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CONTRIBUTION PROPOSAL

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Contribution Proposal System

A governance mechanism designed to ensure the security and integrity of the DApp Booster Program and Ecosystem Expansion Project initiatives

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1. Introduction

One of the most significant innovations by the ICON Project thus far has been the inception of the DApp Booster Program (DBP) and Ecosystem Expansion Projects (EEPs). While on the surface level these appear to be ways to simply fund projects, the underlying decentralized, autonomous governance mechanism described in this paper allows for a level of human organization and decision making that was previously unattainable.

The importance of the Contribution Proposal System is two fold. For one, it allows for expedited growth of the ICON Network by giving entities the opportunity to receive

funding from the network itself. Developers of decentralized applications or contributors to Ecosystem Expansion Projects can submit their work or plan to the Contribution Proposal System, ICONists will vote on whether or not this is a legitimate project, and if approved, this project will be eligible to receive delegation from all ICONists, and in turn, receive funding from the ICON Network. This system will turn the ICON Republic itself into one of the first fully operational Decentralized Autonomous Organizations (DAO).

Secondly, and perhaps less obvious, the Contribution Proposal System plays a significant role in the distribution of wealth and power in the ICON Ecosystem. Many blockchain networks give rewards solely to those that produce & verify blocks, thus centralizing wealth & governance power and giving sole discretion of funding ecosystem growth initiatives to such entities. With the introduction of the Contribution Proposal System, all those that participate in this system will have the opportunity to accrue governance power and wealth within the network.

1.1. Definitions

To fully grasp the purpose of this paper it would be helpful to first understand the definition and scope of the DApp Booster Program and an Ecosystem Expansion Project.

1.1.1 DApp Booster Program

The DApp Booster Program (DBP) is a program that selects and rewards DApps to help grow the value of the ICON Network, and all DApps on the ICON Network can register for the DBP and receive delegation from ICONists.

All ICONists can select high-quality DApps that can contribute to increasing the value of the ecosystem by delegating ICX to specific DApps. Only the top 100 DApps are eligible to receive rewards depending on the amount of ICX delegated from ICONists and the Monthly Reward Variable for DApps (i_{dapp}). The top 100 DApps are elected similarly to the Representatives of the ICON Network, where ICONists delegate Staked ICX to their choice of DApps.

1.1.2 Ecosystem Expansion Projects

An Ecosystem Expansion Project ('EEP') is a project or activity that can contribute to the growth and expansion of the ICON Network. In order to promote self-development of a decentralized network, the system should be designed in such a way that anyone who is willing to contribute to the development or expansion of the ecosystem can do so without relying on a single development or community group.

All EEP Contributors willing to propose a project can submit their project idea on-chain. EEPs include, but are not limited to: ICON ecosystem development, 3rd Party App development, community activities, and education activities.

All ICONists can select high-quality EEPs that can contribute to increasing the value of the ecosystem by delegating ICX to specific EEPs. Only the top 100 EEPs are eligible to receive rewards depending on the amount of ICX delegated from ICONists and the Monthly Reward Variable for EEP (i_{eep}). The top 100 EEPs are elected similarly to the Representatives of the ICON Network, where ICONists delegate Staked ICX to their choice of EEPs.

2. Registration Process

In order to be eligible to receive delegation and benefit from the rewards set aside for EEPs and the DBP one must first be approved by ICONists. The registration process is in place to prevent malicious entities from taking advantage of the EEP and DBP rewards outlined in the IISS Paper. With this decentralized system in place, it will be significantly more difficult and expensive to earn rewards with a fake DApp or fake EEP.

2.1. Submitting a Contribution Proposal

Applying as an EEP or applying to the DBP will collectively be referred to as "Contribution Proposals". ICONists will submit a Contribution Proposal with the details of their plan outlined in text format. ICONists must stake a minimum of 500 ICX into the proposal when submitting the Contribution Proposal. Once submitted, the proposal will be

considered a "Pending Contribution Proposal". Pending Contribution Proposals will be sorted by the amount of ICX staked into the proposal, where those with the most ICX staked will be at the top of the list and those with the least ICX staked will be at the bottom.

