All DAO stakeholders have a unique value. Even though members are drawn to the DAO because of a shared belief or goal, collaboration to execute on a united front takes effort and discipline. While traditional finance is the industry blockchain initially intended to disrupt, investment professionals can add tremendous value. Most organizations, and in turn DAOs, are integrated with a fiscal component—contributions, payments, donations, or dues—the management of which can determine the organization’s fate. Finance leaders with experience analyzing economic trends, structuring assets, and managing treasuries, can be instrumental to a DAOs future.

The merging of intelligence that DAOs stimulate can be profound. However, at this alpha stage, DAOs are under scrutiny.

It is the responsibility of stakeholders to diligently guide projects to ensure the health and progression of the decentralization evolution.

The Potential for Legal Recognition

As with any new technology, legislation needs time and information to adapt and provide clarity for users. Regulators have been paying attention to the digital asset industry, with guidance issued as early as 2013, but the pace at which blockchain has multiplied with innovations and permeated the market makes it challenging for them to keep up. Thus, President Biden’s recent executive order focuses on one fundamental element—central bank digital currency (CBDC).
While the industry’s need for stablecoins and government involvement is evident, fundamental questions prevail, like when is a digital asset a security, and into which regulatory jurisdiction does it fall? The SEC has repurposed their Howey Test mechanism for determining if federal securities laws apply, yet Ripple has unfortunately suffered the brunt of this indecision, and the authority debate continues. This determination will likely affect DAOs and their future adoption because they distribute ownership in the form of tokens. However, discovery and exploration of use cases show no signs of slowing down—a reflection of the entire digital asset ecosystem.

The Howey Test

Investment of Money

Common Enterprise

Expectation of Profits

Derived from the Efforts of Others

Security

Regulating the blockchain tokens

The nuances of regulating a decentralized entity are extensive, but modest legal acknowledgments have provided momentum for the sector to progress. For example, on a state level, Wyoming announced the world’s first law to recognize DAOs as legal entities in July of 2021. The state allows DAOs to register as LLCs, with the DAO’s governance rules taking precedence over any corporate bylaws when conflict arises. As DAOs have the potential to generate comprehensive solutions that harmonize owners, contributors, and users, regulation and legal clarity are essential.