

# Comparative Analysis Report: Legal Frameworks for DAOs

## 1. Introduction

As Decentralized Autonomous Organizations (DAOs) continue to expand across various sectors globally, they encounter distinct regulatory challenges and opportunities in different jurisdictions. DAOs represent an innovative frontier in organizational structure, governance, and finance, operating through decentralized blockchain networks and relying on smart contracts to facilitate operations. Despite their growing popularity, DAOs often lack clear legal recognition and regulatory frameworks, creating uncertainty for members, stakeholders, and regulators. Legal uncertainty sometimes leads to the application of rules that perhaps do not fit in well with the nature of DAOs, and also leads to court decisions that, in the interests of finding criteria for assigning liability, ignore the concept of decentralization. Cases such as [Ooki DAO](#) and [bZx](#), or the lawsuits against [Uniswap](#) are examples of this.

DAOs play an important role in the development of the crypto economy, Web3 and DeFi protocols. It is essential to understand both the motivations and needs of ecosystem participants, especially regarding limited liability as a key concern. At the same time, we must assess whether the existing legal frameworks are proven to be sufficient or if a legal framework specific to DAOs is the only way to achieve the necessary level of legal certainty.

Addressing these regulatory gaps is crucial to establishing a stable foundation that supports innovation, growth, and global integration of DAOs.

Although DAOs represent an entirely new organizational model, they often clash with existing legal frameworks that were designed for centralized, hierarchical entities. Traditional legal entities such as corporations or LLCs rely on centralized decision-making, clear roles for directors and officers, and established liability structures, which contrast starkly with the decentralized, community-driven nature of DAOs. This fundamental misalignment results in regulatory gaps, leaving DAOs and their participants vulnerable to legal uncertainties, including questions of liability, enforcement of smart contracts, and cross-border operations.

Furthermore, the diversity of jurisdictional approaches—ranging from bespoke DAO structures like the DAO LLC in Wyoming to adaptations of traditional entities like foundations in Switzerland—reflects a growing recognition of DAOs' transformative potential. However, this patchwork of regulations highlights the challenge of creating cohesive standards that balance innovation with legal certainty. Addressing these gaps is essential not only for fostering trust and security in DAOs but also for unlocking their full potential to revolutionize governance and collaboration in the Web3 ecosystem.



This report presents a comparative analysis of existing legal frameworks for DAOs across several key jurisdictions, including the Cayman Islands, Marshall Islands, Switzerland, the United States (Wyoming), Abu Dhabi Global Market (ADGM), Japan, United Arab Emirates, and the United Kingdom. By examining these regions' regulatory landscapes, we assess how each jurisdiction approaches the formation, governance, liability, and compliance of DAOs, identifying both commonalities and differences. This analysis highlights the strengths and weaknesses of current legal structures, providing insights that may inform harmonized standards and best practices on a global scale.

The report is structured to provide an overview of each jurisdiction, followed by a comparative analysis that identifies recurring themes, challenges, and opportunities. This approach aims to guide policymakers, DAO practitioners, and industry stakeholders in understanding the current state of DAO regulation, fostering informed discussions on the development of cohesive frameworks that support DAOs across borders. The findings in this report form the first deliverable in a broader research project focused on shaping the future of DAO regulation, particularly within the European Union.

Throughout this report, terms for various DAO structures vary by jurisdiction—such as Blockchain-Based Limited Liability Companies (BLLCs) in Vermont or Distributed Ledger Technology Foundations in Abu Dhabi. In each jurisdictional overview, relevant terms and structures are introduced, with a summary table provided at the end of this report to facilitate comparisons. Additionally, the report outlines governance structures within each jurisdiction, detailing requirements for roles such as Boards of Directors, Foundation Councils, and Registered Agents to emphasize the adaptability or rigidity of each regulatory framework in accommodating DAO governance.

## **2. Jurisdictions' overview**

In reviewing the regulatory landscapes of various jurisdictions, we observe a common drive toward creating structured legal frameworks that accommodate DAOs' unique governance, operational, and financial needs. Some jurisdictions, like the Cayman Islands and Wyoming, provide specific legal forms tailored for DAOs, offering benefits such as limited liability, token issuance provisions, and flexible governance structures. Other jurisdictions, like Switzerland and Liechtenstein, adapt existing legal forms to support DAOs while maintaining strong protections for members and assets.

Strengths identified across these frameworks include the provision of legal recognition, asset protection, and compliance pathways that foster operational transparency and community trust. Jurisdictions like the UAE and Japan demonstrate adaptability by tailoring tax incentives and promoting technology-focused environments that support innovation.

However, weaknesses persist, particularly around the absence of unified regulatory definitions, which creates operational challenges for DAOs seeking cross-border scalability. Compliance demands, especially regarding AML and KYC, vary widely, adding complexity for DAOs with

global reach. Additionally, tax treatment and liability protections often differ, complicating efforts to establish consistent standards for decentralized entities. Addressing these variations will be essential for enabling DAOs to expand while adhering to international regulatory expectations.

## 2.1. Abu Dhabi Global Market

The [Abu Dhabi Global Market \(ADGM\)](#) has developed a regulatory framework tailored to distributed ledger technology (DLT) foundations, supporting DAOs and other blockchain-based entities. Known as the [Distributed Ledger Technology Foundations Regulations 2023](#), this framework provides DAOs with a formal path to legal incorporation, fostering a regulated environment that includes clear provisions for governance, compliance, asset protection, and limited liability.

Under ADGM's regulations, DLT Foundations are granted legal status, allowing them to issue tokens, hold assets, and engage with traditional financial systems. The incorporation process requires a foundational charter, declaration of compliance, statement of initial beneficial ownership, and a commercial license application.

Some of the main elements that characterize this regulation are:

- **Statement of Initial Beneficial Ownership and Control:** An application to register the DLT Foundation must contain a statement of initial beneficial ownership and control, stating who will be considered a Beneficial Owner of the DLT Foundation on registration.
- **Minimum Initial Asset Value :** USD 25,000 - must be paid in fiat currency and cannot be contributed in any other form, including tokens.
- **No By-Laws;** Operational flexibility with an absence of bylaws, promoting diverse governance methods.
- **Key Principles of Governance:** The organizational and governance Structure must include the DLT Foundation Council (at least two members, potentially founders or token holders) and, if the DLT Foundation is issuing tokens, the category of tokenholders exercising their rights by a token holder vote.. The structure may include its founders, guardian and beneficiaries (if any). The beneficiaries shall have the right to distribution of the DLT Foundation assets in the event of termination of the DLT.
- **Limited Liability:** A token holder is not liable for any acts and/or omissions of the DLT Foundation, by reason only of it being a token holder of the DLT Foundation.

The ADGM framework emphasizes compliance with AML and CTF obligations, alongside strict data protection and cybersecurity standards. Reporting and auditing are compulsory, with DLT Foundations required to submit annual financial records to ensure compliance. Foundations must also hold an initial asset value of USD 25,000 within six months of incorporation, and pay an annual registration fee of USD 500 and a commercial license fee of USD 8,000.

From a tax perspective, DLT Foundations benefit from a 9% corporate income tax rate. However, those qualifying as free zone entities with an income below AED 375,000 or meeting specified criteria may be eligible for a 0% tax rate, making ADGM an attractive location for startups and international projects.

The ADGM's DLT regulations set out specific guidelines for token issuance and financial services. Foundations engaging in digital securities or virtual assets must comply with the [Financial Services Regulatory Authority \(FSRA\)](#) requirements, which may involve obtaining financial service permissions or issuing approved prospectuses. The framework's regulatory standards apply to digital securities and virtual assets, with established capital requirements and substance mandates. Notably, it permits the use of virtual assets for fiat currency transfers under specific conditions, facilitating flexible financial operations while ensuring thorough oversight.

By integrating compliance, governance, and tax guidelines, the ADGM framework provides a structured regulatory approach, enhancing operational security and accountability for DLT Foundations. Addressing key areas like token issuance, financial service permissions, and asset protection, this framework promotes a secure, regulated environment supporting the growth of blockchain and Web3 projects.

## 2.2. Cayman Islands

The Cayman Islands provides a supportive legal framework for DAOs under its [Foundation Companies Law](#), enacted in 2017. This law allows DAOs to operate as foundation companies, blending characteristics of both company and trust structures. Foundation companies can be established for any lawful purpose, whether for asset management, decentralized governance, or other activities, and do not require shareholders—an approach aligned with the decentralized nature of DAOs.

