



New ways of organizing • Shorts

The art of collective action



Subscribe

Share

[HowtoDAO.it](https://howto dao.it)

Newsletter 12 – Decentralized Autonomous Organizations – April 16th 2026

Due to technical issues with some delay another newsletter special. This time highlighting one of our Booklets: 'DAOs - Getting acquainted'. Feel free to share it with others! Feedback is always welcome. If you have interesting insights about a new ways of working that you'd like to share with the community, please let us know at info@howtoda o.it. Enjoy reading this DAO Booklet! Find more booklets on our website.

Booklet-2a 'DAOs – Getting acquainted'

Authors

Peter Nobels & Olivier Rikken



Content

[Intro](#)

[1 **Introductory remarks**](#)

[1.1 Why DAOs](#)

[1.2 State of affairs / state of the art](#)

[1.2.1 Number of DAOs](#)

[1.2.2 Technology](#)

[1.2.3 Sustainability of DAOs](#)

[2 **DAO**](#)

[2.1 Short introduction](#)

[2.2 Cultural characteristics](#)

[2.3 Men/machine-construct](#)

[2.3.1 The 'O' in DAO](#)

[2.4 Subsystems](#)

[2.5 Roles](#)

[2.6 Cryptos & tokens](#)

[2.6.1 Cryptos & tokens - functions](#)

[2.6.2 Cryptos & tokens - general remarks](#)

[2.7 Constructs](#)

[2.8 Processes & Mechanisms](#)

[2.9 DAO as a legal entity.](#)

Intro

This booklet is part of a series of booklets on new ways of collective action supported by web3 technology. Each booklet in the series addresses a topic related to new ways of collaboration, governance, value creation and ownership and has value in its own right. The entire series paints a richer picture. We will publish the booklets sequentially over time.

Goal & scope of book

The goal of this book is to make people acquainted with DAOs: Why & What.

Perspective of book

This booklet takes a high-level look at DAOs as a form of organization for inclusive collective action, governance & ownership in a highly automated and decentralized way.

Target group

People who are curious about organizational forms that support new ways of collaboration, governance, value creation and ownership.

Structure of book

Chapter 1 'Introductory remarks' kicks off with the 'why' of DAOs: why do we see a rise of DAOs? This chapter also includes the state of affairs regarding DAOs.

Chapter 2 'DAOs' starts with an introduction and a definition. It then looks at DAOs from different angles.

Chapter 3 'Vanilla DAO' concludes with the 'vanilla DAO' which describes the minimal variant which can be considered a DAO.

1. Introductory remarks

1.1 Why DAOs

Why are DAOs emerging and becoming popular? We are seeing a culture and paradigm shift toward new modes of collective action, with DAOs as one of the exponents that fit this shift. This shift has cultural, business and political causes:

- **Cultural (we want)**

Although not everywhere, we see two cultural trends. First, more inclusive, more

online, more remote, more multidisciplinary, more fluid and more ad hoc collaboration and fair value distribution. Second, the desire to rebalance power: less BigTech and BigGov and more self-sovereignty of individuals.

- **Business (it's profitable)**

Important causes for new ways of collective action within and between organizations are the need for robust value streams, (digital) trust, efficiency, flexible organizational forms and fluid partnering possibilities.

- **(Geo)political (we believe in it)**

Especially for geopolitical reasons, we see a shift toward strategic independence and avoidance of lock-ins and SPOPs (single points of power). This encourages decentralized ways of organizing and fuels regulations.

In other booklets we zoom in on the benefits of DAOs and on the drivers and enablers for rise of DAOs. A short recap below.

Benefits of DAOs

In booklet 3a 'Implementation - What's in it for you & your community' you will read about the benefits DAOs can have for you, your community and its stakeholders.

Drivers & enablers

We see drivers and enablers for DAOs stemming from 4 origins: society, communities, technology and organizational developments. We discuss these in:

- *Booklet series 0a Society*

The booklets in this series are about the challenges and crises we face as a society and how current systems fall short of achieving the societal goals we seek. They discuss the obstacles we need to overcome and how new ways of shared governance, collaboration and ownership/stewardship can contribute to more vital societies and a more vital planet.

- *Booklet series 0b Communities*

Groups of people striving toward a common goal are called a community. Communities can be more socially or more business-oriented. Booklets in this series discuss the general characteristics of communities (so we can map DAOs on them). They also discuss their challenges and how DAOs/DAO mechanisms can help them be successful, or as we call it, vital.

- *Booklet series 0c Empowering IT*

Technology is rapidly evolving. Booklets in this series zoom in on specific technologies like Web3 and AI and on related concepts like wallets and self-sovereignty. The booklets show how these technologies and concepts can be used for new ways of shared governance, collaboration and ownership/stewardship

- *Booklet series 0d Organizing*

Most organizations are on a never-ending quest to improve their way of working and organizing. The booklets in this series discuss various organizational developments and relate them to DAOs and DAO mechanisms.



Eva Beylin

@evabeylin



DAOs are not products, they are frameworks for decision making about products/projects

if your DAO is successful you shouldn't even know it's there, it'll just be a well-functioning community

9:20 PM · May 22, 2021



103



4



Share this Tweet

Tweet your reply

1.2 State of affairs / state of the art

1.2.1 Number of DAOs

The number of perceived DAOs has risen exponentially over the years as shown in figure 1.

