
BGIN Block #10 Meeting Report

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The Role of DAO in the Modern World

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Block#10 Day2_4

Keynote Session Report: The Role of DAO in the Modern World

Date: Monday, March 4, 2024

Location: Tokyo

Duration: Approx. 90 minutes

Summary

- The session opens with brief exchanges of pleasantries and setup for the upcoming discussion on Decentralized Autonomous Organizations (DAOs). The facilitator, Speaker 2, outlines the session's structure and introduces the Chatham House Rule, emphasizing the freedom to use information from the discussion but prohibiting the disclosure of speaker identities or affiliations.
- The moderator initiates an interactive exercise using Slido, asking participants to submit keywords associated with DAOs, aiming to capture the essence and key aspects of DAOs from the audience's perspective. The exercise generates a variety of responses highlighting governance, legal entities, fairness, decentralization, and more, pointing to the diverse and complex nature of DAOs.
- Discussants share insights on the development of rules for DAOs in Japan, focusing on the use of LLCs (Limited Liability Companies) as a suitable legal form for DAOs and discussing the challenges and considerations in the regulatory landscape.
- A discussant elaborates on his work in establishing a Japan DAO Association aimed at creating a self-regulatory organization for DAOs in Japan. He outlines the association's goals, including self-regulation, support for DAO use cases, and the creation of mechanisms for DAO list management.
- Another discussant discusses the approach to DAOs in Taiwan, highlighting the unique challenges and opportunities in the region. He talks about the collaborative efforts between the government and private sectors to explore DAOs' potential and the legal and regulatory considerations involved.
- Another discussant shares her extensive experience working with DAOs, emphasizing the importance of legal recognition and the challenges in aligning DAOs with traditional legal frameworks. She highlights initiatives like EIP 4824 and the DAO model law as efforts to standardize and legitimize DAOs within existing legal systems.

- The discussion shifts to a Q&A session, starting with a discussion on the accountability and liability mechanisms within DAOs. The conversation touches on the challenges of aligning DAOs with traditional legal concepts like LLCs and the implications for individual and collective responsibility within DAOs.
- The discussion continues with inquiries about regulators' incentives to permit DAOs and the balance between innovation and accountability. Discussants share insights on the motivations behind regulatory efforts to accommodate DAOs, focusing on the potential economic benefits and the need for robust frameworks to manage risks associated with DAO activities.
- The discussion addresses the practical decentralization of DAOs, exploring the extent to which DAOs can operate autonomously while complying with legal and regulatory requirements. The conversation delves into the challenges of maintaining decentralization in practice, especially in contexts where real-world interactions necessitate some level of centralized coordination or representation.

Transcript (anonymised):

39:04

The focus of our panel discussion extends beyond theoretical aspects to include the examination of actual organizational activities and the features that could address existing challenges. A notable contribution in this regard is a presentation that sheds light on the evolving landscape of decentralized autonomous organizations within Japan. KG Tonumarasa, a legal expert, takes this opportunity to highlight recent developments in Japanese policy-making concerning these entities. The journey traces back two years, emphasizing the significant role played by a political party's project team in steering the regulatory framework for blockchain technologies. This team's seminal work, the NFT white paper, unveiled in April 2022, outlined the challenges and proposed directions for fostering the blockchain ecosystem, with a particular emphasis on utilizing decentralized autonomous organizations for social betterment.

40:36

The discourse then delves into the regulatory endeavors undertaken to demystify the legal ambiguities surrounding decentralized autonomous organizations and their members' status. Drawing inspiration from international precedents, such as the legislation in Wyoming, USA, the aim was to craft tailored regulations that cater to the unique attributes of these organizations. The culmination of these efforts was the integration of the NFD white paper's insights into national policy, further amplified by the establishment of a dedicated study group by the Digital Agency

of Japan. This group's deliberations concluded that a certain corporate form, akin to a Limited Liability Company (LLC), resonates most with the ethos of decentralized autonomous organizations.