To establish a foundation company in the Cayman Islands, organizers must submit specific documents, including a memorandum and articles of association, to the [Registrar of Companies](#). Additionally, each foundation must appoint a licensed local secretary to manage company operations and must be governed by a board of directors, potentially including additional supervisors or guardians to provide oversight. This governance model offers flexibility while enforcing established roles and responsibilities to maintain accountability.

Foundation companies in the Cayman Islands benefit from robust asset protection mechanisms, shielding the foundation's assets from third-party claims. The foundation's bylaws, which define its operational rules, can remain confidential, allowing DAOs a level of privacy in governance matters. Furthermore, the Cayman Islands offers a tax-neutral setting, with no corporate or capital gains tax, which is advantageous for DAOs with global operations.

For DAOs engaged in virtual asset activities, the Cayman Islands Monetary Authority ([CIMA](#)) regulates compliance through the [Virtual Assets Service Providers Act](#) (VASP Act). Registration

or licensing is required for DAOs involved in services such as virtual asset custody or trading, with mandates for AML compliance. Additionally, the VASP Act includes a regulatory sandbox feature, allowing certain projects to innovate within a controlled, compliant environment.

The setup process for foundation companies is efficient, typically allowing for establishment within four weeks. Foundation companies must pay an annual registration fee of USD 854, with additional fees applicable for registered office and secretary services. This setup structure facilitates operational efficiency, combining regulatory compliance with flexible governance options tailored to DAO operations.

Under this framework, Cayman foundation companies can implement decentralized governance through roles such as directors or supervisors, whose responsibilities align with the governance protocols specified in the foundation's bylaws. This structure supports activities like treasury management and decision-making in accordance with DAO principles, ensuring compliance with both the foundation's constitutional requirements and local law.

### 2.3. Estonia

Estonia, a digital innovation leader within the EU, allows DAOs to operate under its [Commercial Code](#), commonly choosing structures like [Private Limited Companies \(OÜs\)](#) or Foundations. While Estonia does not yet offer a bespoke legal framework specifically for DAOs, its business-friendly environment and [e-Residency program](#) provide accessible options for remote DAO founders to establish and manage legal entities online.

The most suitable legal vehicles to manage DAOs in Estonia are the private limited company (in Estonian, *Osajühing* or *OÜ*) or the non-profit association (in Estonian, *mittetulundusühing* or *MTÜ*)

Estonian OÜs are suitable for DAOs focused on profit-generating activities, providing limited liability for members and the ability to incorporate automated governance through smart contracts within their structure. For DAOs with a non-profit mission, Foundations offer flexibility in governance and asset protection, aligning well with the needs of social or mission-driven DAOs.

The [Estonian Financial Supervisory Authority \(EFSA\)](#) regulates activities involving digital tokens, especially when DAOs issue tokens classified as securities. The AML Act applies to entities dealing with token transfers, requiring compliance with due diligence and KYC standards. For DAOs involved in issuing or trading tokens, a Financial Institution license or Virtual Currency License may be required, depending on the specific activities conducted.

Estonia's corporate tax system, with a 20% tax on distributed profits only, makes it an attractive jurisdiction for DAOs that reinvest earnings rather than distribute them as dividends.

### 2.4. Japan

Japan has taken proactive steps to create a legal framework for DAOs, establishing itself as a forward-thinking jurisdiction in DAO governance. Back in October 2022, Japan's Prime Minister Fumio Kishida said in a speech delivered before Japan's National Diet that the country would be promoting a slew of Web3 services as part of its broader efforts to ramp up investments in digital transformation. On April 6, Japan approved the ["Cool Japan" white paper](#) outlining recommendations for boosting the country's crypto industry, proposing tax reforms, clearer accounting standards, a DAO law, and more. On April 1, 2024, Japan's [Financial Services Agency \(FSA\)](#) amended the [Financial Instruments and Exchange Act \(FIEA\)](#) to address the regulatory treatment of tokenized membership interests in limited liability companies (LLCs), or [godo kaisha \(GK\)](#), commonly used for DAO formation. Effective April 22, 2024, this amendment reflects the ["Recommendations on DAO Rulemaking"](#) from the Liberal Democratic Party's Policy Research Council, offering a defined pathway for DAOs seeking legal status.

Before this amendment, tokenized membership interests in a GK faced stringent FIEA regulations similar to those governing shares and bonds, including disclosure requirements for issuers and licensing mandates for brokers. The recent amendment, however, introduces a more flexible regulatory approach for these tokenized interests, provided that specific conditions are met: DAOs must implement technical measures to restrict token transfers to external parties outside of managing members, and token holders cannot receive dividends or distributions exceeding their initial investment.

With these criteria in place, GKs can issue tokenized membership interests to up to 499 individuals without triggering FIEA disclosure or licensing requirements. This regulatory adjustment encourages the GK structure as a feasible legal form for DAOs, providing them with a framework that balances compliance and operational flexibility.

In addition, the [Japan DAO Association](#), a private entity established on April 1, 2024, provides resources such as template articles of incorporation and operational guidelines tailored for GKs structured as DAOs. These resources aim to standardize DAO operations in alignment with Japanese regulatory standards, promoting both transparency and regulatory compliance.

Japan's ["Web3 White Paper 2024"](#) further supports the development of DAOs, recommending a reassessment of tokenized GK membership interest classification under the FIEA and proposing measures to facilitate banking access for DAO-related companies in sectors such as Web3 and crypto assets. It also addresses potential challenges for DAOs organized outside the GK framework, suggesting the introduction of a new legal entity specifically designed for DAOs. Additionally, the White Paper encourages overseas stakeholders to participate in Japan's DAO ecosystem and proposes clarifications in the tax and accounting treatment of DAOs, including potential tax incentives.

## 2.5. Liechtenstein

Liechtenstein has established a detailed legal framework for blockchain and tokenized assets through the [Token and Trusted Technology Service Provider Act \(TVTG\)](#), commonly referred to



as the Blockchain Act, which took effect in January 2020. This legislation provides legal recognition and clarity for digital assets, including DAOs, allowing them to operate as legal entities with recognized legal personality and limited liability. Under this framework, DAOs in Liechtenstein can adopt structures such as registered associations or foundations, which offer a formal legal identity along with protections from personal liability for their members. The [Financial Market Authority \(FMA\)](#) regulates these entities, ensuring adherence to AML and CFT obligations under the TVTG, thus promoting transparency and regulatory compliance for DAOs in the region.

Liechtenstein's innovative approach includes the "Token Container Model" (TCM), where a token acts as a flexible "container" that can represent a wide range of assets, rights, or commodities. This model enables tokens to legally embody anything from financial instruments to intellectual property, real estate, or utilities, maintaining a legal link to the represented asset. The model includes the role of a *physical validator*, a regulated service provider who ensures that the real-world asset aligns with its digital token representation. This validation provides accountability, ensuring asset protection and fulfilling contractual obligations, thereby bridging the physical and digital aspects of tokenized assets.

The Blockchain Act is designed with flexibility in mind, using the term "Trustworthy Technology (TT) systems" rather than specifying blockchain alone. This broader terminology allows the law to remain relevant as new technologies emerge, supporting long-term applicability and reinforcing Liechtenstein's position as a forward-looking jurisdiction for DAOs and the broader token economy.

Liechtenstein's tax structure further enhances its appeal. The corporate tax rate stands at 12.5% for legal entities, including DAOs organized as associations or foundations, offering a competitive environment for blockchain-based projects. Capital gains on token trades are generally exempt from taxation, provided the tokens represent participations rather than commodities. Utility tokens, when treated as taxable assets, are considered business income and subject to the standard corporate tax rate of 12.5%, with allowable deductions. For payment tokens classified as currencies, profits are also taxable as business income, underscoring the importance for DAOs to clearly define their token types and structures.

With this forward-thinking regulatory and tax landscape, Liechtenstein has successfully positioned itself as a leading jurisdiction for blockchain and DAO projects, providing a stable and legally sound environment that supports decentralized governance and innovation in the global token economy.