2.1.1 DApp Booster Program Registration Form

The Registration Form for the DApp Booster program will include the following inputs from the Proposer:

- Name of the DApp

- Type of DApp (Decentralized Finance, Game, etc.)

- Smart Contract Address of the DApp

- URL of the DApp

- Description of the DApp

- Team Background

2.1.2 Ecosystem Expansion Project Registration Form

The Registration Form for an Ecosystem Expansion Project will include the following inputs from the Proposer:

- Project Name

- Purpose of the Project

- Type of Project (Development, Community Activity, Educational Activity, etc.)

- Project Description

- Execution Timeline

- Utilization of ICX Rewards

- Goals, Milestones, and Key Performance Indicators (the goal of the Project and specific data points that will measure its success)

- Team Background

2.2. Voting on Pending Contribution Proposals

All ICONists will be able to participate in the approval process for Contribution Proposals, and Public Representatives (P-Reps) will be treated no differently. The voting weight for each ICONist will be relative to the amount of Staked ICX they control, where 1 Staked ICX = 1 vote. ICONists can vote on as many Contribution Proposals as they would like.

Each vote will last for 1,296,000 blocks (~30 days) and will require a voter participation quorum of 30% of Staked ICX. There must be a minimum of 10% of total ICX as Staked ICX in order for a vote to occur. For a vote to pass, the voter participation quorum must be reached, and of those that voted, more than 66% of them must vote in favor of the Contribution Proposal. An ICONist can only participate in the vote if they held Staked ICX prior to the submission of the Contribution Proposal.

If a Contribution Proposal is approved, 100% of the ICX that was staked into the Contribution Proposal by the Proposer will be frozen in a smart contract. The purpose of this frozen ICX will be discussed in the "Post-Registration Process" section.

If a Contribution Proposal is rejected, 100% of the ICX that was staked into the Contribution Proposal by the Proposer will be burned. Finally, if the vote on the Contribution Proposal does not reach the voter participation quorum within 1,296,000 blocks, 100% of the ICX that was staked into the Contribution Proposal by the Proposer will be returned to the Proposer.

2.3. Ecosystem Expansion Project Specific Details

Given that Ecosystem Expansion Projects cover a wide range of potential initiatives, the Registration Process for EEPs has one key difference from registering for the DBP.

EEPs must provide a timeframe to execute the proposal and the maximum length of an EEP will be 3,888,000 blocks (~90 days). After 3,888,000 blocks, the EEP Proposer must go through the Registration Process again. When an EEP ends, ICONists looking to maximize their staking rewards will need to re-delegate their ICX to a new EEP or wait for this EEP to pass through the registration process again to redelegate to the same EEP. This

encourages active ecosystem growth and mitigates the possibility of apathetic voters supporting an EEP with no genuine substance.

2.4. DApp Booster Program Specific Details

Given that the DApp Booster Program only applies to decentralized applications, the Registration Process for the DBP has a few details that apply only to the DBP. These details include:

- Only the account that deployed the SCORE associated with the DApp is allowed to submit the DApp for the DBP and earn rewards. This is to prevent malicious parties from registering a DApp multiple times or registering a DApp that does not belong to them.

- When submitting a Contribution Proposal, the DApp must include the SCORE address(s) and the URL of their service. Each SCORE address can only be registered to a Contribution Proposal one time.

