

Cosmos Hub - Confio Funding Proposal

Summary

This is a signaling proposal. If it passes, it indicates the community's willingness to raise a community pool spend proposal to support the Confio team in their stewardship of CosmWasm, CosmJS with the ATOM equivalent of \$2.5M dispersed in two payments, in accordance with the process outlined below.

Purpose

Strengthening the ATOM Economic Zone through support and Public Goods.

Confio is the team responsible for the stewardship and development of a huge number of libraries fundamental to many developers in the Cosmos. The best known are the CosmJS & CosmWasm libraries, two key components of the Cosmos software stack, but you can review the [list of dozens of repositories](#) Confio maintains. These libraries are highly valued by developers and chains across the Cosmos ecosystem. In addition, they focus on expanding IBC protocols by developing IBC-enabled contracts and training others how to do so as well.

Confio is also prepared to offer some services and support for the success of Cosmos Hub secured consumer chains in exchange for such funding support. This will be defined more below, but it should be clear that there are also tangible benefits for the Cosmos Hub through this proposal.

Why should the Hub fund Confio?

Hard vs. Soft Power

In the coming months, a software upgrade proposal to adopt Gaia v.9.0.0 will be raised to the Cosmos Hub. This proposal will include replicated security, which will allow other blockchains to "lease" the security of the Cosmos Hub, making it as difficult to perform an economic attack on a consumer chain as it would be to perform the same attack on the Hub itself. We can think of this as the Hub granting its "economic security" to the consumer chain. This can be thought of as a form of hard power.

In politics, hard power is the use of economic or military means to influence behavior. In our particular cryptographic environment, we can easily extend the metaphor to the use of economic security as an incentive to attract developers. In the Interchain ecosystem, we will see a marketplace of consumer chains seeking this economic security as a service.

However, this is a narrow view of the environment that consumer chains will be navigating. They will not only seek economic security, but are also likely to seek healthy governance precedent, adequate tooling, financial support, and access to human resources like talent, ideas, and users.

It should be clear from the above paragraph that hard power is only one means of exerting influence. In order to further strengthen the Hub's position as a Hub in the interchain, soft-power is another key component.

In politics soft power is defined as the use of economic or cultural influence to influence behavior. In our cryptographic environment it can be thought of as the intangible areas that consumer chains will need beyond economic security.

It is worth noting that a complex interplay of relationships across chains in the Interchain is one of the central components of the Cosmos ethos, and the Cosmos Hub's primary value proposition is to provide a firm foundation for navigating these relationships. By serving as this foundation, the Cosmos Hub and its stakeholders will accrue token fees of the chains that use its services. Thus, the Cosmos Hub is incentivized to provide the highest quality experience (in terms of both hard and soft power) for all those that choose to form a relationship with or around it. By doing so, it will attract the highest-quality talent and cement its role as an irreplaceable Hub.

Funding Public Goods

With the view of soft power in mind, it is clear that funding the maintenance and stewardship of two key components of the Cosmos software stack is valuable to the Cosmos Hub. Developers highly value both CosmWasm and CosmJS, and consumer chains of the Cosmos Hub are highly likely to utilize these libraries in the emergent value they create for the ecosystem.

By funding Confio, the Cosmos Hub asserts its willingness and ability to support the highest quality tooling in the Cosmos network, and thus support the chains that wish to use these tools. Supporting the Confio team is a valuable step in providing the intangible human resources that developers will look for when they are seeking a home for their next great idea.

Support For Consumer Chains

Additionally, Confio can provide tooling and support to help promote the success of various CosmWasm-enabled consumer chains. The exact scope of such support should be refined, but as a guide, some ideas we had are:

- Providing reasonable technical support to CosmWasm-based Hub consumer chains (eg wasmd integration, extensions, etc)
- Prioritize the needs of the Cosmos Hub (and consumers) in our backlog and roadmap
- Providing off-chain developer tooling supporting the Hub and its consumer chains
- Contribute as needed to development of ICS technology
- Integrating advanced IBC protocols in Hub consumer chains

We are open to feedback to refine this list, but we want to make sure this is a two-way street, and the Cosmos Hub also benefits directly from the support they are considering to grant Confio.

