



# A short introduction to CIP-1694

Cardano Improvement Proposal (CIP) 1694 is a plan for community self-governance on the Cardano blockchain. Under this proposal, ada holders delegate voting stake to representatives who vote for governance actions on their behalf.

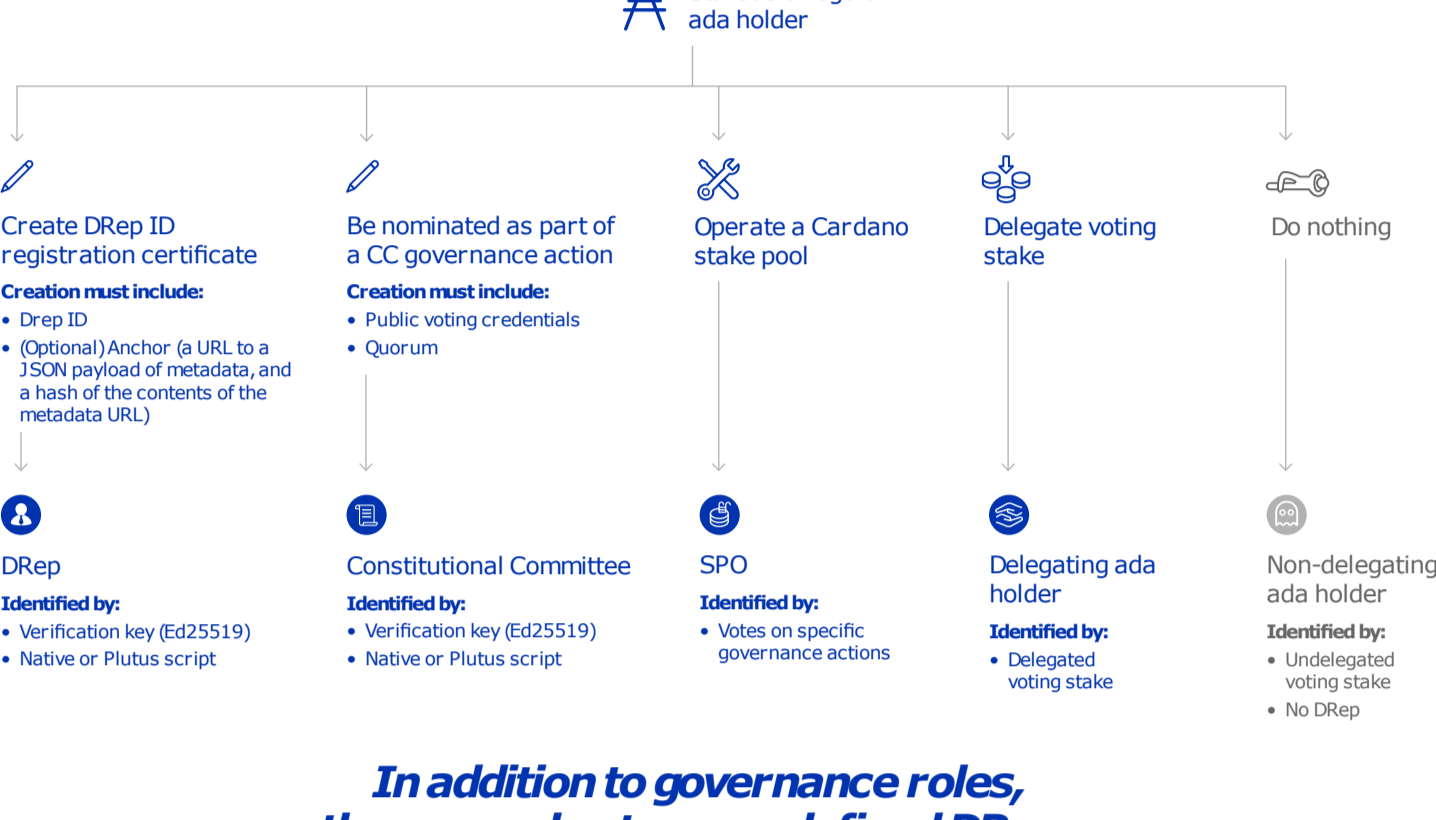
Delegate representatives (DReps) are joined in voting by a Constitutional Committee (CC) and Cardano stake pool operators (SPOs). The Cardano ledger then records and tracks all governance actions submitted by ada holders.

