

# Demystifying DAOs

What are they?

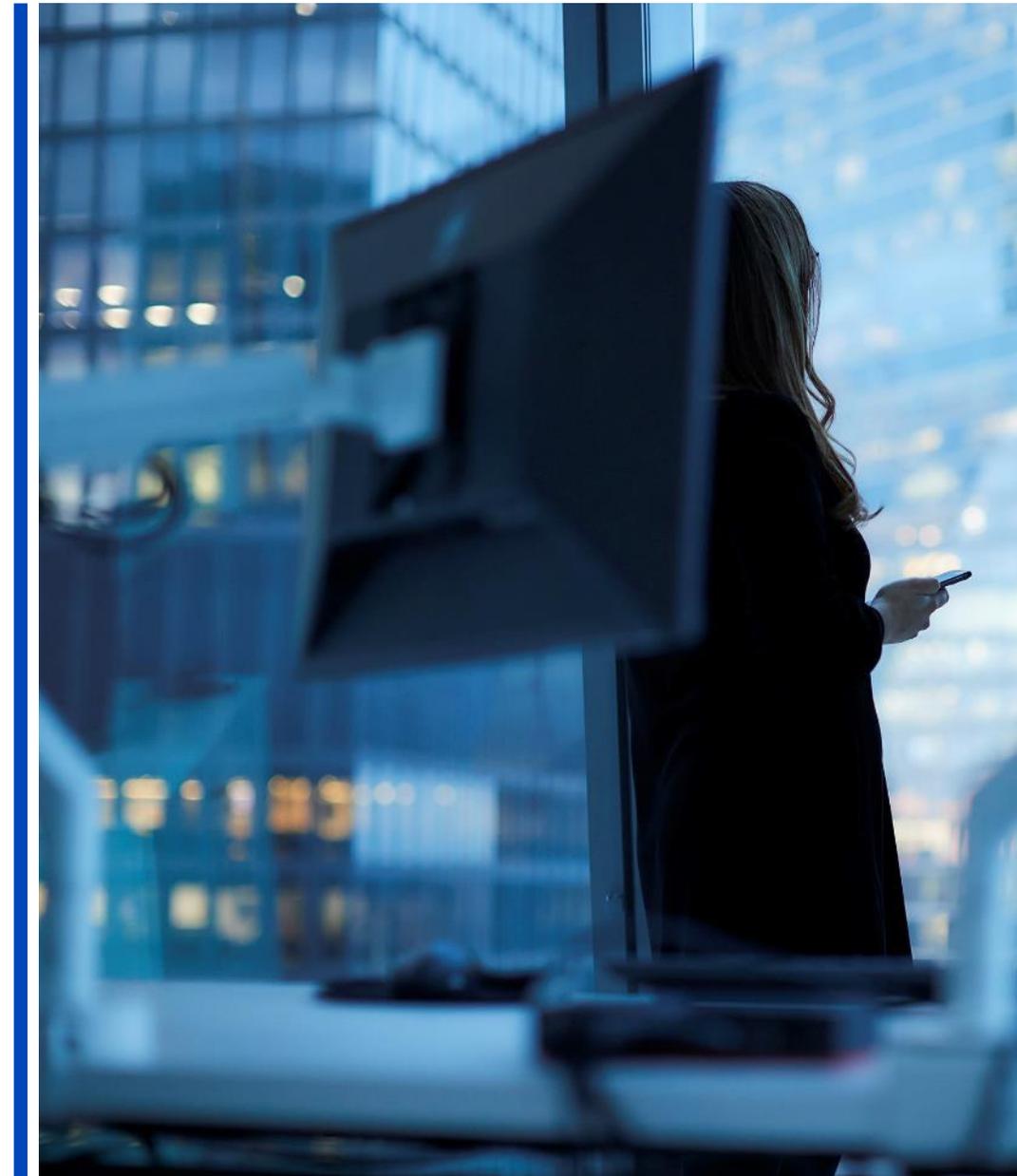
What are they used for?

How and why do they use private client structuring tools?