## 2.6. Malta

Malta has established itself as a prominent hub for blockchain and digital assets through the [Malta Digital Innovation Authority Act \(MDIA Act\)](#), the [Virtual Financial Assets Act \(VFA Act\)](#),

and the [Innovative Technology Arrangements and Services Act \(ITAS Act\)](#). Together, these acts provide a robust regulatory framework that includes provisions for blockchain-based entities and, by extension, DAOs. In particular, the possibility of applying this regulation to DAOs could be found in the ITAS Act which states that a qualifying service provider may register as an ITA if it is an organization ‘with or without legal personality’. An ITA is defined as including “smart contracts” and “related applications, including decentralized autonomous organizations, as well as other similar arrangements”. This opens up the possibility that the Act could allow a DAO to have legal status under Maltese law.

DAOs in Malta can operate also under existing legal structures, such as [Private Limited Companies \(PLCs\)](#) or Foundations. Foundations are particularly suited to DAOs with a long-term, mission-driven focus, offering limited liability and a clear governance structure. For DAOs with decentralized governance, the ITAS certification under the MDIA Act enables them to register their operational governance technology. This certification offers an additional layer of legal recognition, aligning technology arrangements with regulatory standards for accountability and operational transparency.

The [Virtual Financial Assets \(VFA\) framework](#) governs DAOs involved in issuing or managing digital tokens, requiring registration and compliance with AML and CFT standards. Compliance is overseen by the [Malta Financial Services Authority \(MFSA\)](#), which mandates that DAOs conducting token-related activities obtain a VFA license.

In terms of taxation, Malta offers a competitive corporate tax rate of 35%, with substantial deductions and tax credits for blockchain-based projects, making it feasible for DAOs aiming to establish a presence within the EU.

## 2.7. Marshall Islands

The first proposal to regulate DAOs in the Marshall Islands was made through an amendment to the Non-Profit Entities Act 2021. Later, the Marshall Islands has established a robust legal framework for DAOs with the [Decentralized Autonomous Organization Act](#) of 2022 complemented by the [Decentralized Autonomous Organization Regulations of 2024](#), promulgated to prescribe the regulatory requirements for forming and managing decentralized autonomous organization as domestic limited liability companies under the Decentralized Autonomous Organization Act. These regulations allow DAOs to operate as Limited Liability Companies (LLCs), providing a clear and recognized legal structure that formally integrates DAOs into the jurisdiction’s framework. As one of the few jurisdictions offering such detailed legislation for DAOs, the Marshall Islands provides a stable environment for decentralized entities.

To create a DAO LLC in the Marshall Islands, founders must submit a Certificate of Formation to the Registrar, specifying the entity as a DAO. Required documentation includes an LLC agreement or smart contract detailing governance mechanisms, as well as the appointment of a designated "Representative Agent" for regulatory communications. Under the 2024 regulations,



MIDAO Directory Services, Inc. serves as the registered agent for each DAO LLC, facilitating regulatory compliance and filings.

The regulations emphasize transparency and accountability, requiring DAOs to file annual reports between January 1 and March 31, disclosing beneficial ownership, governance roles, and financial activities. Management must be vested in its members (if a DAO is member managed) or the smart contracts if algorithmically managed. Unless otherwise provided, members of the DAO do not owe a fiduciary duty to the DAO or other members, except that the members shall be subject to the implied contractual covenant of good faith and fair dealing. Public blockchains must be used to track DAO member holdings and voting rights. Beneficial ownership disclosure is mandatory for individuals holding significant control or ownership within the DAO, with non-compliance potentially resulting in fines, dissolution, or imprisonment.

From a tax perspective, the Marshall Islands offers a tax-neutral setting for DAO LLCs, with non-profit DAOs exempt from corporate, capital gains, and wealth taxes. For-profit DAOs are subject to a 3% gross revenue tax, excluding dividends and capital gains, which benefits global DAOs and simplifies compliance for non-profit DAOs involved in community-driven or investment-focused initiatives.

The Decentralized Autonomous Organization Regulations 2024, effective as of June 13, 2024, reinforce the regulatory foundation for DAOs. These updated regulations highlight transparency, requiring enhanced disclosures of beneficial ownership and clear governance structures in registration documents. Additionally, DAOs must ensure that all compliance documents are accessible for regulatory review, with annual filings and a maintained registered agent as standard requirements.

## 2.8. Singapore

Singapore has not yet implemented a specific legal framework for DAOs, but DAOs can operate under existing structures like private limited companies or partnerships. Activities involving digital tokens or cryptocurrencies are regulated by the [Monetary Authority of Singapore \(MAS\)](#) under the [Payment Services Act \(PSA\)](#). DAOs engaged in payment services, including digital payment token services, must comply with the PSA, which mandates obtaining the necessary licenses and adherence to AML and CFT obligations. Additionally, tax treatment for digital tokens in Singapore is guided by the [Inland Revenue Authority of Singapore \(IRAS\)](#), where the classification of tokens as payment, utility, or security determines their tax obligations.

For DAOs seeking formal recognition, a Company Limited by Guarantee (CLG) is a commonly chosen structure, especially for non-profit DAOs like social or collector DAOs. Unlike companies limited by shares, CLGs do not have share capital and cannot distribute profits to members, aligning well with the purpose of many DAOs. Registering a CLG requires filing with the [Accounting and Corporate Regulatory Authority \(ACRA\)](#), including a constitution that outlines the entity's objectives and the financial guarantees members commit to if it winds up. This structure provides limited liability protection and enables DAOs to implement a

governance model with token holders forming an advisory board to initiate and vote on proposals, setting the organization's direction. A designated project team or company members carry out these decisions, with directors appointed to act in the company's best interests, formalizing DAO governance in the company's constitution.

From a tax standpoint, CLGs in Singapore are generally taxed at the corporate rate of 17% on chargeable income, though exceptions may apply depending on income sources and activities. If a CLG registers as a charity under the [Charities Act](#), it may qualify for tax exemption. Additionally, if a CLG does not conduct trade or professional association and over half of its income is from non-tax-deductible membership fees, only non-member income is taxable.

While the CLG framework provides a viable legal pathway for DAOs in Singapore, it requires transparency, as ACRA business profiles are publicly accessible, allowing member identification. DAOs should consider these disclosure requirements inherent in Singapore's corporate regulations before adopting this structure.

## 2.9. Switzerland

Switzerland has no special regulations but provides DAOs with a robust legal framework under the [Swiss Civil Code](#), allowing them to operate as either Swiss Foundations or Swiss Associations, each suited to different purposes and governance structures. Swiss Foundations, commonly used by protocol-focused DAOs, are governed by Articles 80–89 of the Civil Code, which establish the foundational requirements for their creation and management. With a minimum endowment requirement of CHF 50,000, Swiss Foundations are built for longevity and asset protection, ensuring stability for mission-driven DAOs. Once a foundation's purpose is established, it can only be modified to preserve the mission or assets, maintaining operational continuity. Foundations are managed by a Foundation Board, which can include both resident and non-resident members, making it an appealing structure for DAOs seeking a secure and independent legal entity.

The Swiss association is emerging as a legal wrapper appropriate to distributed ledger technology (DLT)-related projects. Swiss Associations are regulated by Articles 60–79 of the Civil Code and are ideal for social DAOs, requiring only two members and no minimum capital for formation. In contrast to foundations, associations cater to smaller, community-oriented DAOs, providing an accessible pathway for operations centered around member engagement and democratic governance. Unlike foundations, there are some elements in associations that may better fit the nature of DAOs. For example, associations are directly controlled by the members and control is not restricted to a closed group (in foundations the figure of the board implies that the participants of a DAO do not make decisions directly). Associations operate through a General Meeting, allowing flexible internal structuring that aligns with the communal focus of many DAOs. The general meeting of members is the supreme governing body of the association. By default, it elects the board. The board must consist of at least one board member. The rights of the members of the association can be structured differently. Registration with the

[Swiss Commercial Register](#) is only necessary if the association conducts commercial activities or requires an audit, keeping regulatory oversight minimal unless needed.

Switzerland's tax framework is favorable for DAOs, with a base federal income tax of 4.25% and variable cantonal and municipal rates. Nonprofit DAOs, such as those focused on cultural or social objectives, may qualify for federal and cantonal tax exemptions if annual earnings fall below CHF 5,000. This tax flexibility, along with Switzerland's stable regulatory environment, encourages mission-driven DAOs to establish themselves within the jurisdiction.

