

DeXe DAO

MEMORANDUM

Contents

What's a DAO?	2
Why DAO for DeXe.network?	3
Decentralization	3
Self-sovereignty	3
Accessibility	3
Transparency	4
Trust & Confidentiality	4
DeXe.network Token	5
DEXE within DeXe DAO	5
Members' accession and exit	5
Voting and Proposals	6
Proposals	7
Implementation	7
Veto	8
DeXe Representatives	9
Management of Funds	11
Allocation of Funds	13
Interruption of Protocol Functioning	14
Closing Remarks	15

What's a DAO?

DAO or **decentralized autonomous organization** is a permissionless alternative to the centralized management of legal entities, which has been a cause of long-lasting troubles found under the key words of “minority shareholders”, “lack of control”, “unethical management”, “corruption” etc.

Decentralized basically means that there is no central management, board of directors, CEO, COO, CTO and other similar acronyms typical for traditional entities. The organization is governed by the code or protocol which is designed specifically to facilitate governance of the organization. The typical dilemma of power concentration and ignorance of general interest is by nature impossible in DAO, since each and every stakeholder (usually token holder) in DAO has equal voting rights. All the decisions about economical, ideological, social development of the project and community behind DAO are made by voting by all stakeholders of DAO and all the transactions are irreversible thanks to blockchain.

Autonomous feature of the organization is secured also by the protocol – smart contract, since the daily operations of the organization are automatically enforced when meeting a specific condition (e.g. majority of votes in favor) by the protocol.

Organization implies creation of community with certain rules, or if voted so by the community members – with no rules at all. Thus, the rules of the DAO, which are usually strictly defined in the traditional entity's by-laws, are voted on by the members of DAO. Since there is no management in the DAO, each member has to contribute to the organization by voting and providing proposals for flourishing organization. Members of DAO are not tied by any formal contracts or obligations and are driven by the mutual goal and network incentives which circle around the transparent consensus rules.

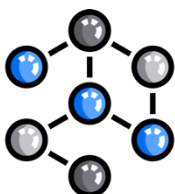
DAO promotes the integrity of all members of the community, elimination of power concentration, access to trusted business and ecosystem for everyone and optimization of collaboration by autonomy and contribution.

Inspired by Ethereum's vision, we have long committed to the ideals of permissionless access, security, and immutability, all indispensable components for a future where anyone in the world can access financial services without fear of discrimination or counterparty risk.

Why DAO for DeXe.network?

Decentralization

Ownership and power concentration become a “thing”, when the company grows. Statistics that within **50%** of 50 000 listed companies worldwide with a combined market value of USD 80 trillion, the **3 largest shareholders** held **50% of the capital**¹. These shareholders have the power to directly influence the development vector of the company, as well as influence and elect the executive board.



In DAO the power is decentralized and even though an executive body in DeXe DAO is offered to be elected in order to perform the tasks which currently remain outside of the smart contract functionality, their powers are limited exclusively by the results of the voting.

Besides, token holder may submit a proposal on every matter and the proposal may only be accepted or declined upon the voting procedure.

Self-sovereignty

Members of DAO can easily access and exit DAO. No invitation from existing members is required to enter DeXe DAO. You share the values and mission of the community, you are interested in joining it by purchasing tokens? You are a member of DeXe DAO.



In order to exit DAO no tiring selling procedures, shareholder resolutions or other time-consuming bureaucratic stuff is involved. You receive the payment for your tokens depending on their listing value and quit the DAO. Thus, whenever you dislike the movement of the organization you may try to remedy the situation by your proposals or quit DeXe DAO effortlessly and with no financial risks involved.

Accessibility

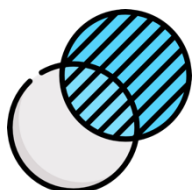


DAO exists within no specific national legal field, thus there are no legislative limitations as to the nationality of members, local directors or secretaries, proves of addresses and other time-wasting requirements which any of you, who have ever tried to enter a foreign entity must have encountered.

¹ <http://www.oecd.org/corporate/Corporate-Governance-Factbook.pdf> page 17

DeXe.network values its versatile community and the contribution of its members from all over the world and DAO perfectly satisfies the conditions for the development of such inclusive community.

Transparency



Protocols that constitute DeXe DAO are open-sourced. This contributes to the community, since the code can be reused by anyone wishing to start another DAO and extend the ecosystem. Besides, the code may be reviewed by anyone to ensure how the processes in the DAO work, as well as review all the transactions made within DAO, which are immutably recorded on Blockchain.

Whereas the system is decentralized, the choices by the members may only be made freely without any pressure or coercion.

