

[CVV008] Proposal: Securing Validator Economics and Network Sustainability

Background

Over the last year, the Casper Network has undergone a remarkable operational and strategic turnaround, with accelerated delivery across protocol, governance, and ecosystem initiatives. Key milestones include Casper 2.0 and 2.1, major CSPR Suite upgrades, the launch of core DeFi primitives such as a new DEX and liquid staking, and the Americorp parking MVP, alongside an upcoming native Ethereum bridge (now in audit) and beyond. Decentralized governance is live, with multiple on-chain votes already shaping network outcomes. This renewed momentum has restored direction and credibility, but sustaining and scaling it now requires a structural reset.

Much progress has been made in this respect, with annual expenditures being reduced by approximately 80% compared to 2021-2024 averages. Under this more efficient operating structure, development pace and product output have continued to accelerate. The Association is now operating leaner while executing at a higher level, creating a stronger foundation for disciplined growth.

The primary constraint today is no longer strategy or execution capability, but the capital required to break through key market gatekeepers. These include top tier centralized and decentralized venues, as well as stablecoin issuers and distribution through real-world asset vault structures. Against this backdrop, tokenomics must evolve.

Proposal

1. Base protocol inflation remains 8%.

2. 2% of total supply per year is allocated to Casper Association operations and ecosystem development, while 6% of total supply per year continues to flow through validator reward mechanisms.
3. A one-time issuance of 33% of circulating supply is allocated to accelerate market-enabling integrations, subject to the Token Issuance Unlock Schedule.
4. A portion of this allocation will be placed through structured OTC agreements with lockups, staking and staged release provisions.
5. The remaining tokens will be staked across the validator set in accordance to the network-approved delegation program, aligning the Association's balance sheet with long-term network security and validator performance.
6. Expenditure on grants, new hackathons, targeted R&D, and new initiatives that require capital investment are subject to approval via a network vote, to be held once quarterly, unless extraordinary circumstances require more timely votes.
7. Expenditure against exchanges, major stablecoin integrations, interoperability network integrations, core protocol, Odra smart contract framework and CSPR product suite development and maintenance, provision of liquidity to Casper DeFi initiatives, Testnet validator incentives, finance/legal/regulatory expenses and G&A overhead are exempt from the network vote process.
8. The Association will regularly make available to delegators and validators, via an authenticated portal, a financial report detailing expenses by category.
9. Comparable to practices by peers such as the Ethereum Foundation, the Association will establish collaborative working groups comprising internal teams, validators and other stakeholders, to form consensus-based guidance around important topics such as roadmap priorities, ecosystem development and research & development opportunities.

Detailed Explanation

Inflation

Under this proposal, base protocol inflation remains 8%. Of total token supply, 2% per year will be allocated to the Casper Association

prospectively, to fund ecosystem coordination, core engineering, and market enablement. The remaining 6% continues to flow through existing validator reward mechanisms, resulting in a net validator-facing inflation rate of approximately 6%. Validator selection and reward mechanics remain unchanged. Redirecting a portion of emissions to the Association converts part of inflation from passive market supply into targeted ecosystem investment that reduces market structure risk and supports long-term demand growth.

One Time Issuance

In addition, a one-time issuance equal to 33% of circulating supply is proposed to accelerate specific market-enabling outcomes. Of this increase, 9% will be made available immediately, after which 3% will unlock each quarter through March 2028, according to the Token Issuance Unlock Schedule. These growth paths could include, exploration of centralized exchange listings, consideration of native stablecoin integrations, interoperability with external protocols, and activities intended to encourage liquidity within the network's DeFi ecosystem. In order to ensure necessary liquidity needs are met, while limiting the need for ongoing market activities, a portion of the overall allocation will be placed through staggered, structured OTC agreements with appropriate lockups, staking and staged release provisions. Remaining tokens held in treasury will be staked across the validator set, aligning the Association's balance sheet with network security while providing stability to the ecosystem along with the time required for these integrations to translate into stronger usage, deeper liquidity, and long-term value.

Transparency and Governance

Continuing the expansion of decentralized governance of the project that was initiated when the new Board of Directors was installed one year ago, this proposal seeks to provide stakeholders with greater insight into the Association's budget and expenditures, while enabling increased transparency into the Association's financial reporting. The first quarterly financial overview will be made available the week of July

20th, 2026, followed by a Validator Meeting to address questions and discuss any extraordinary budget requests for the next quarter.

Rationale

One year ago, a new Board of Directors began executing a complete and focused turnaround strategy to reposition the network for long-term growth, following a number of adverse events. Faced with dramatically fewer resources, this progress was achieved through a disciplined operating model that prioritized capital efficiency and execution focus. The new team embraced the turnaround opportunity and within one year achieved significant progress and forward momentum for the network:

- the long-delayed Casper 2.0 protocol upgrade was released, followed by significant protocol changes including deflationary burning mechanisms and increased block speeds.
- Decentralized governance finally became a reality, with the introduction of an on-chain voting mechanism that has since produced 7 opportunities for Casper stakeholders to determine critical outcomes for the network.
- On the ecosystem front, Casper Network has achieved more in a year than all years before: the mainnet launch of a key, real-world enterprise use case, dozens of releases across the CSPR Suite, the launch of key DeFi primitives including Decentralized Exchanges, liquid staking, perpetuals, oracles and an upcoming bridge to the Ethereum ecosystem and beyond.
- Through a successful first hackathon, the network now features prediction markets, games, intent based frameworks, collateralized lending and much more.
- Operationally and financially, annual expenditure was reduced by approximately 80% compared to the levels maintained between 2021 and 2024 by the prior board.