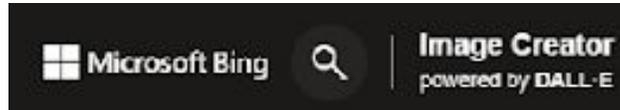
"Decentralised autonomous organisation, impressionism"

Making financial services work



# AI (of course!)

- AI, **before** the introduction? This must be a record...
- Two groups of people here today:
  - Interested in the topic (varying degrees of existing knowledge)
  - Not interested in the topic
- Two levels on which to engage:
  - Words
  - Pictures
- <https://www.bing.com/images/create/>
- Keep looking at the slides and no one will ever know what you were focussed on...



"Sea of glazed eyes, digital art"

# Introduction

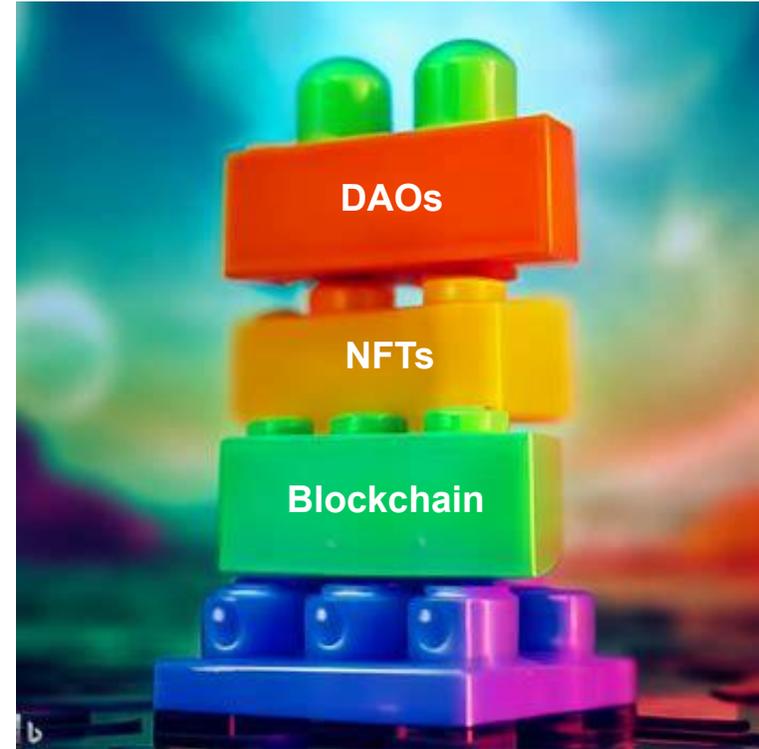
- What is a DAO?
- The learning curve to understanding
- What do DAOs do?
  - On-chain; and
  - Off-chain – real world (simple) example
- What does DAO structuring look like?
- Why Guernsey?



“Super-intelligent cartoon robot climbing ladder (she's at the top) and passing through a window into space, digital art”

# Building Blocks

- What is a DAO – some definitions
- Blockchains / Distributed Ledgers (databases)
- Fungible tokens (cryptoassets)
- Non-fungible tokens (NFTs)
- DAO Tokenholders are in control:
  - Submit proposals
  - Vote on proposals
  - Implement the proposal that passed (automatically, where possible)
- On-chain or off-chain voting?
- Strangers get together and do a range of things, democratically with no central authority in charge!



"Three plastic colorful toy bricks in a tower (the lower one being the biggest and the top one the smallest), against a backdrop of a blurred alien landscape. The bottom brick has "Blockchain" written on it, the middle one has "NFTs" written on it, and the top one has "DAOs" written on it"

# Defining a DAO

## **Wikipedia:**

"A DAO is an organization managed in whole or in part by a decentralized computer program, with voting and finances handled through a blockchain. In general terms, DAOs are member-owned communities without centralized leadership."

## **Investopedia:**

"A [DAO is] an emerging form of legal structure that has no central governing body and whose members share a common goal to act in the best interests of the entity. Popularized through cryptocurrency enthusiasts and blockchain technology, DAOs are used to make decisions in a bottom-up management approach."