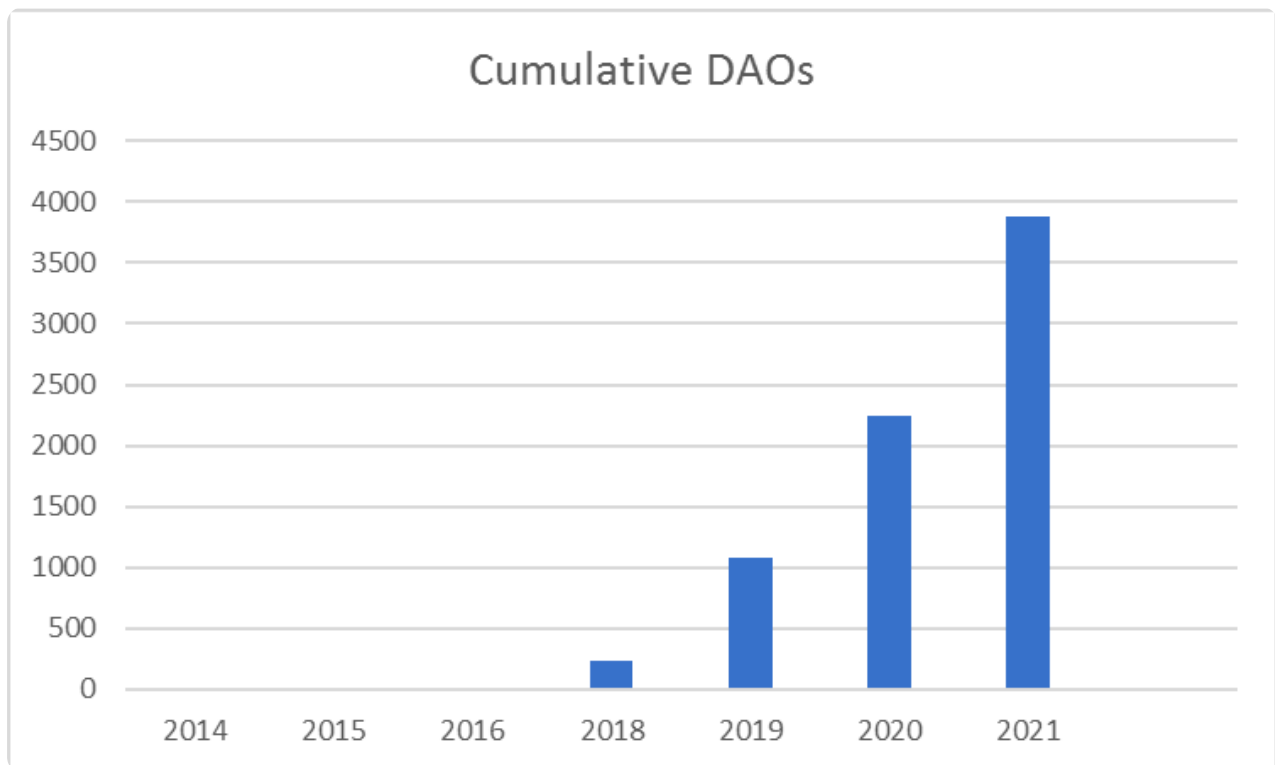


Figure 1 'Perceived DAOs over time'

Source: Paper "[The Ins and Outs of Decentralized Autonomous Organizations \(DAOs\) - Unraveling definitions, characteristics and emerging developments of DAOs](#)" by Olivier Rikken MSc MBA, Prof Dr Marijn Janssen, Dr Zenlin Kwee.

Some remarks:

- There is no consensus on what constitutes a DAO. We use the term 'perceived' because not all DAOs meet the criteria we consider essential to call your organizational form a DAO. A lot of DAOs might be better labelled as DINOs: DAOs in name only.
- The numbers may also be contaminated by 'test DAOs', that is, people who try DAOs software but do not use them for operational work.

That said, DAOs are undoubtedly on the rise.

1.2.2 Technology

Web3 infrastructure, platforms and tools that support communities to be a DAO are not yet as mature as Web2 variants with similar capabilities. And the tools available are certainly not a coherent set and/or limited to specific technology ecosystems. At the same time:

- The tools that do exist have features which can't be found in web2.
- There are some platforms on which you can set up the digital part of a DAO. Examples include Aragon, DAOhaus and Colony. These platforms offer templates for a kickstart and toolboxes for running a DAO. They are becoming more mature in terms of number of features, usability and interoperability. The 'Gitcoin Galaxy' is another example of an environment that offers a set of DAO-supporting tools.

Booklet-3d 'Implementation - DAO Tools' contains more information about DAO tooling.

1.2.3 Sustainability of DAOs

Many DAOs are not sustainable. DAOs more focused on a common goal and shared values seem to be more viable than DAOs focused only on financial gain.

"We see a survival rate of 67% for all non-economic DAOs against 60% for the economic DAOs."

Source: Paper "[Governance of Decentralized Autonomous Organizations: How business objectives, internal governance and external infrastructural elements influence the long-term viability of DAOs](#)" by [O.K. Rikken](#).

This confirms the assumption that communities are better off focusing on being a vital community than on using tokens (while some DAOs choose to go the route the other way around).

"Community first, tokens second"

2. DAO

If you google 'DAO' or ask ChatGPT 'what is a DAO?', you get a very 'flat' definition. Something like:

"A DAO is an organization represented by rules encoded as a computer program that is transparent, controlled by the organization members and not influenced by a central government. DAOs aim to solve problems like agency and security."

While not wrong, it gives you a very superficial understanding of what a DAO is and how it works in practice. This booklet offers a more profound insight into DAOs.

2.1 Short introduction

In short: a DAO is a group of people*) supported by web3-technology for their collective action. They are men/machine-constructs. No men no DAO; no web3 no DAO. Note: DAOs are often considered as only the software & infrastructure part. We disagree with this interpretation. Let's offer you our definition of a DAO:

"A DAO is a men/machine construct for the support of a community in reaching its mission and in which storage and transaction of value and decision, ownership & access rights, accountability and incentives can be designed, executed, recorded, and archived and where data and actions are recorded and autonomously executed in a decentralized way".