43:27

The subsequent publication, the Web Three White Paper, reiterated the suitability of this corporate form for decentralized autonomous organizations, advocating for the establishment of specialized regulations to accommodate such entities. However, it was also clarified that this does not preclude other corporate structures from being considered for decentralized autonomous organizations. The dialogue with regulatory bodies highlighted the necessity for more empirical evidence to substantiate the need for specialized regulations, leading to the initiation of a hackathon aimed at exploring practical implementations of decentralized autonomous organizations.

45:58

The initiative is designed to provide a comprehensive understanding for lawmakers and government bodies on the application and challenges of Decentralized Autonomous Organizations (DAOs). It also aims to foster opportunities for collaboration and expertise sharing among businesses or DAO communities. The event was conducted intensively over a brief period, featuring multiple sessions with the participation of 21 companies and organizations. These participants were highly engaged, suggesting various approaches to organizing DAOs, such as granting them corporate status, providing limited liability for members, ensuring member anonymity, facilitating the transfer of governance tokens, and reducing tax risks, reflecting the desires of the DAO community in Japan.

47:26

Following these requests, a proposal was developed concerning DAO regulation by a dedicated project team. In January, insights from the event reaffirmed the diversity in DAOs' objectives, member composition, and operational methods, including the use of smart contracts. Given this diversity, a one-size-fits-all regulation was deemed impractical. Instead, the proposal suggested adapting the existing Limited Liability Company (LLC) framework with minor modifications to accommodate DAOs. This approach includes considering other corporate forms like associations, foundations, and nonprofits for DAOs, continuing the discussion on their applicability.

48:43

The proposal advocates for using the Japanese LLC model as a suitable corporate structure for DAOs, while also exploring other forms. It outlines the potential benefits of recognizing DAOs as LLCs, such as legal status, limited liability for members, and flexible management, under

existing company laws. This approach aims to clarify tax obligations for DAOs and their members without necessitating immediate amendments to the company act, focusing instead on a flexible interpretation of existing laws to address specific DAO needs like smart contract operations and member transfers.

49:51

The LLC model's flexibility in company management, as outlined in the incorporations act, could benefit DAOs, allowing them to specify operational details. This proposal seeks to avoid the lengthy process of amending company laws, instead proposing a nuanced interpretation of current laws to support DAO functionalities such as smart contract business execution, governance token transfers, and member anonymity, despite the latter's challenges due to legal requirements for identifying beneficial owners.

51:09

Discussions with the Ministry of Justice on easing regulations around DAO member anonymity faced resistance due to the importance of identifying beneficial company owners. This highlights ongoing challenges in balancing regulatory requirements with DAO operational needs. Additionally, the proposal touches on the treatment of governance tokens as securities, distinguishing between two types of securities under Japanese law and the implications for DAO governance tokens, emphasizing the need for careful consideration of regulatory compliance.

52:12

The suggestion is made to classify governance tokens of a certain type of DAO as a different category of securities, provided the dividends distributed do not exceed the members' capital contributions. This classification would alleviate the need for obtaining licenses or fulfilling disclosure requirements when recruiting DAO members. This marks the current stage of ongoing discussions aimed at refining the legal framework for DAOs, with an openness to exploring other legal structures suitable for DAOs. Although no specific corporate entity exists for DAOs under current regulations, existing legal frameworks are being adapted to accommodate DAO-related activities.

53:43

An additional note is made to encourage interaction with the presentation's digital platform, urging attendees to use the voting feature to prioritize questions of interest. This is followed by a call for the panelists to introduce their work and engage with the presented ideas. One panelist, representing a pioneering initiative, outlines the establishment of a self-regulatory organization aimed at shaping a diverse and free future through DAOs. This organization seeks to serve as a bridge between DAOs and the government, fostering a conducive environment for DAOs across various sectors, from on-chain companies to local communities.