Execution Details

Community Pool Spend

Assumptions

All of the following statements are made using the following assumptions:

- The ATOM price used in calculations is \$13.004, which is the 30 day moving average price of ATOM as of February 6th.
- Proposal 95 has passed, and those 588,000 ATOM have been dispensed
- The calculations used to determine the community pool budget can be found here: <https://docs.google.com/spreadsheets/d/1Bb6RZbL4YWe6LdWD7o1-TSuMMCIpbD6X0S1I4vAux4l/edit?usp=sharing>
- In the spreadsheet, the Hub funds Confio's entire yearly expense. A more optimal outcome would be interchain collaboration in which each chain funds a percentage of Confio's needs.

Pool Percentage

- Funding Confio with the ATOM equivalent of \$2.5M from the Cosmos Hub equates to less than 1% of the USD value of the community pool on a monthly basis.
- Each tranche of community pool spend will consume for ~5.4% of the total ATOM in the community pool.

Payment Details

The process for the community pool spend will be as follows:

Signaling vs. Community Pool Spend

- Contingent upon the passing of the signaling proposal, the first pool spend proposal will be raised in early march, the second will be raised in August.
- The first payment proposal will be raised only if this proposal passes with a super-majority (>66%) of yes votes.

ATOM Amounts & Sale Terms

- Fund Confio with the ATOM equivalent of \$2.5M with two separate community pool spend proposals, each requesting the ATOM equivalent of \$1.25M.
- At the average price (\$15.005) given above, this equates to 83,305 ATOM per spend.
- The actual ATOM request in each proposal will be based on (30? 90?) day rolling average price before the proposal goes on chain. Thus the ATOM request in the second tranche will be adjusted to be reasonable.
- The ATOM will be sent to a multisig and should be properly managed and slowly liquidated when the market can handle it.
 - Sale of ATOM should cause no more than 1% price impact in any given day? 4% on any given week?
 - ATOM should be sold over 1 month following the release of the funds to the multisig.

Fund Release

- In order to provide a legally registered counterparty to fund Confio, the Neutron foundation will function as the standing recipient of the community pool spend
- The funds will be released to a multi-sig wallet owned by the Neutron Foundation with the following 3-5 signers:
 - TODO: confirm exact signers
- After the ATOM are liquidated into USD, they will be transferred from the Neutron Foundation to Confio
- Confio will release a statement declaring receipt of the funds and the resumption of public goods work
- A public report of work done will be issued in August, before the application of the second tranche. The purpose of this report is to solicit feedback from relevant stakeholders on the work Confio is doing and provide a chance for discussion of any adjustments in Hub-specific services.

Responsible Funding

- It is in no one's interest that Confio is solely dependent on the Cosmos Hub in the long term.
- Confio will approach a number of other chains for similar community spend proposals.
- Having funding secured over a larger number of tokens reduces sell pressure on any one of them and allows more of the funds to be held and staked.
- While we would like to request the stated funds from the Hub regardless of success in other funding sources, success there would extend the duration that said funding could support. Confio is committed to working with the Hub within the scope of this proposal.

Signaling Proposal

This proposal is explicitly written as a signaling proposal in order to gauge the sentiment of the community. It is a method of communicating across the shareholder base and allowing ATOM holders to express their opinions with the weight of their vote, optimally creating a non-contentious governance environment and opportunities for feedback.

Voting Outcomes

- If this signaling proposal passes, a community pool spend proposal will be raised. NOTE: the current proposal does not trigger the release of any funds. If it passes, the community indicates that at the present moment, with the available information, they have a willingness to release funds and compensate Confio with the ATOM equivalent of \$2.5M, though the release of those funds is contingent upon the passing of the following community pool spend proposals.
- If this signaling proposal is rejected, the next steps depend on whether concerns are related to some details, or the proposal principle in general. If the rejection is based on a clear set of issues that could be resolved, we will work with stakeholders to adjust these issues and may come back with a revised community spend proposal. If the rejection is based on the general purpose, no further action will be taken in regards to compensating Confio via a community pool spend proposal.

Voting Choices

- If you vote yes you signal your desire to compensate Confio via the Cosmos Hub community pool.
- If you vote no you signal your dissent against compensating Confio via the Cosmos Hub community pool.
- If you veto this proposal you deem it harmful to the network and wish to burn the proposer's ATOM.
- If you abstain you signal your desire to contribute to quorum without a preference toward whether the proposal passes or fails.

Open Questions

- What other areas of the proposal do you have feedback on?
- What services would you like to see Confio offer the Hub?