*) We call a group of people a community. Booklet 0b1 'Communities - General' offers more details on communities. That booklet dives into topics as community attributes, capabilities, constructs, governance, ownership/stewardship and roles.

Okay, now we have a definition as a start. Time to take a closer look from different angles.

2.2 Cultural characteristics

While there is no single DAO format, there is a 'decentralized and autonomous' organizing **culture** that most DAOs embrace and that is best described by the characteristics of that culture. We take the figure 'Communities as a purposeful & responsive organism' from booklet 0b1 'Communities - General' as the structure to plot these characteristics.

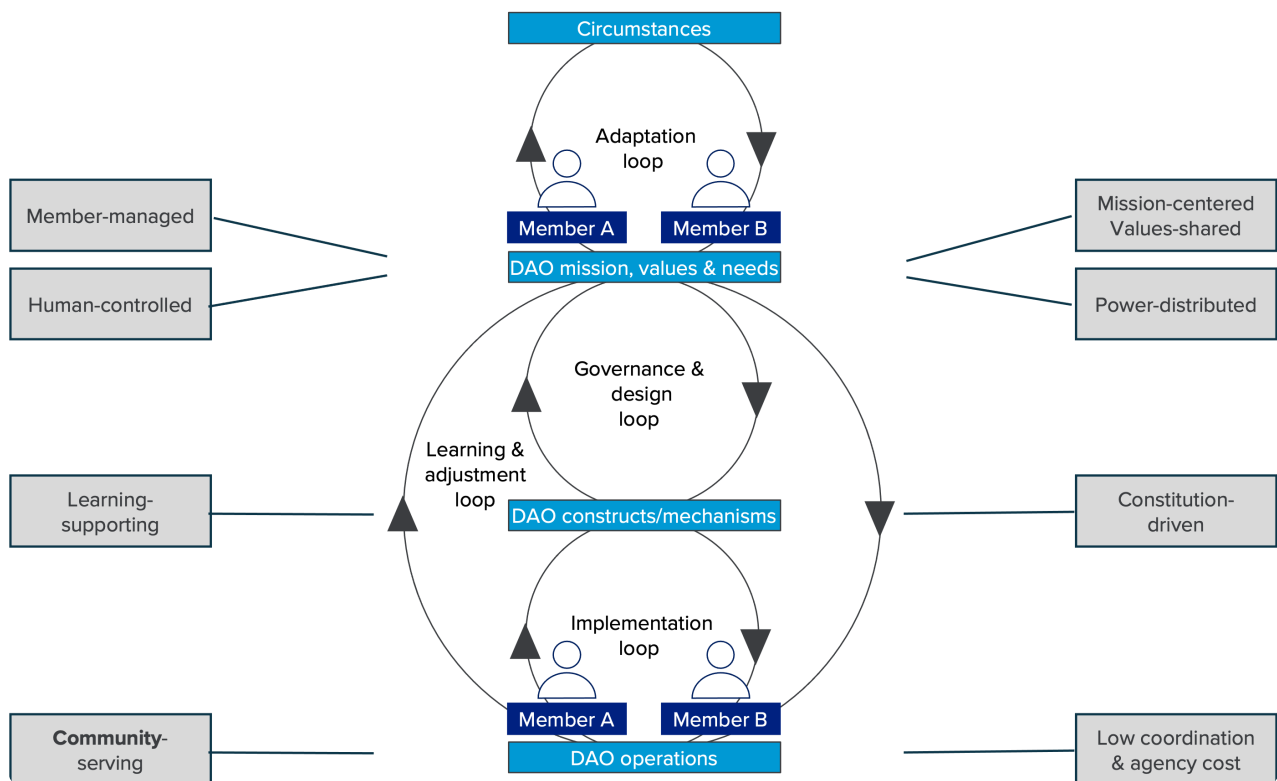


Figure 'DAO characteristics'

Let's take a closer look at these characteristics, also in relation to traditional organizations. Some remarks up-front:

- The DAO and the traditional organization in the table below can be seen as archetypes. Not all DAOs have all these characteristics while some traditional organizations do have some of these characteristics.
- These cultural-related characteristics are functional not technical.

2.2.1 Additional characteristics

Internet-native & borderless

DAO

Many DAOs have members working remotely while in different countries and do not have offices. The online world is where they meet and collaborate.

Traditional organization

Most traditional organizations have offices where employees work on-site.

Trusted

DAO

Because of the used web3-technology, digital trust is a key feature of DAOs. Note: see for more details about digital trust booklet 4d 'New digital society – Digital trust'.

Traditional organization

Provide trust mainly through their reputation

Partially autonomous*)

DAO

DAOs implement many of their rules in software code. These coded rules are executed unstoppably when input requirements are met.

Traditional organization

Even when business rules are turned into software code, they can interfere.

*) The autonomous part of a DAO is not exclusively delivered by web3-technology. AI-agents for example, which can be used by DAOs are also (partially) autonomous.

As part of our 'compare & contrast' analysis, below is a picture of how the archetypal version of a traditional organization can be plotted on cultural characteristics.