55:19

The speaker details the organization's objectives, which include establishing self-regulatory frameworks, promoting DAO use cases, facilitating knowledge exchange among DAO practitioners, and developing mechanisms for DAO evaluation and regulation. The approach involves creating a decentralized system to assess and regulate DAOs and their tools, enhancing the Japanese DAO ecosystem's integrity and innovation.

57:06

Efforts are underway to draft regulations and frameworks tailored to different DAO models, alongside analyzing DAO use cases and community-building strategies. The organization also focuses on designing a token system to incentivize and evaluate contributions within the DAO community, including voting and reward tokens with specific functionalities and exchange possibilities.

59:21

The discussion turns to the governance structure of the self-regulatory organization, highlighting the use of a novel voting mechanism and the emphasis on regulatory compliance through Know Your Customer (KYC) processes for wallet addresses. This ambitious initiative represents a significant step toward establishing a regulatory framework tailored to DAOs in Japan, reflecting a broader interest in legal innovation and community-driven governance within the digital and decentralized space. Another panelist from Taiwan shares insights into experimental DAO projects, indicating a regional interest in exploring DAOs as innovative organizational models.

01:01:09

The discussion addresses the role of government in supporting DAOs and potential collaboration avenues. In Taiwan, two main bodies oversee aspects of the cryptocurrency and Web3 ecosystem: the Financial Supervisory Commission (FSC), responsible for cryptocurrencies, Central Bank Digital Currencies (CBDCs), decentralized finance, and centralized exchanges, and the Ministry of Digital Affairs, which handles other Web3 innovations, including decentralized organizations and digital democracy. Taiwan's legal system, being a civil law system, faces challenges in adapting quickly to emerging technologies, typically taking 10 to 15 years to enact new laws. To mitigate this, interim solutions like intermediary grants and regulatory sandboxes are employed to support new tech startups.

01:02:27

Taiwan's civil law system necessitates time-consuming processes to establish or revise regulations, with emerging technologies often initially supported by intermediary grants or sandbox environments. This approach allows for experimentation and gradual regulatory adaptation. Additionally, Taiwan boasts a strong civic technology community tradition, fostering

collaboration between the government and the private sector, particularly in open source software over the past decade.

01:03:46

The emergence of DAOs in recent years has introduced flexible collaboration models between the government and civic tech communities. The relatively new Ministry of Digital Affairs (MoDA), tasked with advancing IT and new technologies, faces challenges due to outdated regulations and technologies within government structures, yet there are opportunities for experimentation, such as using mixed certificate authorities for e-government services, aimed at enhancing interoperability between DAOs and government services.

01:05:00

Efforts are underway to integrate DAOs into Taiwan's regulatory framework, with pilot projects exploring the use of DAO model laws to fit within existing legal structures, particularly for unincorporated associations. Although Taiwan does not have as many active DAOs as some regions, there is potential for DAOs to bridge the gap between informal groups and formal business or government services.

01:06:14

Despite Taiwan's current lack of extensive DAO involvement compared to some regions known for local revitalization efforts through DAOs, there is significant engagement in digital society through unincorporated groups. Pilot projects in 2023 aim to align DAOs with government perspectives, indicating an interest in leveraging DAOs for broader societal integration.

01:07:18

The conclusion emphasizes the need for flexible collaboration between government and the private sector in Taiwan, with DAOs and civic technology communities playing key roles. There is potential for DAOs to facilitate new forms of public-private partnerships focused on people-first approaches, offering promising opportunities for collaboration both within Taiwan and internationally, particularly in areas related to civic tech, digital democracy, and digital public goods.

01:10:43

One of the initiatives introduced in the discussion aims to bridge the gap between traditional legal frameworks and the unique nature of DAOs, emphasizing the global and digital characteristics of DAOs that make jurisdiction-specific legal recognition challenging. The work includes producing educational content to facilitate understanding and adoption of DAO standards, highlighting the importance of recognizing the distinct features of DAOs in legal contexts.