## Governance roles

There are five roles describing community member participation in governance

- Delegate Representative (DRep)**  
Directly casting votes on all governance actions, DReps represent those ada holders delegating stake to them.
- Constitutional Committee (CC)**  
Voting only on the constitutionality of actions, if the CC oversteps this bound, the role can be revoked with a no-confidence action. The role is also revoked automatically when terms expire.
- Stake Pool Operator (SPO)**  
SPOs vote only on specific governance action types.
- Delegating ada holders**  
Ada holders who do not become DReps can delegate voting stake to the DRep of their choice, so the DRep may vote on their behalf.
- Non-delegating ada holders**  
Ada holders who do not delegate their voting stake to any DRep automatically fall into this category.

**The governance roles are attained through the defined processes outlined below**



**In addition to governance roles, there are also two pre-defined DReps with automated voting behavior**

These two programmatic voting roles allow ada holders to automate the effects of their governance stake, while also being considered for the purpose of stake delegation incentives.

- (Auto)Abstaining DRep**  
This is a pre-defined DRep that allows ada holders to delegate in a way that does not participate in governance and is not part of the active voting stake.
- (Auto)No-confidence DRep**  
This is a pre-defined DRep that allows ada holders to delegate in a way that is considered part of the active voting stake, and votes Yes on every no-confidence action, while voting No on every other action.

## Governance actions

There are seven types of actions available to submit for vote, as well as requirements and rules for each

**Any ada holder can submit any of the below actions for voting**

This includes ada holders who choose not to delegate voting stake. However, submission deposits will not be refunded to non-delegators if the action is bootstrapped.

**In addition to any individual requirements, all actions must include:**

- Deposit amount
- Reward address
- (Optional) URL to metadata justifying the action
- (Optional) Metadata hash of URL content
- Hash digest value (previous Governance ID of this type)

<p><b>Motion of no-confidence</b></p> <p>Passage places the CC in a state of no-confidence, and drops any other actions in the current epoch.</p> <p><b>Action-specific requirements</b></p> <ul style="list-style-type: none"> <li>• (None)</li> </ul> <p><b>Who can vote</b></p> <p>DRep CC SPO</p>	<p><b>New Constitutional Committee and/or Quorum percentage</b></p> <p>Passage allocates CC status, redefines the ratio required for quorum, or both.</p> <p><b>Action-specific requirements</b></p> <ul style="list-style-type: none"> <li>• Set of key hashes</li> <li>• CC appointment expiration</li> <li>• Quorum percentage</li> </ul> <p><b>Who can vote</b></p> <p>DRep CC SPO</p>	<p><b>Updates to the constitution</b></p> <p>Passage adds language to, or removes language from, the constitution.</p> <p><b>Action-specific requirement</b></p> <ul style="list-style-type: none"> <li>• Hash digest of constitution document</li> </ul> <p><b>Who can vote</b></p> <p>DRep CC SPO</p>
<p><b>Hard fork initiation</b></p> <p>Passage initiates the hard fork process, upgrading Cardano.</p> <p><b>Action-specific requirement</b></p> <ul style="list-style-type: none"> <li>• New major protocol version, which must be one greater than the current version</li> </ul> <p><b>Who can vote</b></p> <p>DRep CC SPO</p>	<p><b>Protocol parameter changes</b></p> <p>Passage results in changes to technical parameters associated with Cardano's operation.</p> <p><b>Action-specific requirement</b></p> <ul style="list-style-type: none"> <li>• The changed parameters</li> </ul> <p><b>Who can vote</b></p> <p>DRep CC SPO</p>	<p><b>Treasury withdrawal</b></p> <p>Passage results in transfer of funds from the treasury to another Cardano address.</p> <p><b>Action-specific requirement</b></p> <ul style="list-style-type: none"> <li>• Map from stake credentials to a positive number of lovelace</li> </ul> <p><b>Who can vote</b></p> <p>DRep CC SPO</p>