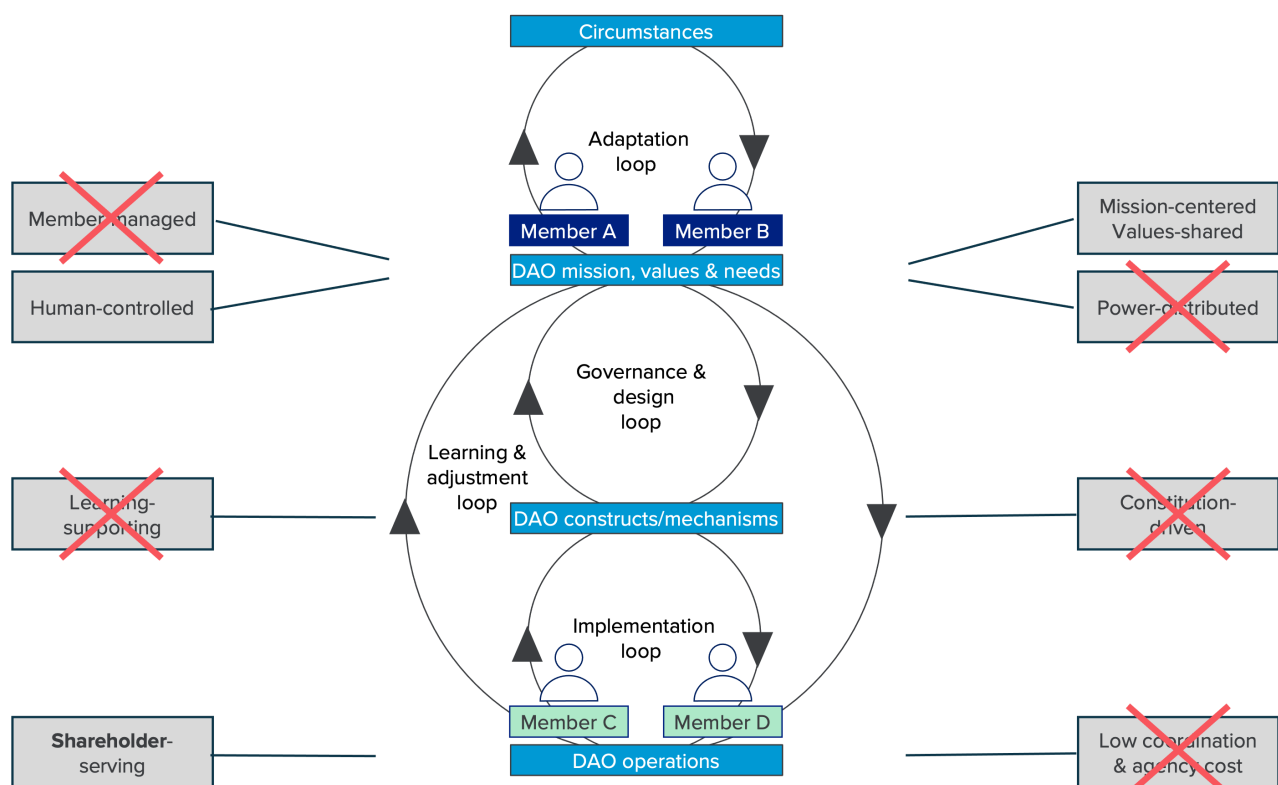


Figure 'Traditional organization's characteristics'

2.3 Men/machine-construct

The name Decentralized Autonomous Organization reflects much of what a DAO is. The three elements in its name (decentralized, autonomous and organization) are reflected in both the **men part** and the **machine part** of DAOs as we will point out in the table below.

The **men part** of the DAO includes the agents who can be considered the members of the DAO (principals) or agents who do some of the work for them (with the rise of AI agents and Agentic AI, this distinction is becoming increasingly relevant).

The **machine part** has two layers:

- A decentralized infrastructure, also known as blockchain or decentralized ledger technology (DLT).
- The software containing the end user functionality that runs on top of this infrastructure. This software is the DAO-specific implementation of software commonly labeled dApp (decentralized Application).

Now we have three elements and three layers. That gives us a matrix where we can put further explanation.

	Decentralized	Autonomous	Organization
Man / agents	The degree of decentralization is defined by: • The degree of the self-sovereignty of its members. • The number of members (accounts) • The number of different member types • The spread of member types • The token spread (distribution across accounts/holders)	An organization as a self-sovereign unit.	The human part of: • Collective action (governance, collaboration, communication) • Rights (governance, access, ownership) • Incentives A constitution (content) under management of the DAO members.
DAO Software (dApps)	• DAO software (dApps) running on independent nodes	Censorship resistant ITTT software (smart contracts which execute when criteria are met) *) ITTT = if this than that	The automated part of: • Collective action (governance, collaboration, communication) • Rights (governance, access, ownership) • Incentives A constitution (code)
DLT Infra layer	The degree of decentralization is defined by: • The number of independent nodes • The 'power spread' (power distribution across a cluster of nodes) Independent nodes contain identical copies of: • A consensus protocol • Stored data • Stored code (smart contracts)	Autonomous execution of: • Transaction verification rules • The consensus protocol and the node synchronisation mechanism	Transaction processing and data / code management based on: • The transaction verification rules • The consensus protocol and the node synchronisation mechanism

2.3.1 The 'O' in DAO

Organizing, also known as collective action, covers a lot of processes (see for the processes we distinguish booklet-0b1 'Communities - General'). What make DAOs really stand apart from traditional organizations, from an organizational point of view, are the following processes and the way those are implemented:

- Shared governance
- Collective action
- Shared ownership/stewardship
- Value distribution

Shared governance

DAOs, whether permissioned or permissionless, are governed by their members. A DAO with a single decision maker, isn't a DAO.

Collective action

DAOs often collaborate around improvement proposals (BIP = Bitcoin Improvement Proposal; EIP = Ethereum Improvement Proposal; etc.) When an improvement proposal has been discussed, improved and accepted by the community, it results in one or more work packages. Work packages are realized through various procedures and contributors. For example, through the core team or through grant or bounty programs. Grants and bounties may be awarded to non-members.