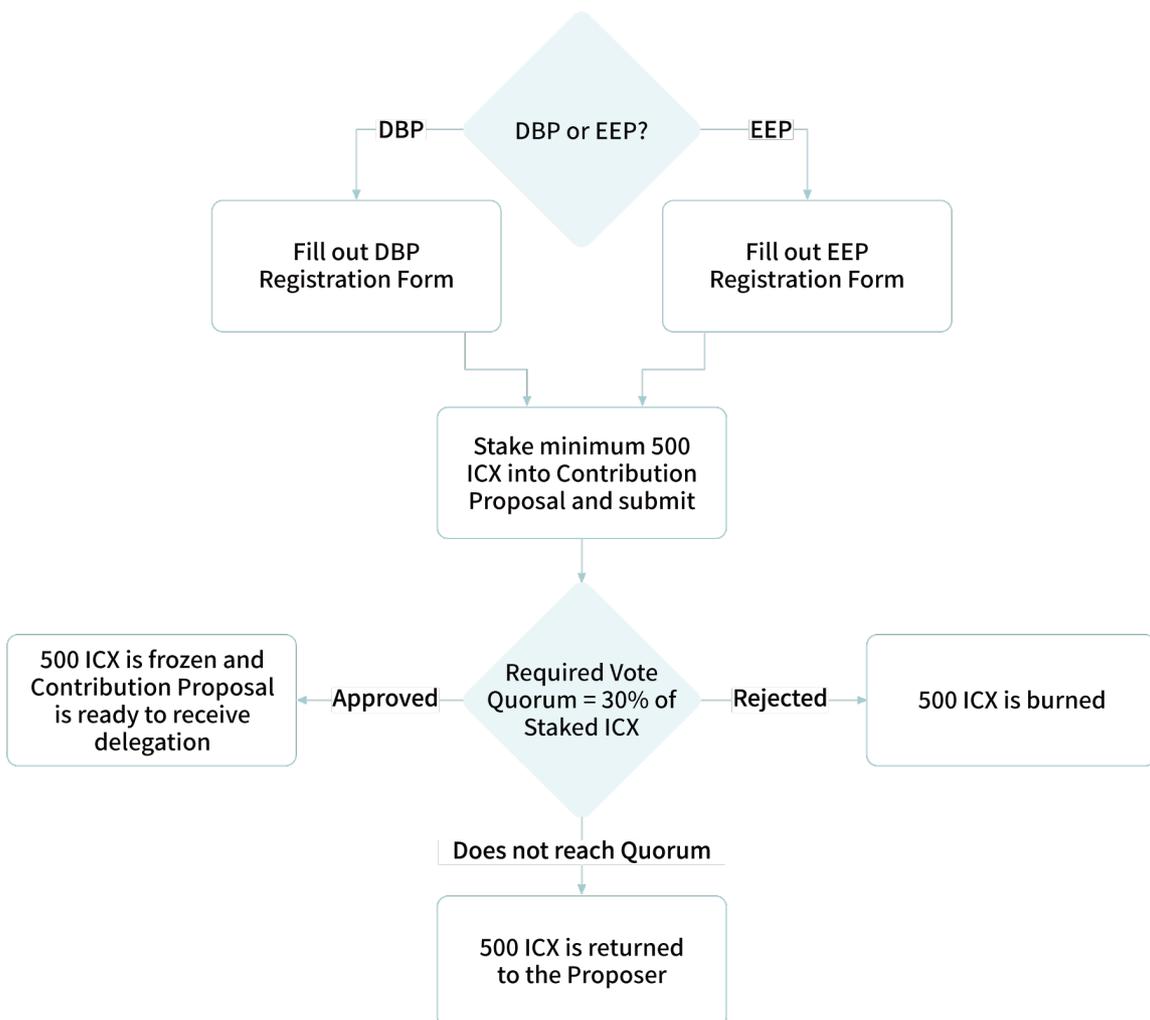## 2.5. Example of the Registration Process

Please see the step-by-step walkthrough of the Contribution Proposal Registration Process

1. ICONist A wants to submit an EEP to build a block explorer for ICON

2. ICONist A visits the EEP Dashboard in the Contribution Proposal Portal

3. ICONist A shares details of their proposal via an EEP Registration Form

4. ICONist A stakes 550 ICX into the proposal

5. ICONist A submits their EEP proposal

6. An on-chain transaction is broadcast to save the record of the EEP

7. The EEP is at the top of the dashboard because all other proposals only staked 500 ICX

8. Voters come to the Contribution Proposal dashboard to participate in votes

9. 85,000,000 Staked ICX participate in the vote, and 80,000,000 Staked ICX vote to "Approve" ICONist A's Contribution Proposal

10. The vote passes, and the EEP is moved from "pending" to "approved"

11. Since the vote was approved, the 550 ICX staked in the Contribution Proposal is frozen

    a. If the vote did not reach quorum, all 550 of the ICX would have been returned to the proposer

    b. If the vote was rejected, all 550 ICX would be burned

12. The EEP is now ready to receive delegation from ICONists

2.5.1 Flowchart of Contribution Proposal Registration

Please see the below flowchart for an illustration of the Contribution Proposal Registration Process

3. Post-Registration Process

After completing the registration process, and gaining the approval of ICONists, Contribution Proposals move from "Pending" to "Approved". At this point, registered and "Approved" EEP and DBP Contribution Proposals will be able to receive delegation of Staked ICX from ICONists.

