A Study on Governance for Decentralized Finance Systems
Using Blockchain Technologies
(Executive Summary)

This study has aimed to clarify multistakeholder governance for a decentralized financial system, that can be implemented by using the experiences of multistakeholder governance which shaped the Internet today.

This report has consisted of three parts as follows:
1. Research and Analysis of Multistakeholder governance on the Internet
2. Designing Multistakeholder Governance for Decentralized Financial System
3. Conducting Multistakeholder Meetings

In the first part of the report, it has introduced how Multistakeholder Governance for the growth and evolution of the Internet. This part also contained definitive results from the interview with Prof. Jun Murai of Keio University, who was involved in some of the key activities of the birth of Internet Corporation for Assigned Names and Numbers (ICANN), which has been governing some of the key Internet resources. The interview has revealed some of the important ingredients which made the multistakeholder governance of the Internet possible. Then, we summarized the organizational structure and mechanisms of ICANN, Internet Governance Forum (IGF), Internet Society (ISOC), Internet Engineering Task Force (IETF) and World Wide Web Organization (W3C). For ICANN, we conducted interviews with some ICANN key persons to learn more about how ICANN works. Then, we provided two views on IMSG; It's role and effectiveness in the evolution of the Internet, and a skeleton model of the Internet Multistakeholder Governance.

Some of the key findings of the first part, important aspects of multistakeholder governance are:

- Consider diversity -- functional, geographical, and cultural as in ICANN ByLaw -- in every part of the community. It is necessary to make sure that "every community's voice is heard."
- Inclusive and transparent -- everybody can see exactly what's going on from the outside
- Importance of the relationship of the balance of votes to the balance of influence per stake.

- Ask the community to have feedback on every occasion.
- Have an inclusive mechanism to continuously improve the organizational mechanism according to reviews and feedback.

In the second part of the report, it has considered how we can implement Multistakeholder Governance in the Decentralized Financial System. Firstly, we discussed some use cases, then presented a design to establish a community for decentralized finance. The analysis of use cases has consisted of challenges posed by a decentralized financial system, the rationale for considering multistakeholder governance, relationship with existing financial system governance. The design part includes discussions on the identification of stakeholders who need to be involved, revisiting ICANN's mechanism with the point of use cases. Then presenting a model, a mechanism, an example time schedule of work, and discussion on anticipated challenges and obstacles.

As the result of this part, some of the key findings has been recognized as follows:

- A decentralized financial system is in a state of total lack of credibility in the social sense. Therefore, in order to remedy this situation, it is essential to define the parties, consult between them, and accumulate experience in solving problems between them.
- Multistakeholder governance is effective in three ways: (1) accelerating technological development (innovation), (2) improving reliability (trust), and (3) ensuring fairness.
- The main parties to existing financial system governance, such as governments, need to fully understand the differences between international and global approaches when considering decentralized financial system governance based on their experiences.
- In global approach, while meeting bodies in multistakeholder governance are naturally permanent, it is expected that they will not only meet statically or intermittently but that some agenda will be considered 24/7. The scope of cooperation can be divided into "normal response," such as building up engineering and improving governance, and "emergency response," such as systemic risk reduction and coordinated intervention in the market (or support for that).
- It is necessary to deepen the understanding of the following three concepts as requirements to constitute the philosophy: Trustless, Polycentric, and Diversity.

- Gaining greater knowledge of decentralized financial systems, the existing financial system can lead to the acquisition of new paradigms and experiences in engineering (or access to such advanced engineering). This could contribute to financial system stability in the broadest sense of the term, as it would ensure positive alternatives.
- To maintain and expand the system for the consideration of resolving issues in a decentralized financial system in a stable manner, it is expected to meet at least the following three characteristics: Relativity, Diversity, and Continuity.

The third part of the report has explained the design of meetings that aims to establish a multistakeholder community. Although the international meeting could not be implemented at the scale, we anticipated due to the COVID-19 epidemic, this part of the report has shown the the events' preparation and results of contribution to hold the meeting

This study can be used as a basis discussion material for a multistakeholder governance forum in decentralized finance.