The regulatory landscape for DAOs in Switzerland includes clear token classifications by the [Swiss Financial Market Supervisory Authority \(FINMA\)](#), which categorizes tokens into payment, utility, and asset types, each with distinct regulatory requirements. Payment tokens are subject to AML laws, requiring issuers to register with a Swiss self-regulatory organization, while utility tokens, primarily used for access or digital services, remain largely unregulated unless they are investment-focused. Asset tokens, classified as securities, fall under the Swiss Financial Services Act, mandating compliance with regulations like prospectus obligations to safeguard investors. Swiss-based DLT projects may fall under MiCA's scope depending on their degree of attachment to the EU territory and market. Additionally, DAOs conducting activities within the EU must comply with MiCAR standards, ensuring operational alignment with European regulations.

Basically, Switzerland's regulatory framework allows DAOs to choose between legal entities, such as foundations or associations, which offer limited liability and easier bank access, and unwrapped structures like simple partnerships, which do not shield members from personal liability but may suit more informal arrangements.

## **2.10. United Arab Emirates**

The United Arab Emirates (UAE) has launched a forward-thinking legal framework for DAOs under the [DAO Association Regime \(DARe\)](#), established in the [Ras Al-Khaimah \(RAK\)](#) Digital Assets Oasis, a free zone dedicated to digital asset companies. The legal wrapper for DAOs is known as DAO Association and the legal form is a "Company Limited by Guarantee". This initiative positions the UAE as a prominent hub for DAOs by providing a structured regulatory framework, enabling DAOs to engage legally with off-chain financial and legal systems. Officially launched on October 22, 2024, DARe covers critical legal, financial, and governance needs, providing DAOs with the legal personality to own assets, enter contracts, and interact with off-chain entities, including managing bank accounts and tax obligations.

DARe specifically addresses the challenge DAOs face in operating within traditional financial and legal structures due to the lack of formal recognition. Through DARe, DAOs gain "legal personality" within the RAK free zone, allowing them to conduct activities typical of established entities, including asset ownership and contract participation. The framework also offers strong liability protection for DAO founders, members, and contributors, an essential consideration in decentralized systems where personal liability has been a notable concern.

Some features of the regulation:

- A DAO Association may only issue a new class of token where it has submitted a copy of the following documents: a white paper, a legal opinion on the nature of tokens and a cybersecurity audit of the smart contracts.
- Deployed on a Permissionless Distributed Ledger and entire software has been deployed using open-source: Under the DAO Association Regulations, specifically outlined in Part 1: General Definitions, a DAO Association must meet certain technical requirements to ensure transparency and accessibility. The regulations mandate that the DAO Association be deployed on a permissionless blockchain, which allows for open participation and ensures transparency in its operations. Additionally, the entire software code of the DAO Association must be developed using an open-source format, meaning it must be publicly accessible, enabling scrutiny and collaboration.
- Minimum three categories of membership: Founding Member, Council Members and Token holders.

To cater to DAOs at different growth stages, DARE offers two tailored models: the Startup DAO Model and the Alpha DAO Model. Each model aligns regulatory and financial requirements with the operational and growth needs of DAOs at distinct stages:

1. **Startup DAO Model** – Intended for new and emerging DAOs with fewer than 100 members, this model simplifies regulatory requirements, fostering growth within a flexible legal framework. The model restricts public token sales, emphasizing internal development and community-building. With a registration fee of USD 4,500 and an annual renewal fee of the same amount, it provides an accessible structure for early-stage DAOs.
2. **Alpha DAO Model** – Aimed at more established DAOs with treasuries exceeding USD 1 million, this model provides enhanced regulatory and tax structures to support large-scale operations, including public token sale permissions, thus expanding growth and investment options. The registration and annual renewal fees are set at USD 9,500, reflecting the increased regulatory and compliance services for mature DAOs. This model allows the creation of sub DAOs.

DARE mandates comprehensive compliance protocols that align with international standards, including AML and KYC requirements. The framework specifies governance standards, establishing clear member rights, voting mechanisms, and dispute resolution processes to foster transparency and accountability in DAO operations. Additionally, DARE offers tax optimization strategies, including reduced corporate tax rates, specific income tax exemptions, and flexible financial structuring options, enhancing financial viability and attractiveness for global investors.

## 2.11. United Kingdom

The United Kingdom, through its [Law Commission](#), has conducted an extensive scoping project to assess the legal treatment and regulatory framework for DAOs. Acknowledging DAOs as innovative, technology-driven organizations that do not align well with conventional legal structures, the Law Commission's report evaluates existing challenges and proposes potential paths for future regulatory adaptations in England and Wales.

DAOs, which distribute governance through blockchain technology and smart contracts, encounter specific legal considerations based on their operational and structural models. The Law Commission categorizes DAOs into three main types for legal analysis: pure DAOs, hybrid structures, and digital legal entities, each raising unique issues related to liability, governance, and regulatory compliance.

Currently, England and Wales do not offer a bespoke legal entity for DAOs. Instead, DAOs may adopt traditional structures like Limited Liability Companies (LLCs), Community Interest Companies (CICs), or cooperatives, each carrying specific governance and compliance requirements. However, these frameworks may not provide the decentralization and liability protection that DAOs typically seek. The Law Commission suggests a tailored legal form—possibly a limited liability, non-profit association with flexible governance—as a potential solution, though it does not advocate for immediate legislative action to create such an entity.

The report contains an introduction to the broad concept of a “DAO” and explains some of the practical and legal questions they raise, identifying a spectrum along which different types of “DAOs” will fall depending on how formalized their structures are. That spectrum includes:

- “pure” DAOs: arrangements implemented online through computer code with very limited real-world activity, no formal legal structuring and rejecting (deliberately or otherwise) dependence on law and legal institutions for their existence (although they may well still attract legal and regulatory consequences);
- hybrid arrangements: arrangements combining code-based coordination with deliberate use of one or more forms of legal entity;
- digital legal entities: arrangements where an incorporated legal entity adopts digitalisation through the use of technology at the heart of its operations or governance.

The report also highlights specific reform areas to address challenges for DAOs, particularly around legal personality and limited liability. These features would allow DAOs to engage in legal contracts and facilitate dispute resolution as formally recognized entities. Additionally, the Law Commission emphasizes the need for adaptable governance structures within DAOs, proposing token-based voting rights as an alternative to shares. It underscores the importance of maintaining transparency and accountability, particularly in meeting AML and financial regulatory standards.

In conclusion, the Law Commission’s report suggests that while existing laws in England and Wales can partially accommodate DAOs, the development of more flexible legal frameworks

and clearer regulatory guidance could enhance the UK's attractiveness for DAO formation and operation, supporting the growth of decentralized governance structures within a secure legal environment.

## **2.12. United States (Tennessee)**

On April 6, 2022 the Tennessee General Assembly passed [new legislation](#) recognizing decentralized autonomous organizations (DAOs) which partly follows the Wyoming model (DAO LLC) with some differences. In short, under the new legislation, a DAO is an LLC whose articles of organization include a specific statement that the LLC is a DAO. Under the Act, the DAO may be referred to as a DO, and DAOs are referred to as DOs in most of their legislation. This is probably due to the way DAOs currently operate, which is not always fully automated. The statement may define the DAO as a smart contract-managed DAO or a member-managed DAO. In both cases, unless otherwise provided in the articles of organization or operating agreement, DAO management is vested in the smart-contract if smart contract-managed and in its members if member-managed.

Both the articles of organization and the underlying smart contracts of a DAO generally govern all aspects of a DAO including its activity, its members' relations, its members' rights and duties, the transfers and withdrawals of membership interests, distributions to members prior to dissolution, and the procedures for amending the articles of organization as well as the applicable smart contracts. Amending a DAO's smart contracts requires amending its articles of organization. If the articles of organization conflict with its underlying smart contracts, the smart contracts prevail absent a contrary provision in the Act.

A DAO will be dissolved if it fails to approve proposals or take actions for one year, or fails to perform a lawful purpose as determined by the Tennessee secretary of state. A member of the DAO (i.e., the token holder) does not have a fiduciary duty to the DAO except for implied covenant of good faith and fair dealing.