**Protocol parameter groups**

Grouping protocol parameters allows different thresholds to be set for each group, and also supports separate votes. Also, DReps may choose to abstain to vote on parameter changes outside their field of expertise. The network, economic, and technical parameter groups collect existing protocol parameters that were introduced during the Shelley, Alonzo, and Babbage eras. In addition, there is a new governance group, specific to the new governance parameters introduced by CIP-1694.

<p><b>Network group</b></p> <ul style="list-style-type: none"> <li>• Maximum block body size (maxBBSize)</li> <li>• Maximum transaction size (maxTxSize)</li> <li>• Maximum block header size (maxBHSIZE)</li> <li>• Maximum size of a serialized asset value (maxValSize)</li> <li>• Maximum script execution units in a single transaction (maxTxExUnits)</li> <li>• Maximum script execution units in a single block (maxBlockExUnits)</li> </ul>	<p><b>Economic group</b></p> <ul style="list-style-type: none"> <li>• Minimum fee coefficient (minFeeA)</li> <li>• Minimum fee constant (minFeeB)</li> <li>• Delegation key lovelace deposit (keyDeposit)</li> <li>• Pool registration lovelace deposit (poolDeposit)</li> <li>• Monetary expansion (rho)</li> <li>• Treasury expansion (tau)</li> <li>• Minimum fixed rewards cut for pools (minPoolCost)</li> <li>• Minimum lovelace deposit per byte of serialized UTXO (coinsPerUTXOByte)</li> <li>• Price of Plutus execution units (dRepDeposit)</li> </ul>
<p><b>Technical group</b></p> <ul style="list-style-type: none"> <li>• Pool pledge influence (a0)</li> <li>• Pool retirement maximum epoch (eMax)</li> <li>• Desired number of pools (nOpt)</li> <li>• Plutus execution cost models (costModels)</li> <li>• Maximum number of collateral inputs (maxCollateralInputs)</li> <li>• Proportion of collateral needed for scripts (collateralPercentage)</li> </ul>	<p><b>Governance group</b></p> <ul style="list-style-type: none"> <li>• Governance voting thresholds (P1, P2a, P2b, P3, P4, P5a, P5b, P5c, P6, Q1, Q2b, Q4)</li> <li>• CC term limits</li> <li>• Governance action expiration</li> <li>• Governance action deposit (govDeposit)</li> <li>• DRep deposit amount (dRepDeposit)</li> <li>• DRep activity (dRepActivity)</li> </ul>