3.1. Receiving Delegation

"Approved" Proposals can start to receive delegation of Staked ICX from ICONists immediately post the contribution voting period of 1,296,000 blocks (or ~30 days). Delegation rewards will be determined based on the Stake Weighted % of each block. These rewards will be accumulated over the representative term, and distributed on a T+2 basis.

As mentioned previously, the voting weight for each ICONist will be relative to the amount of Staked ICX they control, where 1 Staked ICX = 1 vote. ICONists can delegate their respective Staked ICX on as many "Approved" Proposals as they would like. Additionally, ICONists can re-delegate their Staked ICX as often as they would like.

Please refer to the Yellow Paper (IISS 2.0) for more details on the reward calculations.

3.2. Progress Reports

In order to increase transparency, support active community engagement, and increase participation in the ecosystem, EEPs and DApps will be required to prepare Progress Reports on their "Approved" Contribution Proposals. These reports will need to be submitted at UTC 00:00 every 1,296,000 blocks (or ~30 days).

The requirements for each progress report are outlined in the next section. Progress Reports are designed to ensure "Approved" Proposals are contributing in a satisfactory manner relative to ICONists expectations. To this point, Progress Reports provide ICONists an opportunity to re-examine their initial delegation and re-delegate if the contribution is not meeting their expectations.

Once submitted, an immutable record of each progress report will be saved on the ICON public network. If the Progress Report is not submitted on time, the DApp/EEP will be disqualified and the ICX originally staked into the Contribution Proposal will be burned.

3.2.1 Progress Report Requirements

The progress report will include the following items:

- Name of the Activity

- Type of Activity

- Status summary in text

- Completion percentage

- Remaining time to completion

- Review of each KPI (Key Performance Indicator) or specific goal/milestone
    - Indicator or goal overview
    - Status summary in text
    - Completion percentage

3.3. Disqualification Guidelines

To prevent malicious actors from taking advantage of the network, ICONists can disqualify any DApp or any EEP via a vote at anytime. This ongoing vote will be made available once "Pending" contributions move to "Approved". In order to disqualify any EEP or DApp, 51% of Staked ICX must vote to disqualify.

3.4. Example of Post-Registration Process

Please see the step-by-step walkthrough of the Contribution Proposal Post-Registration Process

1. EEP A has been approved to host 2 ICON meetups per month in Africa, and ICONist A submitted EEP A

2. EEP A had 1,000 ICX staked in it, so 1,000 ICX was frozen in the EEP.

3. EEP A will last for 3 months 3,888,000 blocks

4. EEP A is now receiving delegation from ICONists

5. At the specified time (UTC 00:00 every 1,296,000 blocks (or ~30 days), ICONist A submits his EEP-PR (Progress Report) with pictures from the meetups, cost of the meetups, ICX spent on the meetup, number of attendees, etc.

6. After 3,888,000 blocks EEP A ends and the 1,000 frozen ICX is returned to ICONist A

   a. Alternative: EEP A is fake. 51% of Staked ICX participates in a vote to disqualify. EEP A is disqualified and the 1,000 frozen ICX is burned

4. Conclusion

The Contribution Proposal System combines decentralized, distributed, autonomous and meritocratic governance principles that could shape how organizations are structured and operated in the future. As a beta version of this novel governance design, the Contribution Proposal System eliminates the necessity of a central authority in decision making processes.

The DApp Booster Program (DBP) and Ecosystem Expansion Projects (EEPs) implementations provide an opportunity for ICONists to fund new initiatives and accrue governance rights through their voting and delegation. These implementations are a first step towards the migration of the ICON Republic into one of the first fully operational Decentralized Autonomous Organizations (DAO).