Trust & Confidentiality



Whereas the system is decentralized, the choices by the members may only be made freely without any pressure or coercion, and the confidentiality ensures that the location, name and appearance of the members is protected by privacy of cryptography. In DeXe DAO each member is identified exclusively by their crypto-wallet number. This also eliminates the risk of “teaming up” intentionally for or against an idea, person or proposal, since voting remains anonymous.

Besides, the autonomous smart contracts of DeXe.network eliminate the risks of transferring digital wallet details such as private keys and API, any virtual currency data or other personal data to a third party.

DeXe DAO will become an open, globally accessible community based on contribution from all the members.

The network participants – token holders are an invaluable resource for the development of DeXe.network, and your participation in the governance of DeXe DAO proportionally provides for the network growth.

DeXe.network Token

The DeXe token (DEXE) enables the open and permissionless system. Following protocol rules and contributing resources facilitates consensus between participants.

The token has two vital functions:

- (1) Automatic buyback and distribution among insurance vault, farming rewards among token holders and burning of tokens for a % of traders' rewards. Refer to [DeXe Light Paper](#) for more details.
- (2) Participation in DeXe DAO.

It is not required to be a DEXE token holder to participate in DeXe.network and benefit from the several of its social trading functions. Moreover, DeXe is uploading DEXE smart contract into the open-source community which is free speech and is the fundamental tenants of our Memorandum. However, in order to be able to fully participate in the community, receive the voting right, contribute through proposals and benefit from the incentives inside the network, basically, to become the member of DAO, you are required to acquire DEXE.

DEXE within DeXe DAO



Members' accession and exit

Both entrance and exit of new members to DeXe DAO are permissionless.

Everyone may become a member by acquiring DeXe token (DEXE) during the token sale or further on, which is further described in details in [DeXe Light Paper](#). Upon purchasing DEXE token holders becomes the member of DAO token and receives all of the economic rights implied under DEXE, as well as the right to (a) vote; (b) submit proposals; and (c) become DeXe Representative. Each DEXE provides the member with one vote, thus the system similar to usual shareholding is created.

Each member may quit DeXe DAO at any time for any reason and without involving any reputational or financial risks.

Members shall be also entitled to kick the member of the DAO out, however, exclusively in the case when the member has maliciously (a) continuously paused the properly functioning protocol or caused the network

shutdown without any objective reasons (see Section “Interruption of Protocol Functioning”); (b) has implemented the changes into the protocol without taking the proposal through the proper voting procedure if the decision has been vetoed and the change has caused damage to the network; or (c) by any other means has intruded into the smooth and proper functioning of the protocol. The kick-out shall be performed through the general voting procedure. Kick-out will result in the automatic black-listing of the member’s account (wallet), which will disable them from participating in the voting, as well as review voting proposals.



Voting and Proposals

Every change in the structure of DeXe DAO, its daily operations and plans, as well as any business and functionality decisions regarding DeXe.network may only be implemented upon the proper on-chain voting by the token holders.

For instance, regarding DeXe.network the vote may be on, but not limited to:

- (1) the period of time and regulating the percentage of burned tokens;
- (2) amount of farming rewards received (increase or decrease the % of accrual);
- (3) amount of burning of tokens for a % of traders’ rewards;
- (4) amount of burning of the insurance vault;
- (5) the insurance event and to deploy assets (likely a stablecoin like USDC) from the insurance vault;
- (6) ability to vote for the date of burning tokens and the accrual of farming rewards.

Refer to [DeXe Light Paper](#) for more details.

As to the DeXe DAO token holders may vote on, but not limited to:

- (1) financial incentives within the DAO;
- (2) change of DeXe DAO memo;
- (3) grants of DAO funds for the development of ecosystem;
- (4) addition of new features to the DAO protocol.

Etc.

Proposals

The list of actions brought to voting is unlimited, since so is the creativity of the DeXe DAO network. Each and every change may be introduced and implemented exclusively via the proposals process. The proposal may be submitted by DeXe DAO member and may include any offer, preferably beneficial to the community.

The process shall go on as follows:

- (1) DeXe DAO member submits the proposal. Thereupon the 7 day consideration period begins.
- (2) 4% of DeXe DAO members should vote on the proposal via exclusively on-chain voting to reach quorum.
- (3) One DEXE = one vote.
- (4) The voting is anonymous, the count of votes is permanently visible.
- (5) The proposal is regarded approved by network upon the end of the consideration period, if the majority of the token holders of DeXe DAO went for "in favor".
- (6) The decision upheld by the majority is thus similar to the usual voting in traditional entities, however the approval of the proposal constitutes a binding demand for DeXe DAO protocol.

Initial governance parameters at DeXe DAO are:

- 1% of DEXE total supply (delegated) to submit a governance proposal;
- 4% of DEXE supply required to vote 'yes' to reach quorum;
- 7 day voting period;
- 2 day timelock delay on execution.