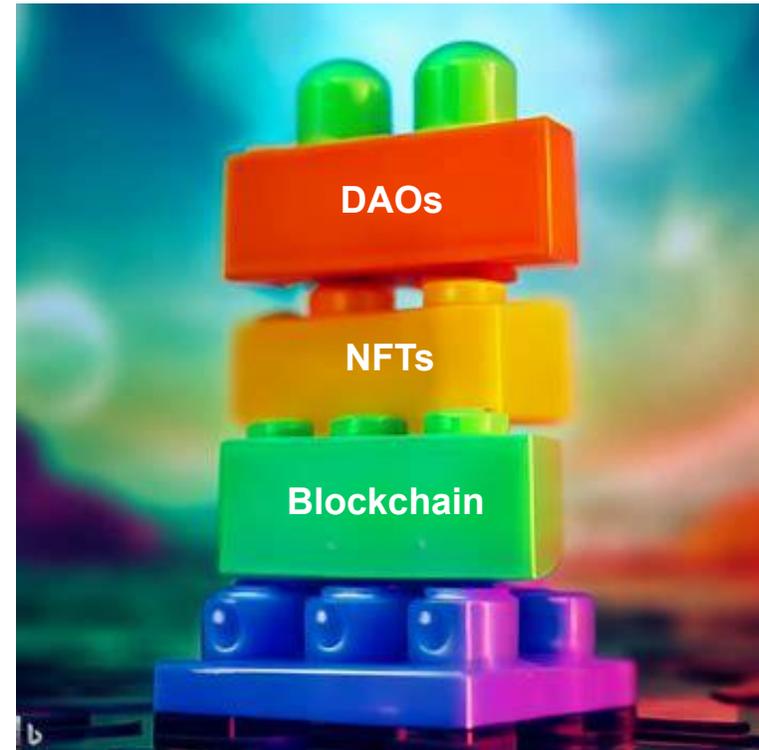
## **Consensys:**

"A DAO is a community-led entity with no central authority. It is fully autonomous and transparent: smart contracts lay the foundational rules, execute the agreed upon decisions, and at any point, proposals, voting, and even the very code itself can be publicly audited."

Ultimately, a DAO is governed entirely by its individual members who collectively make critical decisions about the future of the project, such as technical upgrades and treasury allocations."

# Building Blocks

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# What do DAOs do? On-chain

- Investment DAOs – simplest example
- “Smart contracts” for automatic execution of passed proposal
- Smart Contract:
  - It’s **not** “smart”; and
  - It’s **not** a “contract”!
- Web3
- dApps and De-Fi
- Metaverse
- Some examples...



“Blockchain, worn as scarf by cute cartoon polar bear, digital art”

# What do DAOs do? Off-chain

- My favourite example...but not quite!
- Constitution DAO (<https://www.constitutiondao.com/>)
- November 2021 – “single purpose DAO”
- Buy a copy of the US Constitution at auction
- Raised US \$47m (in Ether)
- Outbid, by the villain of the piece...
- [*Who is on record with some anti-crypto comments*]
- **What if** Constitution DAO had won the auction...



“Portrait of Ken Griffin of hedge fund Citadel, as a villain, anime style”



Here's Ken  
(not AI)...

# What does DAO structuring look like?

- DAO “wrapper”:
  - Cayman Islands Foundation Company?
  - US LLC (some states)?
  - Other?
- Purpose Trust as philanthropic trust
- Foundation to hold and exploit IP assets?
- Community control? A spectrum of possibilities:
  - One extreme: full discretion
  - The other extreme: total community direction
  - Usual? Somewhere in the middle



"Furry arms and hands detached from a body against blurred background"

# Why Guernsey?

- Purpose trusts do not need a professional trustee locally
- Contrast with the Cayman Islands and BVI (amongst others)
- First wave DAO trusts have individuals as trustees, driving the choice of Guernsey
- Guernsey Foundations out of scope for economic substance (Cayman Foundation Companies are in scope)
- NOT using Guernsey for any activity that is – or might need to be – regulated
- Other jurisdictions (eg: Cayman and Bermuda) are more explicitly “crypto-friendly”
- Guernsey regulation? Where are we on VASP?