## Voting

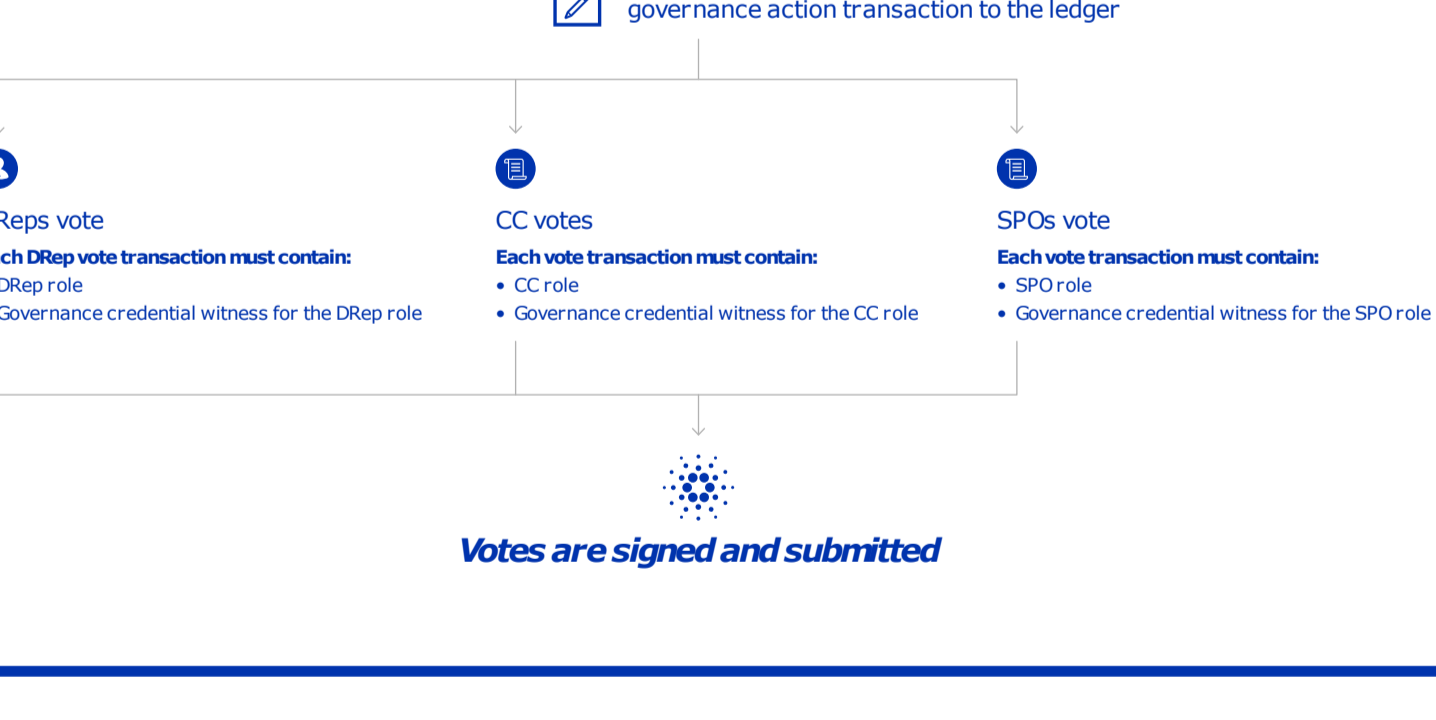
Once an action is submitted, those with applicable governance action sign and submit their votes on-chain

**Abstain votes are not included in the active voting stake**

Abstaining usually (but not always!) has the same effect as a 'No' vote.

**In addition to individual requirements, all vote transactions must include:**

- Governance action ID
- URL for any metadata relevant to the vote
- Hash of the contents of this URL
- Yes/ No/ Abstain vote