Implementation

In case of the proposal's approval, there are two possible ways of its implementation into protocol:

(1) On-chain implementation.

Vast majority of the possible changes may be implemented automatically by the protocol and require no action from the token holders. Upon the approval of the proposal and end of the consideration period the system will automatically implement new changes. One example for such a change is a contract DEXE holders can use to vote on portfolios for which they will collect fees or the amount of fees DeXe.network can collect. The community is encouraged to consult knowledgeable legal and regulatory professionals before implementing any specific proposal.

(2) Off-chain implementation.

There may appear voted proposals, which require additional actions which may not be automatically performed by the protocol. For instance, change in the interface of the DeXe.network platform or change to the text of the DeXe DAO memo and respective changes to the protocol. For these needs the DeXe Representatives will be elected (see section "DeXe Representatives" for further details). They

will be in charge of facilitating all and any off-chain changes, which have been voted by the token holders.

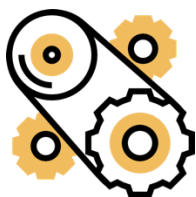
Veto

In case the member of DeXe DAO implements or initiates the implementation of any change to DeXe DAO protocol, DeXe.network or any other change, which has not been properly voted on and thus without the consensus of the community, the token holders have the veto right. If the token holders use their veto right upon the unagreed change, the system will automatically stop the implementation of the change.

This right is of paramount importance for the community, since every transaction in DeXe DAO shall adhere to the consensus principle.

Each decision which influences DeXe.network and DeXe DAO may be exclusively taken via voting procedure.

Thus, the network achieves (a) transparency and total engagement of its members; (b) premediated decisions taken by those, interested in the network growth; (c) ideas and incentives for the upgrade of the protocols and system from the whole community rather than managing part of the organization.



DeXe Representatives

As it was slightly mentioned before, there are certain changes that the network decides to implement, which are out of the scope of on-chain automatic implementation. We as a community encourage all of us to contribute to the protocol in order to increase its autonomous functionality and the core-team of the developers are currently working on possible ways of total transition to on-chain changes enabling. We, however, simultaneously realize the need for immediate reasonable decision for the current state of the project's development.

Whereas complete decentralization is our ultimate goal, the risk of the project blockage for the sake of its immediate achievement will actually be a disservice to the decentralized community and DeXe.network in particular.

In the traditional organizations the founders and core team of the project are usually the management board of the company. This is however alien to DAO as a concept and our striving for decentralization. The DeXe Representatives shall be elected by the token holders on the basis of representative democracy. Each and every member will have the possibility to submit their candidacy for the DeXe Representative and the other members shall vote on the exact candidate. In view of the initial token allocation, it is suggested that the community shall elect 5 DeXe Representatives for primary functioning. Upon the network's growth the number and election procedure of the Representatives shall become the subject of voting.

If the elected DeXe Representative(s) continuously fails to perform their main and only obligation of off-chain facilitation of the approved proposals, token holders may vote for the removal of the representative and reelection of the new one.

DeXe Representatives shall remain unbiased and thus in order to eliminate the highly doubtful, though existing possibility of external influence on them, DeXe Representatives will receive remuneration for their functions in DEXE. The amount of remuneration, mode of payment and calculation shall become the issue to be voted on by the DeXe DAO members, so that the consensus representing the balance between the incentive for the Representatives' work and impartiality is established.

It is important to keep in mind that the core team of DeXe.Network will not automatically become DeXe Representatives and their status will be equal to the status of all token holders.

However, the core team will remain in the process of the protocol development, auditing, and other matters in order to extend the decentralization functions of DAO protocol. At the same time, any changes to the protocol by the core team members will be put on vote in a regular manner. Core team will not participate directly in governance for the foreseeable future, although they may delegate votes to protocol delegates without seeking to influence their voting decisions. The core team should also be a first “go-to” for the DeXe representatives if the voted change requires the upgrade of the protocol, since it will only be beneficial for the network. However, the core team does not claim to be the “all-mighty” and if there are tasks that need to be performed by external experts the DeXe Representatives are invited to introduce them to the community. Finally, the core team may be required to implement some emergency changes in case the protocol fails. Upon such changes’ implementation and restoration of the system’s proper functioning, shall the changes negatively influence the previous functionality of the DAO protocol – the members may use their veto right on them.