Shared ownership/stewardship

DAOs design their rights management based on shared ownership or shared stewardship. Rights may not be widely distributed from the start, when those rights are still held by a core team and a few investors, but most DAOs have an 'exit to the community' strategy. This means that anyone with membership can gain ownership and/or governance rights. Some DAOs do away with ownership altogether. The DAO and its assets are owned by the DAO itself. Members only have governance rights thereby becoming the stewards of their DAO.

Gitcoin DAO is an example of how a core team handed over governance and ownership rights to the community.

Value distribution

Almost all DAOs have some kind of value distribution policy from which all members can benefit. Such a policy may be based on the number of tokens a person owns, a person's reputation, period of membership or membership type.

2.4 Subsystems

DAOs as constructs for collective action could include all the subsystems that traditional organizations are familiar with. At the same time, we consider a subset as DAO-specific. This is for two reasons. First, DAOs have initially emerged to support governance and inclusiveness and second, as a young organizational format, they focus on areas which have their priority. This leads us to the following set of subsystems:

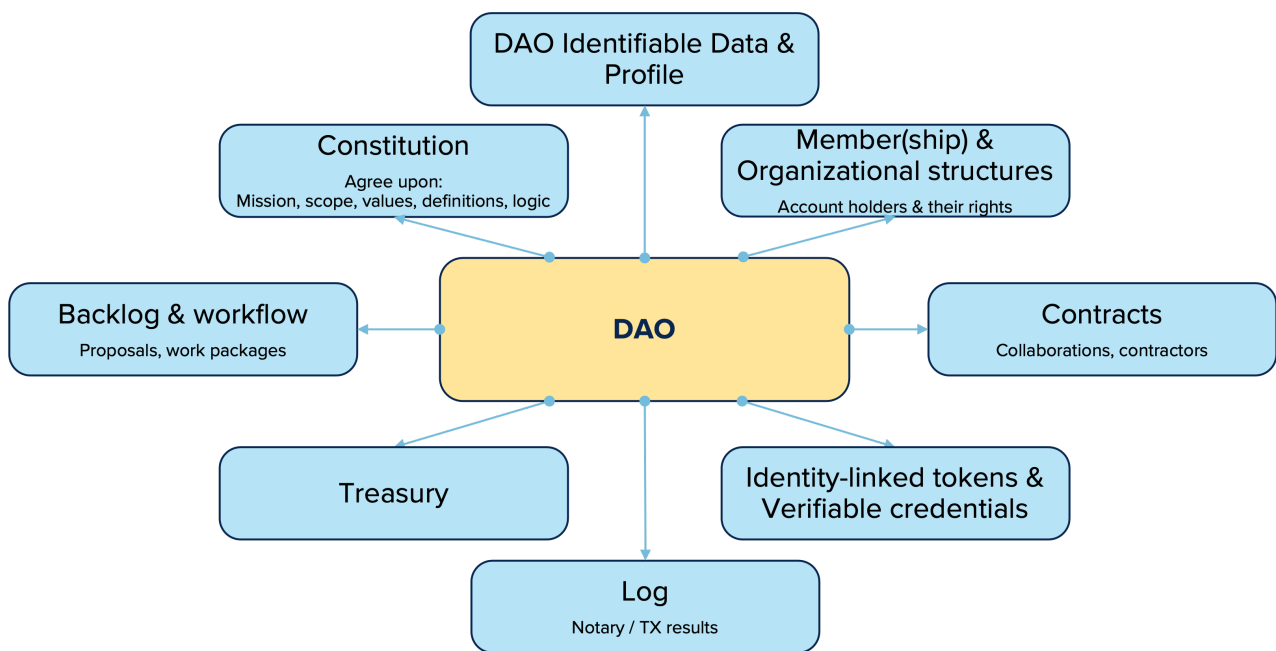


Figure 'DAOs - Subsystems'

Note: In Chapter 3 'Vanilla DAO' we discuss what we see as the minimum set of subsystems that a community should implement to call itself a DAO.

DAO Identifiable Data & Profile

This subsystem manages all the data by which a DAO can be identified. Think of the name, public key, VAT number, LED (Legal entity identifier), address, etc. It is up to the DAO to decide what data to put in its profile that is visible to everyone.

Constitution

The constitution contains the rules of the community that the members have decided upon and to which all members adhere. These are the rules for governing the DAO, how to work together and how to manage value and rights. Regular organizations call these rules their policies or by-laws. DAOs strive to turn these rules into code as much as possible. By doing so, the constitution becomes the DAO's operating system, the engine for collective action. Constitution rules can be 'straight through' requiring no human involvement, or with 'humans in the loop' requiring people to make decisions. Constitutions make communities rule-driven rather than power-driven (power-driven = people with power who make decisions based on personal judgments). A constitution can also be seen as a toolbox for DAO self-management.

For more details, see booklet-2b 'DAO - Constitution'.

Treasury

This subsystem manages the tradable cryptos and tokens owned by a DAO. Tradable cryptos and tokens are used to capture and exchange value, for accounting and to manage assets.

Member(ship) & Organizational structures

Through this subsystem a DAO manages its organizational structures and memberships and membership types. Note: Constitutional rules may apply. Examples of managing organizational structures include creating a new organizational unit (which we call an auton = autonomous organizational unit), dismantling an auton or establishing a joint venture.

The management of members (ships) relates mainly to permissioned DAOs. This subsystem allows DAOs to define membership types and roles and allows them to grant agents specific membership types or assign them to specific roles. Some examples of membership types are full member, affiliate member or non-member.