## Example of governance state

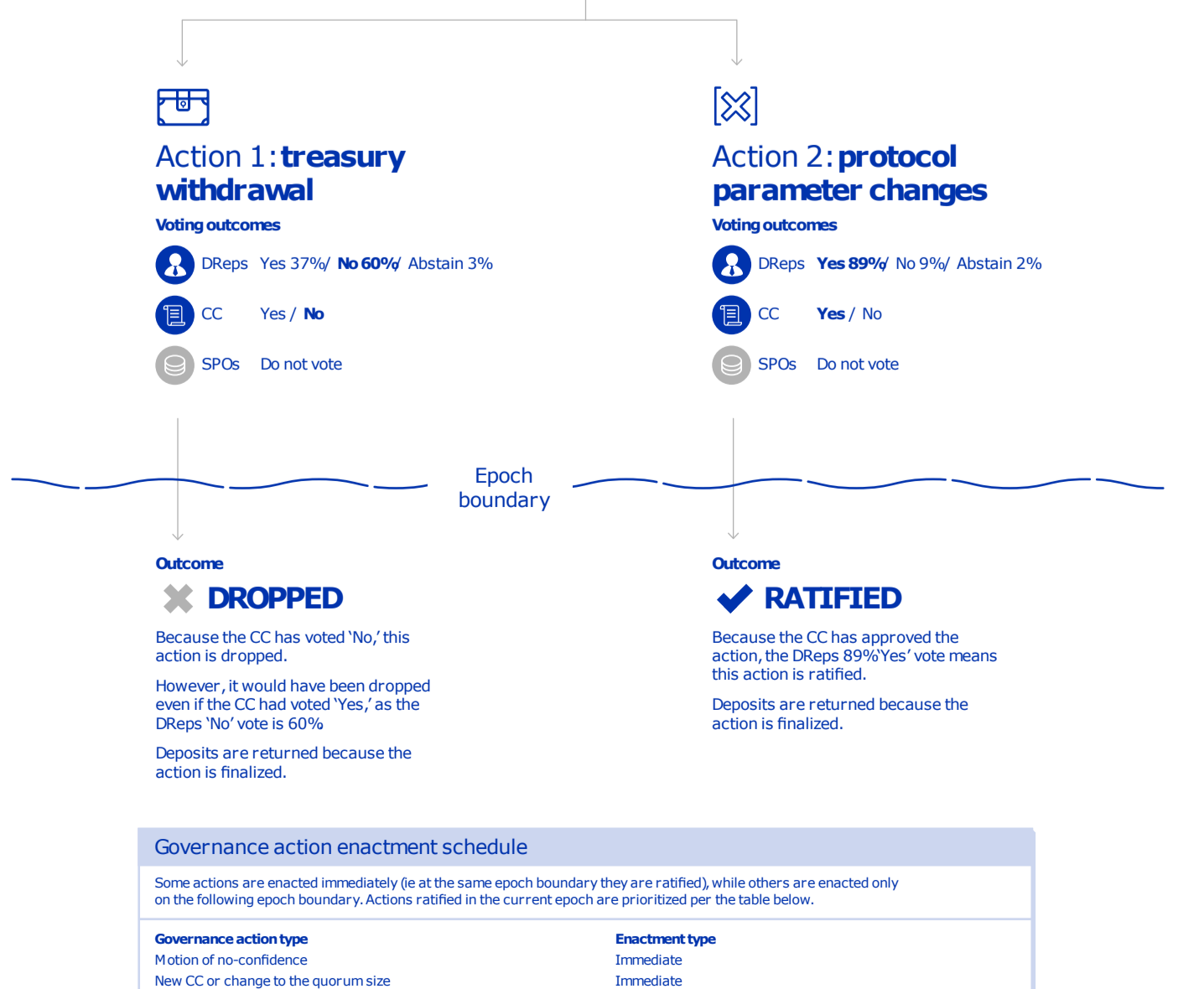
An overview of how governance state progresses, using an example epoch with two submitted actions.

**Data tracked by the ledger state are the same for all types of governance action:**

- Governance action ID
- Epoch the action expires
- Deposit amount
- Rewards address receiving deposit return
- Total Yes/ No/ Abstain votes for DReps, the CC, and SPOs

**Governance thresholds specify a level of community participation required for actions to be ratified**

Thresholds relate to the amount of lovelace actively registered to vote, and should be chosen by the Cardano community as a whole. It may make sense for some or all thresholds to be adaptive. For example, a threshold could vary between 51% (in the case of a high registration level) and 75% (in the case of a low registration level).



Governance action type	Enactment type
Motion of no-confidence	Immediate
New CC or change to the quorum size	Immediate
Updates to the constitution	Immediate
Hard fork initiation	Next epoch boundary
Protocol parameter changes	Immediate
Treasury withdrawals	Immediate
Info	Immediate