DeXe.network governance will be live from day one, although full protocol functionality and control over the treasury will be delayed until the end of 2020. Control over the DeXe.network fee switch is subject to a delay as well



Management of Funds

Token Holders Incentives

One of the DEXE functionality includes automatic buyback and distribution among insurance vault, farming rewards among token holders and burning of tokens for a % of traders' rewards, proportionally within DeXe.network. DeXe.network processes automatic buyback from its social trading activity. By default 1\3 of automatic buyback shall be distributed in the sake of the development of DeXe.network. The distribution is monthly made automatically by the protocol (more detailed in the DeXe WP). However, the members of DAO shall take initiative to further vote on the amount of buyback automatically processed for DeXe.network, as well as directed to other needs of the platform, its development, community and ecosystem enhancement etc. Members of DeXe DAO will remain in full custody of the funds and their streaming to the most important, as decided by consensus, goals.

Besides, the token holders are well invited to create other initiatives and incentives which may be rewarded by DEXE, for instance if any of the members personally upgrades the protocol, introduces drastic positive changes or otherwise significantly contributes to the community. DeXe Representatives shall also be rewarded via the token holders incentives mechanism, as the community shall decide.

Grant of Funds and other

DeXe network is committed to contributing and enhancing the decentralized ecosystem within the DeXe DAO community and far behind its membership. Thus, DeXe is committed to allocate DEXE tokens for the purposes of conduction of meetups, grants to the community, learning and spread of knowledge, partnership. As described in further details in [DeXe Light Paper](#), 33% of DEXE tokens are intended to be used for these purposes.

DeXe network is also committed to contributing to a strategic ecosystem partnerships that facilitates consensus between participants and includes, among other features, protocol participation, community building and research.

However, the exact decision as to the management of funds and their direction for the ecosystem needs shall be taken exclusively by the token holders via the usual voting procedure. Members of DeXe DAO are welcomed to introduce any possibilities of ecosystem growth by the proposals brought to voting and thus allow the community to choose the most decent ways of funds' contributions.

Investment

With the growth of DeXe.network there may appear investors who, being encouraged by the ideas of DeXe network, will be interested in the investment of the network as such, outside of the usual token acquiring procedure. Where this investment may be beneficial to the network, the members are invited to come up with the idea of how to accept this investment. For instance, the incentive to issue additional tokens for the investor or to create the pool of tokens of those members, ready to sell their tokens to the investors.

In any case, any proposal as to the acceptance of investment, mode and terms of such investment shall be voted on by the members of DeXe DAO. Same, any other decision that will result in any funds transaction will require a proper voting procedure, transferring the decentralised control of funds to the DeXe DAO community.



Allocation of Funds

Whereas DeXe.network aims to complete decentralization and grant of complete funds, including treasury, management to the community, the functioning of the DeXe.network already inherently requires several expenditure items to be constantly paid for. These include expenses for market-making, smart contracts development, marketing etc.

Such expenses will be carefully considered by the core team and presented to the public annually. By their nature seem to be possible to be changed exclusively if the partners of DeXe.network (exchanges, marketmakers, marketing agency, developers are changed) are also altered. These expenses shall be currently accepted by the token holders as necessary for the maintenance of the platform and the members shall also realise that they may proportionally grow with the growth of the network.

At the same time, DeXe DAO community will be extremely grateful to and supportive of any member or initiative that will find a way to decrease annually presented expenses without any losses of productivity and smooth functioning and development of the network.



Interruption of Protocol Functioning

Pause by Member

In case of the incident, malfunction or disruption of the protocol functioning every member may pause their oracle or the whole system by initiating the temporary pause procedure. If the malfunction appears to be actually hurting the functioning of DeXe.network the protocol will either solve the issue or the core team of developers will be involved in order to solve the bug ASAP.

However, in order to prevent abuse of the pause procedure, the community has the following prevention mechanisms:

- (1) The pause period shall be limited to the primarily decided by the token holders time period; and
- (2) In case there is no malfunctioning happening but the member or several of them continues to disrupt the function of the protocol, the remaining members may by virtue of voting unpause the protocol.

Shutdown of Protocol

In case the protocol automatically detects malicious phenomena in the network, the protocol will automatically shut itself down and restore upon the solution of the problem autonomously or by the core development team. At the same time, if the token holders obtain control over the system by any possible means and are assured of the protocol's functioning safety, they, by virtue of general voting procedure, may reenale the functioning of the protocol.

Closing Remarks

DeXe DAO contributes to the decentralised ecosystem by putting their efforts into complete decentralization of platforms. It also creates a safe environment for the operation and development of DeXe.network, where all funds, governance and essential elements of the system are decentralized and autonomous.

Every member of DeXe DAO may and is invited to contribute to the network through the proposals. Every member of DeXe DAO has the ability to influence the strategy and development of the network and the project. Every member of DeXe DAO is entitled to transparent observance of all transactions and protocols, and every member has the equal ability to impact the development of the whole ecosystem.