## **2.13. United States (Vermont)**

The State of Vermont offers a legal framework specifically for Blockchain-Based Limited Liability Companies (BLLCs) under [Chapter 025 of Title 11](#), permitting entities to use blockchain technology for governance and management purposes. Vermont's approach recognizes BLLCs as a distinct LLC type, facilitating decentralized and automated decision-making while providing the same legal protections as traditional LLCs.

To establish a BLLC, the operating agreement must address several foundational elements: a purpose or mission statement, details on the blockchain type and structure (public or private, fully or partially decentralized), and specific voting procedures, often incorporating smart contracts. The agreement must also detail security protocols to prevent breaches and unauthorized actions, as well as the criteria for membership and the rights and obligations of participants.



With regard to the rights and obligations of members, the regulations require DAO LLCs to clearly specify the rights and obligations of each group of participants, including identifying which participants will hold the roles and responsibilities of members and managers. Participants may serve in multiple roles, such as manager and developer, as long as they comply with the applicable fiduciary duties. Fiduciary duties typically include a duty of non-competition with the organization; however, as with a standard LLC in Vermont, this duty may be reasonably restricted in the operating agreement of a DAO.

As legally recognized LLCs, BBLLCs in Vermont benefit from limited liability, allowing them to enter contracts, own assets, and continue operations even if there are membership changes, similar to conventional LLCs. Vermont's framework supports the adoption of flexible governance structures compatible with the decentralized governance of DAOs, fostering innovation while ensuring members maintain clear legal standing.

For tax purposes, BBLLCs in Vermont are treated under standard LLC tax regulations, as the state does not have blockchain-specific tax provisions. They are subject to Vermont's annual minimum business entity tax, calculated based on revenue. At the federal level, BBLLCs must comply with IRS classification rules depending on their chosen structure (e.g., partnership or corporation), as current U.S. tax laws do not specifically cover blockchain-governed entities. This necessitates careful management of state and federal tax obligations, in line with LLC standards based on the entity's classification.

While Vermont's BBLLC structure provides a regulated pathway for blockchain-based operations, incorporating blockchain technology introduces additional governance and compliance complexities. BBLLCs must maintain strong security protocols, adapt to evolving regulatory standards, and ensure participants are well-versed in blockchain and digital asset management.

In summary, Vermont's BBLLC framework offers DAOs and blockchain organizations legal recognition, limited liability, and flexible governance options. However, it also demands a diligent approach to compliance, security, and tax obligations, similar to traditional LLCs, making it both an innovative and rigorous choice for decentralized, community-driven projects.

## **2.14. United States (Wyoming)**

The state of Wyoming has been a leader in developing legislation for organizations using blockchain technology. In July 2021, Wyoming enacted legislation to specifically allow for the formation of DAOs (DAO Supplement), becoming the first state to do so, through a supplement to the LLC Act. The law allows for the creation of DAOs as limited liability companies, conferring legal personality and identity to such entities for the first time in the United States. This made Wyoming one of the first jurisdictions to create a legal structure specifically for DAOs, enabling them to operate as "DAO LLCs" with options for either member-managed or algorithmically managed governance structures. This flexibility aligns well with the

decentralized and automated nature of DAOs, facilitating the integration of smart contract-based operations.

On July 1, 2024, the Wyoming [Decentralized Unincorporated Nonprofit Association \(DUNA\) Act](#) entered into effect. The Act drew from the existing Wyoming Unincorporated Nonprofit Association Act and adapted it to the use of distributed ledger technology and autonomous organizations. A DUNA must be established for a charitable purpose as described in Internal Revenue Code Section 501(c)(3). These new types of DAOs are intended to permit the formation of non-profit charitable organizations on blockchain-enabled public, open-source networks.

An interesting issue in the DUNA regulation concerns the distribution of 'benefits'. Under Wyoming law, both the UNA and the DUNA are able to engage in for-profit activities (i.e. operation of a decentralized exchange protocol) but profits from any activities shall be used in furtherance of, or set aside for, the nonprofit association's common nonprofit purpose. Wyoming's DUNA statute also specifically permits the payment of reasonable compensation for any services provided to a DUNA's ecosystem. This feature is expected to enable DUNAs to compensate the members that help foster their growth without needing to extract value from users.

Outside the new DUNAs regulation, and returning to the possibility of a DAO LLC, to establish a DAO LLC in Wyoming, organizers must register the entity, clearly designating it as a "DAO LLC," and submit a statement confirming its decentralized structure. The registration process requires that any smart contracts integral to governance be identified and made accessible to the public. Additionally, each DAO LLC must appoint a Wyoming-based registered agent to serve as the primary compliance contact within the state.

Wyoming's DAO framework provides robust liability protection for DAO members, ensuring their personal assets remain distinct from the liabilities of the DAO, similar to traditional LLC protections. Existing LLCs in Wyoming can seamlessly transition to DAO LLC status by amending their Articles of Organization to incorporate the necessary DAO designations and governance provisions.

Under this framework, DAO LLCs must file annual reports on in-state assets and pay an initial \$100 filing fee, along with recurring annual report fees. Notably, this legal structure is limited to DAOs domiciled in Wyoming, as foreign DAOs cannot register under this framework.

Wyoming offers a tax-friendly environment for DAO LLCs, with no state income tax on earnings. Federally, DAO LLCs are generally treated as pass-through entities by default, allowing profits and losses to flow directly to individual members for personal tax reporting, thus avoiding double taxation. Members, however, may be subject to self-employment taxes on income derived from the DAO, depending on their involvement. DAO LLCs may also opt for C Corporation tax treatment, where the entity pays corporate taxes, and member distributions are subject to individual taxation. Wyoming assesses an annual report filing fee, starting at a minimum of \$60, based on in-state assets. For foreign members, U.S. tax obligations apply to

income types like dividends or interest, typically at a 30% withholding rate, though tax treaties may reduce this rate. Due to potential tax liabilities in other states where the DAO may have operations, professional tax advice is often essential to ensure comprehensive compliance.

This regulatory structure allows DAOs to operate as legally recognized entities with limited liability, while meeting Wyoming's LLC regulations. Wyoming's pioneering DAO legislation supports decentralized governance within a stable legal framework, establishing the state as a preferred jurisdiction for DAO formation within the United States.

## **2.15. Emerging Trends and Regional Perspectives in DAO Regulation**

We observe that several jurisdictions worldwide are actively establishing frameworks to support the unique governance, operational, and financial needs of DAOs. These frameworks aim to balance innovative decentralized models with legal recognition, compliance, and member protection. By defining DAO-specific structures or adapting existing corporate forms to decentralized needs, these jurisdictions enable DAOs to operate within regulated environments, promoting transparency, accountability, and security for DAO members and stakeholders.

While DAO-specific legislation remains limited in regions like Africa and Latin America, interest in digital assets and blockchain technology is rising. Although African nations such as [Nigeria](#) and [South Africa](#) have enacted regulations primarily targeting cryptocurrencies, these indirectly impact DAOs engaged in financial activities. In Latin America, countries like [Brazil](#) and [Mexico](#) have taken steps to regulate virtual assets with a focus on AML and consumer protection. As regulatory frameworks for virtual assets develop in these regions, DAOs may find emerging opportunities for compliant operation, particularly as interest in decentralized models grows.

### 3. Comparative Analysis of Jurisdictions

This comparative analysis provides an overview of various global jurisdictions supporting DAOs, highlighting key aspects of each region's regulatory framework, incorporation process, governance, liability, and tax implications. Jurisdictions have adopted diverse approaches, ranging from bespoke legal forms, such as DAO LLCs in Wyoming and Blockchain-Based LLCs in Vermont, to adaptations of existing structures like Private Limited Companies and Foundations in places like Estonia and Malta. Each entry outlines the incorporation requirements, governance options, liability protections, token management regulations, and specific tax structures applicable to DAOs in these locations. There are other jurisdictions that, in one way or another, have tried to bring the DAO phenomenon into a space of legal recognition (such as trusts in Guernsey or cooperatives in Colorado). This summary aims to present the legal landscape and compliance considerations across most leading DAO-friendly jurisdictions to make informed decisions when selecting an appropriate legal domicile.