The new Board of Directors believes it has adequately shown what can be accomplished in one year with limited resources and during adverse market conditions, and believes it has positioned the project on the

precipice of significant growth. Now it needs the runway, time and resources, to convert the accrued potential into substantial outcomes.

Precedent

One-Time Recapitalization Issuance

Recapitalization events in turnaround scenarios are quite common in the traditional business world. In recent years, companies such as: * Rolls-Royce - ~77% dilutive recapitalization in 2020 [\(source\)](#) * TUI - 32% dilutive recapitalization in 2021 [\(source\)](#) * Lufthansa - 50% dilutive recapitalization in 2021 [\(source\)](#) * Virgin Atlantic - private recapitalization in 2020 [\(source\)](#) * Aston Martin - 80% dilutive recapitalization in 2020 [\(source\)](#) * Noble Group - 80% dilutive recapitalization in 2018 [\(source\)](#) * Carnival Cruises - 43.4% dilutive recapitalizations in 2020 and 2021 [\(source\)](#)

all implemented dilutive recapitalizations in order to finance their turnarounds and avert significantly worse outcomes for their stakeholders. Within our industry and amongst L1 foundations, significant precedent exists as well: [MakerDAO minted new MKR](#) to recapitalize its protocol. The [EOS Network Foundation approved new tokenomics](#) that redirected large amounts of tokens to fund network growth and sustainability as part of a strategic turnaround.

Protocol-funded development

Blockchain protocols funding ongoing operations and development of their ecosystems through protocol-based issuance are common place in the industry: * ZCash (ZEC) redirects 20% of block rewards to fund development/operations * In Decred (DCR), 10% of all block rewards go to the Treasury for sustainability * Dash (DASH) uses 10% of the block reward to fund its own development * Cosmos (ATOM) implements a Community Tax as a percentage of staking rewards to fund its ecosystem * Cardano (ADA) takes a 20% cut of total rewards to fund its treasury * Polkadot (DOT) diverts 15% of its annual inflation (staking

rewards) and 80% of transaction fees to its treasury for operations and development

These examples demonstrate that protocol-funded development and ecosystem support are established practices among mature blockchain networks, and this proposal aligns Casper with proven industry models for sustainable growth.

The Process

Timeline:

- Proposal Posted: February 17, 2026
- Proposal Discussion and Iteration Period Ends: February 22, 2026
- Validator Vote: February 23 - February 25, 2026
- Implementation: Immediately following vote

Proposal Lifecycle

- **Stage:** Discussion
 - **Voting Options**
 - **For:** Support the proposal.
 - 011de3a86cd71d98a83bddf57384e1a0c3b4ea5be696fcbd6fa9a80b3cdf39
 - **Against:** Oppose the proposal.
 - 0118c145c88386f6cf0dd12c30702742013ab23260253e8748f620dd31c27c
 - **Abstain:** No opinion.
 - 015dc16c2072eaf747f559385ee0ac277fbf91ab87b536da8c5bb6177940e83
 - **Voting Starts:** \~11:43 UTC, February 23, 2026 (at block height 6743060)
 - **Voting Ends:** \~11:43 UTC, February 25, 2026 (at block height 6764660)
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How to vote:

- A voting token, with a total supply of 100.00, for the proposal will be created, and distributed to Mainnet validators based on their network weights as of era 21403.
 - Voting token contract: TBD
 - Make your decision and send all (recommended) voting tokens to one of the corresponding addresses below.
 - For:
011de3a86cd71d98a83bddf57384e1a0c3b4ea5be696fcbd6fa9a80b3cdcf396de
 - Against:
0118c145c88386f6cf0dd12c30702742013ab23260253e8748f620dd31c27ccadb
 - Abstain:
015dc16c2072eaf747f559385ee0ac277fbf91ab87b536da8c5bb6177940e833ac
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Evaluation of the results:

- Quorum ratio: +50% network weight (>50.00 tokens, including the abstains)
 - Decision threshold: Simple majority (+50% of participating weight, excluding the abstains)
 - Example:
 - For:35.00, Against: 25.00, Abstain: 15.00
 - Quorum reached with 75.00%, proposal accepted with ~58.33%
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- The feedback collection & discussion topic: <https://forum.casper.network/t/proposal-idea-securing-validator-economics-and-network-sustainability/1566>
- The final proposal topic: <https://forum.casper.network/t/cvv008-proposal-securing-validator-economics-and-network-sustainability/1567>
- Proposal on IPFS for reference: TBD