01:12:52

The focus shifts to the idea that Decentralized Autonomous Organizations (DAOs) should be recognized legally based on their adherence to specific data standards and criteria, rather than being tied to any one jurisdiction. EIP 4824 aims to establish these standards, covering essential aspects like member information, governance, and treasury addresses, with the potential for additional criteria. This data standard facilitates a consistent representation of DAOs across platforms, whether through explorer pages or government and private registries, enabling global accessibility and understanding of registered DAOs.

01:13:48

The floor is opened for questions, inviting attendees to contribute their queries and engage in further discussion.

01:14:00

A question is raised about the liability and responsibility within DAOs, drawing parallels to traditional corporate structures like Limited Liability Companies (LLCs) where the entity, rather than individuals, bears responsibility for its actions. The query highlights the challenges of applying this concept to DAOs, which are decentralized and autonomous by nature, particularly in scenarios where a DAO might be implicated in legal issues without a clear mechanism for accountability or response.

01:14:51

The discussion continues with an exploration of how DAOs can establish frameworks to address potential legal challenges and responsibilities. The question points to the need for DAOs to have predefined processes for dealing with legal disputes or liabilities, emphasizing the importance of accountability within decentralized structures.

01:15:45

The conversation delves into the fundamental question of liability in the context of DAOs, probing whether there should be a mechanism for assigning responsibility within DAOs or if the decentralized nature implies a lack of recourse in case of wrongful actions.

01:16:02

The response addresses the regulatory perspective, acknowledging regulators' concerns about the need for accountability within DAOs. It suggests that without adopting an existing corporate form, DAOs risk being classified as general partnerships, potentially exposing members to personal liability for DAO activities. The conversation highlights the ongoing efforts to develop legal frameworks that align with the unique characteristics of DAOs, while also considering the

use of LLC structures as a temporary measure to delineate member responsibilities from DAO actions.

01:17:33

The conversation turns to the concept of an "LLC wrapper" used in the United States, which is a structure allowing a Decentralized Autonomous Organization (DAO) to meet legal requirements of a Limited Liability Company (LLC). This raises the question of how a DAO, inherently decentralized and autonomous, can incorporate rules to interact with centralized entities like government agencies, especially in scenarios requiring a response or action from the DAO.

01:18:23

The inquiry probes deeper into the mechanisms DAOs might employ to ensure the functionality of the LLC wrapper, considering the decentralized and autonomous nature of DAOs. This leads to a discussion on whether DAOs are integrating processes to fulfill LLC obligations and respond to legal requirements.

01:18:44

The discussion continues with an explanation that the EIP 4824 standard, designed for DAO registration, deliberately omits certain traditional LLC requirements, such as nominating a director or providing a registered address for legal notices. This decision was influenced by feedback from the DAO community, highlighting concerns over the vulnerability of DAOs to legal actions if such information were disclosed.

01:19:58

The challenges faced by DAOs in conforming to traditional legal frameworks are further explored, noting that many DAOs operate without formal registration or tax identification numbers, complicating their participation in the formal economy and adherence to tax obligations. This gap between DAO operational norms and traditional legal requirements underscores the difficulties in finding a middle ground that satisfies both legal standards and the decentralized ethos of DAOs.

01:21:13

The conversation concludes with a query about whether there have been instances where DAOs faced situations, such as hacks, that in other contexts might lead to legal action. The question challenges the DAO model by asking if DAO members are fully aware of the implications, especially in terms of accountability and recourse, should something go wrong within the DAO, highlighting a potential disconnect between the ideals of decentralization and the realities of legal and financial responsibility.

01:21:48

The discussion delves into the concept of informed consent within DAOs, questioning whether participants fully understand the potential risks and lack of recourse in the event of a DAO's failure or wrongdoing. The speaker raises the point that if DAO members are fully aware and accept the conditions of complete decentralization and autonomy, including the absence of liability, then this acceptance could be considered a form of informed consent. This scenario would shift the conversation with regulators, highlighting that DAO participants are knowingly accepting the risks, which might be seen as a challenge to more paternalistic regulatory perspectives.