Jurisdiction	Formation and Legal Recognition	Governance and Decision-Making	Liability and Compliance	Token and Asset Management	Incorporation Fees	Treasury Requirements	Taxation
<b>Abu Dhabi Global Market (ADGM)</b>	DLT Foundations as a new legal form for DAOs with formal recognition.	Foundation Council with minimum of two members; optional guardian for oversight.	Limited liability; AML/CTF compliance; annual reporting and auditing.	Permits token issuance and asset holding under FSRA requirements.	USD 500 annual registration; USD 8,000 license.	Initial asset value of USD 25,000.	9% corporate tax; 0% for qualifying free zone entities.
<b>Cayman Islands</b>	Foundation Companies recognized under the Foundation Companies Law; DAOs operate as foundation companies.	Governed by board of directors; flexible roles for DAO governance.	Limited liability; compliance under VASP Act for virtual asset activities.	Token issuance and asset management permitted; must register with CIMA.	USD 854 annual registration; additional office fees.	No specific treasury requirements.	Tax-neutral, no corporate or capital gains tax.



<b>Estonia</b>	Private Limited Companies (OÜs) or Foundations; no bespoke DAO form, but formal recognition through existing entities.	Flexible governance; smart contracts can be integrated	Limited liability; AML compliance; licensing for certain token activities.	Regulated by EFSA; may require Financial Institution or Virtual Currency License.	Standard company registration fees. Approx. EUR 190-250 registration fee.	No specific treasury requirements .	20% on distributed profits only.
<b>Japan</b>	Tokenized GK (limited liability companies) as recognized DAOs under FIEA amendment.	Managed by governing members; restricted token transfers and profit distribution.	Limited liability; compliance with FIEA and AML.	Token issuance regulated under FIEA; limitations on tokenized membership.	Standard LLC registration fees (approx. JPY 60,000).	No specific treasury requirements .	Standard corporate tax rates, typically 30-35%.
<b>Liechtenstein</b>	DAOs recognized as Associations or Foundations under the Blockchain Act (TVTG).	Flexible governance; Token Container Model for asset representation.	Limited liability; AML and CTF compliance required.	Supports diverse assets through Token Container Model.	Standard fees for associations/foundations. Approx. CHF 400-600 for associations/foundations.	No specific treasury requirements	12.5% corporate tax; capital gains generally exempt.
<b>Malta</b>	DAOs operate as Private Limited Companies or Foundations under MDIA Act, VFA Act, and ITAS Act; no bespoke DAO form.	Dependent on chosen legal structure; ITAS certification for decentralized tech use.	Limited liability; AML/CFT compliance for VFA activities.	Regulated by MFSA; requires VFA license for token activities.	Standard company registration fees. EUR 245 for companies; foundations approx. EUR 350.	No specific treasury requirements .	35% corporate tax with possible deductions/credits.
<b>Marshall Island</b>	DAO LLCs as a recognized legal	Governed by LLC agreement or	Limited liability; annual reporting	Allows token issuance and	Standard LLC registration fees.	No specific treasury	Non-profit DAOs exempt;



	structure under DAO Act of 2022; formal recognition of DAOs as LLCs.	smart contract; requires Representative Agent.	and beneficial ownership disclosure.	asset holding; public blockchain for holdings.	Approx. USD 750-1,000 registration fees.	requirements .	for-profit DAOs taxed at 3%.
<b>Singapore</b>	Companies Limited by Guarantee (CLG) often used for DAOs, especially non-profit DAOs; no dedicated DAO structure but recognition possible.	Governed by a constitution; token holders may form an advisory board.	Limited liability; compliance with PSA for digital tokens and AML/CTF.	Regulated by MAS; licenses required for token-related financial services.	Standard registration fees for CLGs. Approx. SGD 300-500 for CLG registration.	No specific treasury requirements .	17% corporate tax; potential exemptions for charities.
<b>Switzerland</b>	Recognized as Swiss Foundations or Associations under Swiss Civil Code; no bespoke DAO form.	Foundations governed by Foundation Board; associations by General Meeting.	Limited liability; AML compliance for payment tokens.	FINMA regulates token classifications; certain tokens require prospectus.	Standard fees for foundations/associations. CHF 600-1,000.	No specific treasury requirements .	4.25% federal tax; variable cantonal rates; exemptions possible.
<b>United Arab Emirates (UAE)</b>	Startup and Alpha DAO Models under DARE framework in RAK Digital Assets Oasis; DAOs gain legal personality.	Flexible structures for different DAO sizes; mandatory governance standards.	Limited liability; AML/KYC compliance; governance standards.	Permits asset ownership and bank interaction; token sale permissions in Alpha model.	USD 4,500 - 9,500 depending on model.	No specific treasury requirements .	Reduced rates, tax exemptions on specific income types.
<b>UK</b>	No bespoke DAO entity; existing LLCs, CICs, and	Governance varies by legal structure; limited flexibility	Limited liability; AML compliance;	Tokens may be subject to regulations	Standard company registration fees. Approx. GBP 12-40	No specific treasury requirements	Standard corporate tax rates, currently





	cooperatives may be adapted for DAOs.	for decentralized voting.	standard business regulations.	under Financial Conduct Authority (FCA).	for company registration.	.	19-25%.
<b>US-Tennessee</b>	DAO LLCs recognized as "DOs" under the 2022 legislation; includes smart contract-managed and member-managed structures.	Governance via smart contracts or member decisions; amendments require articles and smart contract changes.	Limited liability; compliance with good faith and fair dealing, no specific fiduciary duties.	Allows smart contract management for all activities; no specified token regulations.	Standard LLC fees apply (min. \$100 franchise tax)	Dissolution if inactive for a year; no specific treasury requirements .	Standard LLC tax rates; 6.5% excise tax; no specific tax incentives for DAOs
<b>US- Vermont</b>	Blockchain-Based LLCs (BLLCs) as a unique LLC type recognizing blockchain-based governance.	Governed by an operating agreement specifying blockchain use and voting.	Limited liability; must comply with state and federal LLC regulations.	Allows token-based governance; standard LLC security protocols apply.	Standard LLC registration fees. Approx. USD 125.	No specific treasury requirements .	Standard LLC tax guidelines; annual entity tax applies (USD 250).
<b>US- Wyoming</b>	DAO LLCs formally recognized under the DAO Supplement Act; bespoke legal form for DAOs.	Can be member-managed or algorithmically managed; Wyoming-based agent required.	Limited liability; annual reporting for in-state assets; U.S. tax obligations.	Permits asset holding and token-based governance; limited to Wyoming DAOs.	USD 100 initial filing fee; \$60+ annual report fee.	No specific treasury requirements .	No state income tax; U.S. federal pass-through taxation by default.

#### 4. Commonalities Across Jurisdictions

In examining DAO regulations across multiple jurisdictions, a clear pattern of convergence emerges. While each jurisdiction offers unique approaches, they share several key features that provide DAOs with operational stability, legal clarity, and a pathway to compliance within established financial and legal systems. This chapter explores these commonalities, highlighting the widespread use of existing legal structures, such as LLCs and foundations, adapted to suit the needs of DAOs. Additionally, it addresses shared regulatory requirements, including AML and KYC compliance, governance standards, and token classification frameworks, which provide DAOs with a level of legitimacy within both local and international contexts. These common regulatory elements facilitate investor trust, enhance legal certainty, and support innovation, collectively contributing to a growing global ecosystem where DAOs can operate effectively and responsibly.

- **Legal Recognition and Entity Structuring**

Across the reviewed jurisdictions, a trend emerges of recognizing DAOs through adaptation of existing legal structures such as LLCs, foundations, and associations. Jurisdictions like Wyoming, the Cayman Islands, and the Marshall Islands have adapted or created specific entity types, enabling DAOs to attain legal standing with distinct benefits, including limited liability for members and operational autonomy.

One of the most pressing challenges for DAOs is the issue of unlimited liability. Without a legal wrapper, DAO members and contributors risk being held personally liable for the organization's actions, debts, or legal breaches. This creates significant barriers to participation, particularly for individuals or entities seeking to engage with DAOs while maintaining personal asset protection.

To address this concern, jurisdictions like Wyoming have introduced bespoke legal forms such as the DAO LLC, which explicitly limits member liability to the extent of their contributions. Similarly, the Cayman Islands and Marshall Islands have incorporated liability protections into their frameworks, ensuring that DAO members are shielded from personal exposure as long as they operate within the bounds of the entity's governance framework and local laws. These legal structures are designed to bridge the gap between decentralized governance models and traditional legal systems, enabling DAOs to operate with the same level of legal certainty as more conventional entities.