For more general info on organizational structures and membership(types), see:

- Booklet-0b1 'Community - General'
- Booklet-0b2 'Community - Differences, sliders & switches'

For more details on how to implement organizational structures and membership(types) within DAOs, see:

- Booklet-3b 'Implementation - pragmatism'

"Cold DAOs put their treasury at center; warm DAOs their members"

Notary/Log

The Notary subsystem manages the log that contains the results of all transactions in which a DAO, or a member on its behalf, has participated. These results are the output of code (smart contracts). These smart contracts are the reflection predefined logic agreed upon by the community. This log is immutable and transparent. Some examples of transaction results are a contribution to the treasury, a vote for a proposal by a community member, or the acceptance of an awarded membership by a candidate.

Backlog & workflow

As described in Section 2.3.1 'The 'O' in DAO', DAOs often manage their workloads through work packages. The 'Backlog & Workflow' subsystem supports DAOs to get grip on their work packages. The backlog contains the work packages that need to be done and workflow functionality allocates resources to work packages and tracks their progress.

Contracts

A DAO can draft contracts for formal and less formal agreements. This is the domain of the 'Contracting' subsystem. The process leading to agreements and components of agreements fall under this subsystem. Components of an agreement may include requirements, acceptance criteria, responsibilities, delivery schedules, payment arrangements, dispute handling procedures, applicable regulations and penalties.

Identity-linked tokens & Verifiable credentials

Through this subsystem, a DAO can regulate the issuance, holding and verification of social credits and recognitions. Social credits deal with non-financial rewards such as loyalty points or reputation scores. Recognitions, also called verifiable credentials, are attested skills, competences, knowledge or IP. Consider a driver's license or degrees such as Bachelor's, Master's or Doctor of Philosophy.

If a DAO chooses to manage identity-linked rights in addition to those associated with certain membership types, that can be organized through this subsystem. Consider the management of the rights to use certain assets, the power of attorney, or a blacklist (exclusion).

Other subsystems

On top of subsystems listed above, a DAO may have more subsystems. To name a few: asset management, fundraising and budgeting.

2.5 Roles

Booklet-0b1 'Community - general' discusses the main community-related roles. These roles are visualized in the figure below.

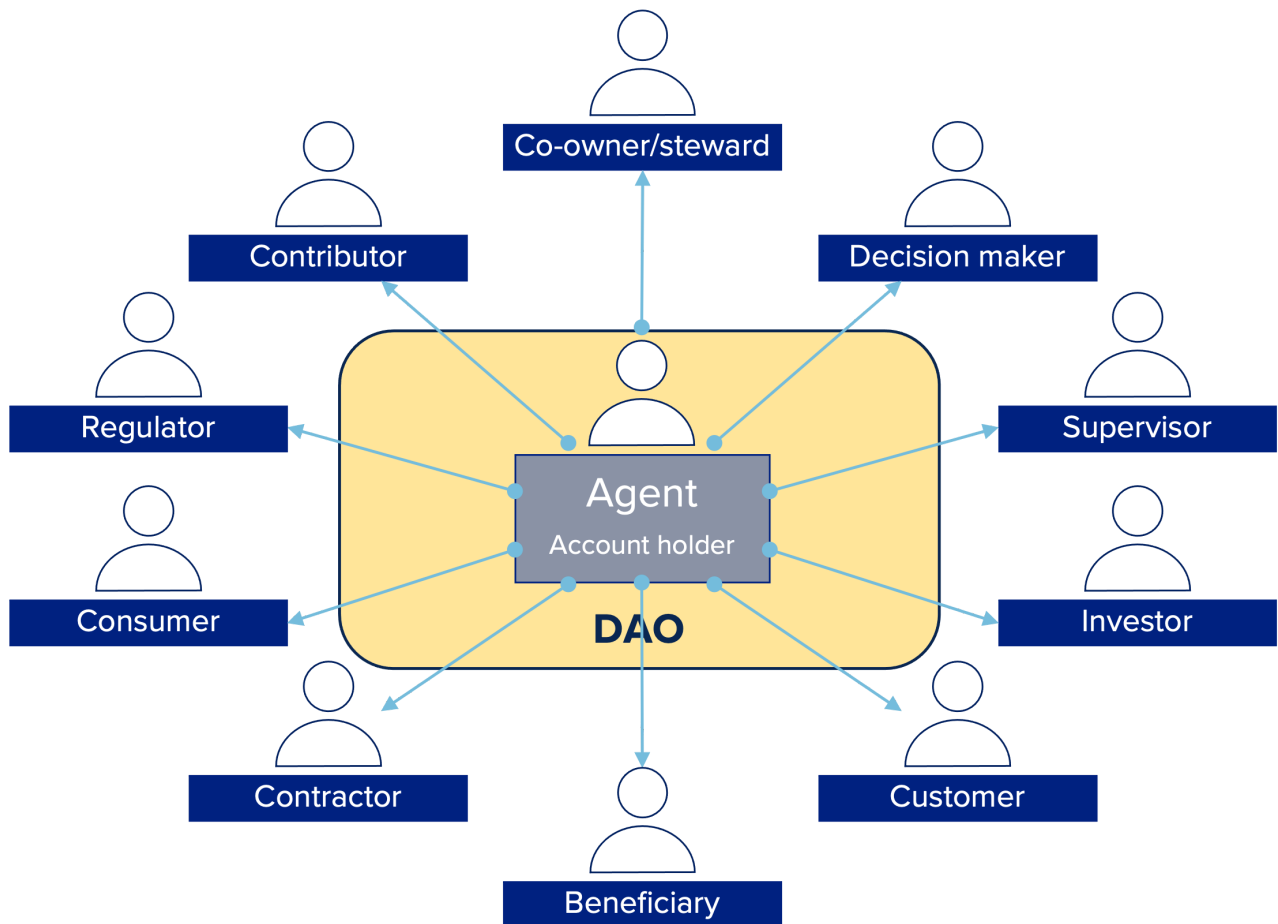


Figure 'Community related roles'