01:22:37

The speaker suggests that DAOs might consider incorporating explicit acknowledgments or disclaimers for new members, making it clear that joining a DAO involves accepting the risk of total loss without recourse due to the decentralized and autonomous nature of the organization. This transparency could potentially satisfy the requirement for informed consent among participants.

01:23:50

An example is provided of the Ethereum classic hard fork, illustrating a community-driven response to a significant challenge without legal action being taken against the attacker. This instance is used to highlight how the community and developers can act in the absence of traditional legal recourse, driven by the desire to rectify a situation or prevent potential legal liabilities for developers.

01:24:08

The conversation then shifts to compare the acceptance of risks in DAOs with the trust people place in centralized platforms without clear legal recourse, such as the case with Binance, where users engaged with the platform despite the lack of a clear domicile address or legal accountability framework. This analogy draws parallels between the evolving norms in privacy and the acceptance of risk in decentralized structures.

01:24:58

A counterpoint is raised regarding the significant differences between centralized exchanges facing legal actions and DAOs seeking legitimate pathways within a legal framework that may not fully accommodate their decentralized nature. The discussion touches on the societal and normative changes the industry is attempting to navigate, especially in the context of traditional regulatory requirements for accountability.

01:25:40

The dialogue concludes with reflections on the potential for DAOs to present a case to regulators, arguing for the viability of models where community consensus substitutes traditional liability structures, provided there is transparent and informed consent among participants. This approach challenges long-standing regulatory norms and opens up discussions on adapting legal frameworks to accommodate new forms of decentralized and community-driven organizations.

01:26:25

The discussion continues with the proposition that if participants in a Decentralized Autonomous Organization (DAO) explicitly waive their rights upon joining, acknowledging the risks and relinquishing recourse, this could potentially address regulatory concerns regarding accountability and consumer protection. The suggestion includes the idea of coding the DAO's smart contracts to automatically respond to legal situations like default judgments, effectively embedding a mechanism for dispute resolution or compensatory actions within the DAO's operational framework.

01:27:06

The speaker elaborates on the concept of integrating automatic responses to legal challenges within a DAO's code, proposing a model where the DAO's smart contracts would execute predefined actions in response to legal defaults, based on the collective agreement of its members who have consciously waived their rights to individual recourse.

01:27:57

The conversation raises the question of whether any DAOs have considered incorporating such explicit waivers and automated responses to legal issues into their structure, suggesting that this approach could align DAO operations with regulatory concerns about consumer protection by ensuring that participants are fully informed and consent to the DAO's terms, including the lack of traditional legal recourse.

01:28:18

The response acknowledges the theoretical viability of the proposed model but raises concerns about the practicality and ethical implications of relying on lengthy terms and conditions that participants may not fully understand or engage with, highlighting a potential disconnect between legal coverage and genuine informed consent.

01:29:20

The dialogue shifts to a broader discussion on the ethos of decentralization and the challenges of integrating decentralized financial systems with existing regulatory frameworks, pointing out the tension between the borderless, nation-state-independent nature of cryptocurrencies and the regulated financial systems. It is noted that significant capital within the crypto ecosystem

remains outside regulated channels, with DAOs potentially serving as conduits for funneling these funds into the regulated financial system.

01:30:31

The conversation concludes with insights into the regulatory landscape in Japan, where financial activities are tightly regulated, posing challenges for DAOs, especially in terms of maintaining member anonymity while complying with legal requirements for representation and accountability within the framework of an LLC. This highlights the ongoing struggle to reconcile the principles of DAOs, such as anonymity and decentralization, with regulatory demands for transparency and accountability.