"St Peter Port, Guernsey, destroyed war of the worlds style with UFOs in the sky and lasers"

# Suggested Reading List

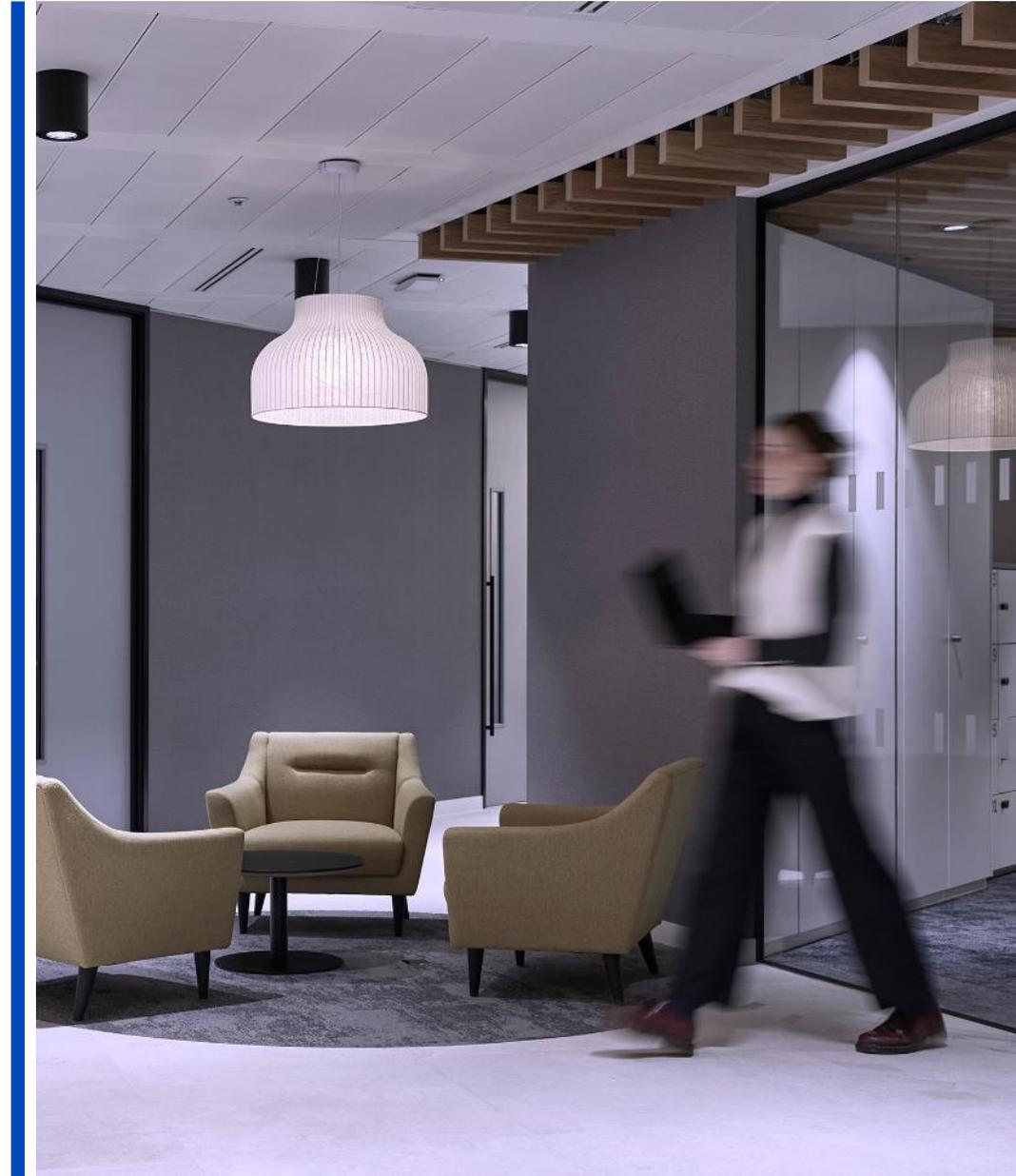
- Blockchain and Web3: Building the Cryptocurrency, Privacy and Security Foundations of the Metaverse, Winston Ma and Ken Huang
- The Metaverse (And How It Will Revolutionize Everything), Matthew Ball
- DeFi and the Future of Finance, Campbell R Harvey, Ashwin Ramachandran, and Joey Santoro



"Giant spider wearing glasses and reading a book, from a hammock, whilst sipping a cocktail from a large glass"



Any Questions?



# Thank you

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