A few preliminary remarks before diving into the implementation of these roles within DAOs:

1. Unlike most regular organizations, a single agent in a DAO can have one or more roles.
2. The roles 'regulator' and 'supervisor' are preferably not combined with other roles. Such a separation keeps the role holders independent.
3. An agent can get a role by:
 - Making an account and buy tokens (permissionless DAOs)
 - Sitting members through (permissioned DAOs):
 - Being granted a membership (incl. rights)
 - A signed contract (contractor, customer)

Role	Implementation within a DAO
Co-owner	For permissionless DAOs: just buy a DAO's tokens and you become a co-owner. For permissioned DAOs: ownership rights are often attached to a membership. Ownership rights can regard the DAO (shares) and/or its assets.
Steward	As a steward, an agent has the authority and responsibility to manage community assets. The role of steward acts in the interest of the community and ensures that community assets are preserved and used responsibly over time. A steward is accountable to the community. In some DAOs all assets are considered commons. As a result, members become stewards.
Contributor	As a contributor, an agent can contribute to a DAO through labor or the donation of resources. Labor can consist of realizing products/assets or providing a service on behalf of the community. (Co-)organizing a community activity is another example of labor. Examples of contributing resources include money, crypto, meeting-space or means of production. In a regular organization, such a role is called 'employee'.
Decision maker	An agent with governance rights becomes a decision maker (whether or not these rights are executed).
Consumer	As a consumer, an agent is served by the DAO with products to use or buy or with (paid) services provided.
Investor	An agent becomes an investor when he buys or stakes tokens (if those tokens represent a share and generate yield).
Contractor	An agent becomes a contractor with a mutually signed contract (in this role an agent contributes to / works for the DAO).
Customer	An agent becomes a customer with a mutually signed contract (in this role a DAO contributes to / works for the agent).
Beneficiary	An agent becomes a beneficiary when he/she receives value from the DAO without per se being an investor.
Regulator	An agent who has the authority to impose rules on a DAO is a regulator.
Supervisor	An agent supervising on behalf of a regulator, has the role of supervisor. A supervisor may be involved in decision making, such as by vetoing or approving.

Some DAO-roles are process specific, e.g. proposer (process 'proposal handling') or mediator or juror (process 'dispute handling').

2.6 Cryptos & tokens

In booklet-2c 'DAOs - Tokenomics' we will discuss cryptos, tokens and tokenomics in more detail. In this booklet a short introduction.

2.6.1 Cryptos & tokens - functions

Although a community can be a DAO without cryptos or tokens, most DAOs do use cryptos/tokens. So, what is the use of cryptos & tokens for a community? The most important, sometimes overlapping, functions for a community are:

- Manage rights
- Capture & store value
- Exchange value (means of payment)
- Managing assets
- (Ac)counting

- Coordination

Manage rights

Most communities have many rights to manage, either right for themselves or for their members. For example, governance rights, access rights, ownership rights, purchasing rights, the right to operate or representation rights. Tokens are a means of granting and revoking rights. The holder can exercise rights on a token. E.g. participate in a vote (governance rights), attend an event (access rights) or sell a share (ownership rights).

Capture & store value

Value can be captured and stored as a crypto/token. The classic elements 'invested capital' and 'labor' can be compensated with a crypto or token. By doing so, a crypto/token represents value added to the community. The holder can store cryptos/tokens to use or redeem those in the future.

A token/crypto can represent value and be non-financial. Consider social credits such as reputation points or loyalty points. While an attested reputation or loyalty can be of great value to a holder, reputation and loyalty often have limited (direct) financial application.

Exchange value (means of payment)

Cryptos/tokens that represent value can be used for trading (which goes beyond barter). For example, to buy a product, pay for a service or buy another currency.

Note: The possibilities of where you can exchange tokens and for what depends on who accepts a crypto/token. In general, the higher a token's reputation, the greater its possibilities. Elements that determine the reputation of a crypto/token include total supply, spread, volatility, security and prospects.

Managing assets

Most communities have assets under management. Such as **fixed** assets (buildings; machinery; equipment; land; vehicles), **financial** assets (shares; bonds; investments; options; derivatives), **intangible** assets (trademarks; patents; copyrights; goodwill; trade secrets), **human** assets (knowledge; skills) or **digital** assets (data; software; technology; domain names; social media accounts; followers). Tokens can be used to represent those assets making them more liquid and offering more grip.

(Ac)counting

A community can use cryptos/tokens for financial accounting and unit counting.

Bookkeeping with cryptos/tokens is an example of their use for financial accounting. Instead of fiat currencies, cryptos/tokens can be used to manage community accounts and journal entries (incoming and outgoing transactions).

Examples of tokens for unit counting include carbon credits (one token = metric ton of carbon dioxide), energy tokens (one token = 1 Kwh), votes and likes.

Coordination

From a broader community perspective, crypto/tokens can have a coordinating function. They can be used to encourage individual behavior that aligns with a DAO's mission. This supports the adage 'the best governance is no governance' (see also booklet 0e2 'New Digital Society - Concepts'). One example is rewarding the staking of tokens with yield. The tokens staked can be used to fund community initiatives.

2.6.2 Cryptos & tokens - general remarks

Some general remarks on crypto/tokens:

- Transferable cryptos/tokens are managed through a community's subsystem 'Treasury'.
- Some tokens are bound to an identity and thereby not transferable.
- A community can have its own community-specific cryptos & tokens and/or use cryptos & tokens that have broader application. Like nation states within the EU which had their own fiat currency and now share the euro.
- A crypto/token can have more functions. E.g. representing ownership rights, governance rights (one-token-one-vote), means of payment and unit of accounting.
- Non-fungible tokens (NFTs) are a specific category of tokens. They are unique digital assets that represent ownership or authenticity of a specific item. Unlike fungible tokens (like cryptocurrencies), NFTs are not interchangeable or divisible.