Furthermore, the inclusion of limited liability protections has not only encouraged participation but also fostered trust among external stakeholders, such as investors, contractors, and financial institutions, who may be wary of interacting with DAOs lacking clear legal accountability. This convergence toward liability limitation is a critical

step in making DAOs more accessible and sustainable, supporting their integration into the broader digital economy. Moreover, by addressing unlimited liability through legal recognition, jurisdictions are trying to mitigate one of the most significant risks associated with DAO participation.

- **Compliance with AML and KYC Regulations**

Most jurisdictions emphasize AML and KYC compliance, especially for DAOs engaging in activities that involve token issuance or virtual assets. Compliance ensures DAOs meet standards for transparency, prevent financial crime, and align with international regulations, fostering trust with users and traditional financial entities alike. For instance, frameworks in the ADGM, Cayman Islands, and Malta set forth stringent AML/KYC regulations tailored for digital asset operations.

- **Governance and Decision-Making Mechanisms**

Governance models supported by jurisdictions generally enable decentralized decision-making, often allowing DAOs to incorporate voting rights, board structures, or advisory boards in line with traditional governance models. Jurisdictions like Switzerland and Singapore endorse structures that encourage community involvement and decentralized decision-making while upholding fiduciary responsibilities for members and directors. The design of governance - the existence or not of some kind of 'governing body' outside the token holders as a whole - is partly conditioned by the type of legal wrapper and the model that has been chosen (in legislations that allow for algorithmic management, for example). One feature that does seem to recur in most laws is the absence of specific fiduciary duties of token holders, beyond the possibility of establishing them in operational agreements or DAO documents.

- **Taxation and Financial Transparency Requirements**

While tax policies vary widely, a common thread is the imposition of taxes on profits or activities deemed taxable by local laws, with some exceptions for nonprofit DAOs. Jurisdictions like Liechtenstein and the Cayman Islands provide tax advantages for DAOs, with benefits ranging from tax neutrality to income tax exemptions, incentivizing growth within these regions.

These commonalities reveal that jurisdictions are converging toward adaptable, transparent, and compliance-driven frameworks that provide DAOs with the structure needed to interact with traditional systems while preserving decentralization principles. As regulatory clarity around DAOs increases, jurisdictions worldwide are likely to continue refining their approaches, supporting the sustainable growth of decentralized governance models in the global digital economy. It may be important to notice that regardless of the jurisdiction, the presence of financial activities usually triggers more rigorous obligations, while DAOs focused

on non-financial, community-driven, or purely operational purposes may encounter lighter requirements, depending on the specific regulatory environment.

## **5. Key Differences Across Jurisdictions**

As regulatory frameworks for DAOs emerge, jurisdictions have adopted distinct approaches based on regional priorities, legal traditions, and economic goals. These differences impact how DAOs are structured, governed, and taxed and can affect their operational scalability, compliance, and attractiveness for international projects. Some of the main differences we found are highlighted below.

- **Jurisdiction-Specific Structures and Legal Forms**

Some jurisdictions, like Wyoming and the Marshall Islands, have created bespoke DAO legal forms, such as Wyoming's DAO LLC and the Marshall Islands' DAO LLC. These structures offer DAOs direct pathways to legal recognition, limited liability, and governance flexibility. By contrast, places like Switzerland and Singapore recognize DAOs through more traditional forms—such as associations or foundations—without creating specific DAO legal entities. These adaptations provide DAOs with legal status but may lack the flexibility or specificity of bespoke structures.

- **Compliance and Reporting Requirements**

Reporting requirements vary significantly, impacting DAOs' administrative burden. In jurisdictions such as the ADGM and the Cayman Islands, DAOs involved in token issuance or other financial activities are subject to strict reporting standards, including annual reporting, beneficial ownership disclosure, and AML/KYC compliance. However, across most jurisdictions, these heightened requirements primarily apply to DAOs engaged in financial or asset-based activities. For DAOs that do not engage in financial transactions, reporting obligations tend to be lighter. In Liechtenstein, for example, DAOs without financial asset involvement face fewer regulatory demands, reflecting a lighter regulatory approach for community-focused or non-financial DAOs.

This distinction underscores that while financial activity often triggers comprehensive compliance requirements globally, non-financial DAOs may benefit from simplified reporting obligations in many jurisdictions.

The differences in regulatory approaches across jurisdictions reflect diverse priorities, from investor protection and AML compliance to fostering innovation. These unique features and challenges shape how DAOs operate, scale, and interact within each legal framework.

## **6. Strengths and Weaknesses of Current Legal Structures**

Building on the regulatory insights discussed in previous chapters, this section reviews the strengths and weaknesses of current legal structures for DAOs. Jurisdictions worldwide are

converging towards adaptable frameworks that accommodate DAOs through existing entities like LLCs and foundations, or through new, DAO-specific legal forms. This trend fosters operational stability, legal clarity, and compliance opportunities within established financial and legal systems, which enhances the legitimacy and appeal of DAOs for global participation.

Jurisdictions also share essential compliance requirements, particularly in AML and KYC, and often rely on token classification systems to guide regulatory oversight. Such shared frameworks have helped DAOs operate under consistent rules across borders, supporting investor trust and integration into traditional markets. However, as much as these similarities build a foundation for DAO growth, key differences—ranging from entity structures to compliance and reporting obligations—highlight varying regional priorities, often impacting a DAO's choice of jurisdiction for legal recognition and operational ease. Below we explore the collective strengths that support the DAO ecosystem globally and the jurisdictional challenges that may hinder full alignment with the decentralized governance model.

On one hand, DAO-compliant jurisdictions offer several strengths that enhance their appeal for investors and participants, notably by providing legal certainty around liability, ownership, and governance. This clarity is particularly attractive to institutional investors, as it helps DAOs interact more seamlessly with traditional financial systems and draws in a wider array of capital sources. Many regions also support flexible governance models, enabling DAOs to experiment with smart contracts, tokenized voting, and other decentralized mechanisms—fostering innovation within blockchain and digital asset management. Additionally, the standardization of compliance and reporting processes across these jurisdictions strengthens transparency and regulatory trust, enhancing DAOs' credibility and facilitating their integration into the broader economy while preserving core decentralized principles.

On the other hand, DAO regulatory frameworks face several challenges and weaknesses, often arising from the complexity of adapting traditional structures like LLCs, foundations, or associations to accommodate decentralized governance needs. For instance, Singapore's Company Limited by Guarantee is suitable for nonprofit DAOs but may restrict token transferability and impose rigid governance requirements, while Switzerland's foundation model, though stable, enforces fiduciary duties that can limit flexible, decentralized decision-making. Restrictions on foreign participation and cross-border operations also pose challenges, as seen with Wyoming's DAO LLC, which is only available to domestic entities, and the UAE's DARE framework, which mandates registration within the Ras Al-Khaimah free zone, potentially deterring DAOs seeking less constrained jurisdictions. High incorporation and maintenance costs present additional barriers, with the UAE's DARE model accessible primarily to well-funded DAOs, and operational costs in Malta and Switzerland, although tax-advantaged, may be prohibitive for smaller DAOs. Furthermore, regulatory ambiguities remain in evolving DAO legislation, as in Japan, where the FIEA amendment addresses tokenized LLC memberships but lacks comprehensive guidance for DAOs, and Liechtenstein's TVTG, while strong for tokenized assets, requires more specific governance clarifications for

DAOs. This highlights the need for continued legislative development to support the evolving needs of decentralized entities.

In conclusion, while current regulatory frameworks provide DAOs with foundational legal structures and compliance pathways, there remain substantial variations that reflect regional priorities and economic strategies. These frameworks have laid the groundwork for DAOs to gain legitimacy and operate alongside traditional businesses, drawing investors and encouraging innovation within blockchain technology. However, challenges persist, particularly in adapting these structures to fully align with the decentralized, borderless nature of DAOs. Continued legislative development and cross-jurisdictional cooperation will be essential to address these gaps, enabling DAOs to realize their potential in a stable, well-defined regulatory environment that balances innovation with necessary oversight. This evolution will ultimately support the growth of a more cohesive global DAO ecosystem that aligns with both decentralized ideals and regulatory requirements.

