc. Illegal, offensive, or plagiarized content is strictly prohibited. Moderators will mark proposals that violate these standards as inappropriate and remove them if not corrected. The Foundation may publish a detailed Code of Conduct for proposals, and proposals must include required sections (title, abstract, description, rationale, impact, etc.) to be considered valid. A template will be provided, and proposals not following the template can be asked to resubmit properly.

6.5. **Rate Limits on Proposals:** To prevent proposal spam or governance overwhelm, a single user (wallet) is limited in how frequently they can submit proposals. For example, a rule might state that any given wallet can have at most **one active proposal in voting at a time**, and cannot initiate a new proposal more often than one per week. Additionally, the total number of proposals entering voting in a given week or month could be capped if needed, although this is flexible depending on community activity. Such rate limiting can be enforced by the front-end and social consensus (and by moderators who can delay or refuse to move drafts to voting if limits are exceeded). The exact limits will be defined in the DAO Platform configuration or guidelines and can be adjusted as necessary.

7. **Additional Safeguards and Best Practices**

7.1. **The DAO operates as a community-driven advisory and approval mechanism, but it does not create legal obligations** for the Foundation or any third party. All protocol operations and financial transactions remain subject to the oversight and final sign-off of the Foundation as the legal entity responsible for the Protocol support and education. Decisions made through DAO Platform voting **do not constitute contracts**; rather, they are signals and authorizations that the Foundation aims to honor to the extent possible. The Foundation reserves the right to delay or refuse to execute a community decision if it believes such action would be unlawful, unsafe, or contrary to the long-term interests of the project (though this would only be in exceptional circumstances and communicated to the community).

7.2. By participating in the DAO Platform, members acknowledge that:

7.2.1. The DAO, Platform and the community is not a registered legal entity and cannot enter into enforceable agreements or hold assets directly.

7.2.2. Proposals and votes are part of a good-faith governance process and do not create enforceable rights against the Foundation or its affiliates.

7.2.3. The Foundation carries out community-approved actions on a best-effort basis, within the bounds of law and practicality.

7.2.4. Nothing in the Protocol governance process shall override the Foundation's statutory duties, regulatory compliance, or fiduciary responsibilities.

7.3. **Amending Governance Rules:** These governance rules themselves can evolve. Changes to the Protocol's and governance structure or parameters can be proposed through the same governance process (likely as Protocol proposals or a dedicated "Governance Meta-Proposal"). For example, adjusting the proposal threshold, changing quorum, enabling new features (delegation, off-chain voting phases), or altering moderator powers would typically require a community vote. However, **fundamental changes** (especially those reducing core safeguards or altering Foundation roles) might be subject to additional requirements or at the Foundation's initiative to ensure continuity. In all cases, a broad consensus should support any changes to this governance charter.

7.4. **Disclaimer:** *Nothing in this document constitutes legal, financial, or investment advice. The STON.fi DAO is an experimental governance mechanism. Votes and proposals do not create legal rights or obligations. The Foundation, as the operator of the platform, reserves final discretion in matters of law, regulation, and protocol safety. By participating, you acknowledge the terms and rules above.*