2.7 Constructs

All organizations use constructs to guide behavior and support collective action. There are different types of constructs such as organizational, procedural, social, fiscal, monetary, legal and technical constructs (for more details on constructs, see booklet-0b1 'Communities - General').

DAOs strive to automate these constructs as much as possible.

Construct type	Examples of the implementation an automated version within a DAO
Organizational	After an approved proposal the automated: • Establishment of the digital part of a new auton with its own subsystems and starting members. E.g. a second software development team for a new product. • Availability of a new membership type with specific rights.
Procedural	An automated process for on boarding new members: nominating, voting, inviting (after approval), accepting.
Social	A reputation system for non-financial rewards for added value to the community.
Fiscal/Tax	Mandatory, automatically collected monthly membership fee that is transferred to the DAO's treasury (DAO Fund) and used to fund community initiatives and solidarity issues.
Monetary	An augmented bonding curve which enables the conversion of external (non-DAO) currencies into a DAO's native token using a dynamic pricing algorithm that governs exchange rates, manages collateral and maintains economic sustainability.
Legal	Automatically executed contractual provisions such as: • (Partial) payment, from an earmarked fund, upon delivery of a product when the digital proofs are delivered showing that the agreed conditions have been met. • Slashing funds from a deposit when a contractor fails to deliver as agreed upon.
Technical	Tokens with access rights instead of a key (card) to unlock a room or a locker.

2.8 Processes & Mechanisms

Processes & mechanisms are specific implementations of a construct type or a combination of construct types. DAOs use processes & mechanisms to support their collective action, governance and ownership/stewardship. Processes and mechanisms come in all types and varieties (for more details, see booklet-2f 'DAO - Constructs, coordination mechanisms & patterns').

To get a better understanding of processes & mechanisms and how DAOs use them, some examples:

2.9 DAO as a legal entity

To participate in a society, DAOs must comply with laws and regulations. This presents DAOs with a number of challenges because there are few jurisdictions that recognize DAOs as a legal form. To participate in society, which for now is Web2-based, DAOs must choose jurisdictions in which to operate and an available legal form in those jurisdictions that sufficiently suits their needs. This is called, from a

DAO-perspective, choosing a legal wrapper. Because DAOs come in all kinds of shapes and forms, this legal wrapper might be different for different DAOs.

The paper "[Roadmap for DAO projects in Dutch Corporate Structures](#)" by Olivier Rikken, Benjamin Gideonse & Frank Putman, provides a decision tree that DAOs can use to choose such a legal wrapper in Dutch jurisdiction.

For more details, see booklet-3f 'Implementation - Tax, financial, legal & technical issues'.

3. Vanilla DAO

Now that we have discussed different perspectives on DAOs, we are left with the question of what is the minimal variant that can be considered a DAO? We call this minimal variant the **vanilla DAO**.

We take 5 groups of criteria which a vanilla DAO must all meet:

Criteria	Explanation	Y/N
Minimal criteria for being an organization (minimal set of functions/subsystem)		
A DAO must have the following subsystems:		
DAO Identifiable Data & Profile	- A DAO must have a name and preferably additional identifiable data. - A DAO must be able to be found.	Y/N
Constitution	- Rules for collaboration, governance & ownership are preferably explicitly publicly stated and acknowledged by the DAO participants - These rules should be coded into software as much as possible. - Decision making on a proposals and value transfers must only be possible by using coded logic. - Rules that are coded, either can be hard coded or updateable by decision of the community. These coded rules are guarded by the "Notary" function	Y/N
Treasury	- A DAO must have a treasury function to manage its community funds and assets. - Having community-specific tokens is not mandatory	Y/N
Member(ship) & Organizational structures	- It must be transparent, at least to the other participants, who the account holders are (at least their public key should be known) - A DAO may consist of only one organizational unit but can exist of multiple units or autons. - The organizational chart should preferably be transparent.	Y/N
Notary/Log	- A DAO must log all transactions made by the DAO or by community members. - Each recorded transaction result must contain the digital signatures of the transaction parties and a timestamp. - It must be clear that a log item is the result of coded temper-proof logic. - For reasons of privacy protection, hybrid technology can be used where some data is stored on-chain and some data off-chain.	Y/N
Minimal criteria for being decentralized		
Agents participating in shared decision making / governance ≥ 2	There should always be multiple agents: - With governance rights. - Being involved in decision making on a proposal.	Y/N
Agents with ownership rights ≥ 2	There should always be multiple agents with ownership rights.	Y/N
Minimal criteria for being autonomous		
Logic (coded in software) must execute as agreed upon.	When certain predefined criteria are met, code should execute automatically without the possibility to interfere one-sided (censorship resistant).	Y/N
Automatic execution of a decision (= approved proposal)	Approved proposals should be automatically executed as described in the proposal if viable for automated execution. For example, a transfer of funds to a deposit from which the contractor can be paid.	Y/N
Used software and infrastructure		
Web3 based	- Web3 software and infrastructure is decentralized, censorship resistant, secure and transparent (code & data). - Not all the software used by a DAO has to be web3.	Y/N
Information equality		
Internal equality of information	There should be no information asymmetry among members so that each member can protect their interests and make informed decisions.	Y/N

In booklet-3c 'Implementation - First moves' we show some strategies to become a DAO or how to qualify as a DAO.

Join the community

Book a discovery call

© HowtoDAO.it is an initiative by Dr. Olivier Rikken and Peter Nobels.

You're receiving this email because you subscribed. Prefer not to receive these emails? [Unsubscribe](#)