## **7. Implications for Global Harmonization of DAO Standards**

The diverse approaches taken by jurisdictions to regulate DAOs reflect the challenges and opportunities of creating a cohesive global standard. While current regulatory frameworks offer valuable insights into operational governance, liability, and compliance for DAOs, they also highlight the inconsistencies and regulatory gaps that DAOs face when operating across borders.

A major barrier to global harmonization is the lack of a unified definition and classification for DAOs. Each jurisdiction currently uses its own classification for DAOs based on traditional legal structures, such as LLCs, foundations, or associations, with some places adopting entirely new entities specifically for DAOs. Establishing an international classification system, with categories based on operational purpose (e.g., nonprofit, investment-focused, social DAO) and governance structure (e.g., member-managed, algorithm-managed), would provide a foundational step toward more aligned regulatory standards.

Moreover, differences in governance requirements, from board structures to member roles, affect the operational flexibility and liability protection available to DAOs. Some jurisdictions impose strict governance standards, while others permit more decentralized decision-making models. A harmonized governance framework could help balance flexibility with essential oversight by establishing core principles of fiduciary responsibility—such as duty of care, duty of loyalty, and duty of good faith. This would ensure that decision-makers act in the best interests of the DAO and its members, encouraging trust and accountability while preserving decentralized governance structures. Standardizing liability protections, particularly for limited liability of members and contributors, could reduce risks and promote broader, more secure participation in DAOs globally. This approach would retain flexibility across governance structures while fostering trust and transparency essential for the growth of a sustainable global DAO ecosystem.



Furthermore, current DAO regulations often diverge on AML, KYC, and financial reporting requirements. These variances create compliance challenges for DAOs operating internationally, especially as most financial institutions require strict AML/KYC adherence for entities involved in token issuance or asset transactions. Developing internationally recognized AML/KYC protocols for DAOs could simplify onboarding processes, ensure regulatory trust, and prevent regulatory arbitrage. Additionally, a common standard for reporting on governance, financial activity, and member involvement would strengthen transparency and support global regulatory compliance.

Tax obligations for DAOs vary widely and often depend on the entity's structure and jurisdictional policies regarding digital assets. Implementing consistent tax treatments, especially for decentralized entities without clear geographical bases, would reduce regulatory uncertainty. By standardizing approaches to income and capital gains taxes for DAOs, international regulatory bodies could streamline cross-border operations, making it easier for DAOs to comply with tax obligations and manage treasury activities.

Given the rapid evolution of decentralized technologies, any harmonized framework for DAOs should emphasize adaptability to accommodate innovation. Jurisdictions like Liechtenstein and the UAE have pioneered flexible frameworks that support technological changes, while other regions impose more rigid structures that may not accommodate future growth. Developing a global regulatory approach that encourages technological flexibility—such as allowing smart contracts and tokenized governance—would help DAOs scale across regions without needing to restructure to meet diverse legal requirements.

A coordinated regulatory effort—potentially through a dedicated international body or a working group within an existing organization (e.g., the Financial Action Task Force or OECD)—could facilitate the development of harmonized DAO standards. This body could focus on establishing best practices for governance, compliance, and tax treatment, enabling jurisdictions to adopt consistent policies without stifling local innovation. Additionally, such a group could provide guidance for emerging markets that may wish to develop DAO-friendly regulatory environments, fostering inclusivity and reducing the risk of regulatory disparities across regions.

Harmonizing DAO standards across jurisdictions is a complex yet crucial step toward establishing a coherent global ecosystem. By addressing the gaps in regulatory frameworks—especially around entity classification, governance, compliance, and tax obligations—international cooperation can support the sustainable growth of DAOs and enhance their legitimacy on a global scale. As decentralized governance models evolve, establishing robust, adaptable, and transparent standards will enable DAOs to realize their full potential, driving innovation and inclusivity in the global digital economy.

## 8. Conclusion

This report has outlined the evolving regulatory landscape for DAOs across multiple jurisdictions, exploring both commonalities and unique regional approaches. While jurisdictions such as Wyoming, the Cayman Islands, the Marshall Islands, and the ADGM have pioneered tailored frameworks for DAOs, others like Japan and Switzerland have adapted existing legal structures to accommodate decentralized governance. These diverse strategies reflect each jurisdiction's priorities, economic objectives, and regulatory philosophies, shaping how DAOs operate and interact with traditional legal systems.

A key takeaway from this analysis is the increasing convergence around essential regulatory elements such as AML/KYC compliance, token classification, and governance standards. These commonalities provide DAOs with operational stability, legal clarity, and credibility, helping them integrate into the broader financial ecosystem and attract institutional interest. However, substantial differences remain, especially in governance flexibility, liability protections, and tax policies, which impact DAOs' choices of legal domicile and their ability to operate across borders.

Despite the progress made, existing frameworks often fail to fully address the unique nature of DAOs, which fundamentally diverge from traditional legal entities. DAOs lack centralized control, often rely on smart contracts for decision-making, and typically operate without clear geographical boundaries. These characteristics challenge traditional notions of liability, governance, and regulatory oversight. For instance, the misapplication of conventional legal principles, as seen in cases like Ooki DAO and bZx, can lead to inconsistent rulings that undermine the very concept of decentralization and create significant risks for DAO participants.

Recognizing these gaps, certain jurisdictions have sought to adapt their laws to accommodate the distinct characteristics of DAOs. Frameworks such as the DAO Supplement Act in Wyoming or the Distributed Ledger Technology Foundations in ADGM reflect an effort to balance regulatory oversight with the flexibility required by decentralized organizations. These jurisdictions aim to foster blockchain ecosystems, attract investment, and position themselves as leaders in the Web3 economy. This drive highlights the importance of aligning regulatory frameworks with the needs of decentralized innovation to unlock DAOs' full potential.

This comparative analysis reveals that while existing frameworks have begun to support DAOs meaningfully, there is still work to be done to achieve harmonization. Global standards that address entity classification, governance models, compliance, and taxation could reduce operational burdens and regulatory uncertainties for DAOs, fostering a more cohesive global ecosystem. By enhancing legal recognition and addressing regulatory gaps, jurisdictions can provide DAOs with a secure foundation for sustainable growth, driving innovation and inclusivity in the digital economy.

To further enhance and promote collaboration, clarity, and future-oriented policies in the DAO regulatory landscape, we propose the following action points to be considered:

- Encourage the establishment of a standardized classification system for DAOs based on their purpose and governance model (categorizing DAOs as *Non-Profit*, *Investment-focused*, *Community-driven*, or *Mission-oriented*, including subcategories for governance structures like *member-managed* or *algorithm-managed*). This would be especially beneficial as a universal language for regulators and policymakers, with consistent definitions and facilitating the registration process across jurisdictions.
- Establish core governance principles for DAOs, focusing on transparency, trustee responsibilities, and accountability mechanisms, which can be localized to the legal systems of all jurisdictions. Such principles could include standardized roles and responsibilities for members (e.g., directors, contributors), minimum governance documentation (e.g., charters or constitutions), and basic trustee duties. These core principles would help protect member interests and be in line with international good practices for governance.
- Introduce a “technology-agnostic” regulatory framework for DAOs that would allow for innovation without requiring continuous legislative updates. Jurisdictions like Liechtenstein have pioneered this concept, using broad terminology like “Trustworthy Technology” to future-proof their laws.
- Develop cross-jurisdictional regulatory sandboxes specifically for DAOs; this would allow DAOs to operate in a controlled, compliant environment across many diverse regions. This sandbox could be managed collaboratively by the participating jurisdictions, allowing DAOs to pilot innovative governance or financial models under coordinated regulatory supervision and support.

In the next milestone of the Blockstand - de la Roche W. Consulting project, we will delve deeper into the real-world impacts of these regulatory frameworks by engaging directly with DAOs through surveys and interviews. Our surveys are designed to capture insights from DAO participants on their experiences with regulatory compliance, operational challenges, and jurisdictional preferences. By gathering feedback from active DAO members, we aim to refine our understanding of how these jurisdictions shape DAO activities and identify areas for improvement. This firsthand input will be instrumental in shaping actionable recommendations for policymakers and stakeholders as they work toward establishing a harmonized global framework for DAOs.

In summary, as DAOs continue to evolve, they will benefit from regulatory efforts that balance the need for oversight with the principles of decentralization and technological flexibility. Achieving this balance will be essential for DAOs to thrive, offering new governance, investment, and operational opportunities in a way that aligns with both local and global standards.

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