01:31:46

The conversation shifts to the practical challenges faced by DAOs under the current legal frameworks, particularly the requirement for a DAO structured as an LLC to register a representative's name and address for legal accountability. This necessity arises from potential third-party damages caused by DAO activities, underscoring the tension between the decentralized nature of DAOs and the legal requirement for identifiable representatives.

01:32:38

The discussion then explores the incentives for regulators to accommodate DAOs, especially given the challenges in holding individuals accountable within these decentralized structures. It's highlighted that certain political groups see DAOs as a driving force for the Web3 and blockchain industries in Japan, aiming to attract more entrepreneurs and investments in this sector. However, the enthusiasm for promoting DAOs and the Web3 economy is tempered by concerns from financial regulatory bodies about the potential misuse of DAOs for fraudulent activities, indicating a need to find a balance between innovation and risk management.

01:33:45

The dialogue continues with insights into Taiwan's regulatory landscape and its approach to DAOs, noting differences in focus compared to Japan and the Western world. In Taiwan, the emphasis in the Web3 ecosystem is more on DeFi and centralized exchanges rather than DAOs. However, there is an interest in leveraging DAOs within the civic tech community as a method for legal and societal engagement, particularly in addressing digital transformation challenges within the government and community.

01:35:12

The Taiwanese perspective suggests that the government's incentive to engage with DAOs stems from a desire to integrate skilled contributors from the community into more structured and legally recognized forms of collaboration, thereby facilitating grants and contracts. This

approach reflects a different set of priorities and challenges compared to other regions, with less urgency around the specific legal issues of DAOs.

01:37:11

The discussion concludes with the suggestion that one of the most compelling incentives for governments to accommodate DAOs could be the potential for tax revenue. The argument posits that DAOs, by participating in the global economy and generating economic activity within a jurisdiction, could contribute to tax revenue, presenting a practical reason for governments to support DAO-related activities. This perspective is grounded in the principles of international tax law, emphasizing the economic benefits that DAOs can bring to a region beyond their innovative organizational structures.

01:38:03

The speaker outlines a vision where Decentralized Autonomous Organizations (DAOs) achieve legal recognition, enabling them to directly make tax payments, potentially even in digital currencies like stablecoins or Central Bank Digital Currencies (CBDCs). This legal recognition could pave the way for DAOs to contribute to the economy more transparently and efficiently, by automating tax payments on digital transactions. The discussion emphasizes the need for a transitional phase to integrate DAOs into the economic framework, starting with legal recognition and moving towards adjusting regulatory frameworks to accommodate the unique features of DAO technologies.

01:39:11

The conversation continues with the idea that after DAOs gain legal recognition, a period of adaptation is necessary to align existing financial and regulatory structures with the technological capabilities and requirements of DAOs. This process would involve rethinking the reliance on intermediaries and potentially establishing a new taxation model for DAOs that could include a flat tax rate or another mechanism.

01:39:54

A proposal is mentioned, which suggests allocating tax responsibilities based on the consensus mechanism of the blockchain on which the DAO operates. For example, the allocation could be determined by the number of nodes or the amount of hash power in a particular jurisdiction for Bitcoin, or the number of validators for Ethereum's Proof of Stake. This approach aims to incentivize global decentralization while ensuring jurisdictions receive tax revenue proportional to their participation in the blockchain infrastructure.

01:41:07

The speaker acknowledges the challenges in presenting such forward-thinking proposals to political entities, given the short cycles of political change. However, they highlight the significant efforts being made in the industry to engage with research institutions and central banks to develop a feasible and logical plan for integrating DAOs into the economy, with taxation serving as a potential incentive for legal recognition.

01:41:53

The dialogue shifts to addressing concerns about regulatory frameworks, emphasizing the necessity of accountability for tax compliance and the establishment of guarantees. The question is raised about the essential desire of DAOs for limited liability and the obstacles they face in incorporating under existing legal frameworks, particularly their reluctance to identify responsible individuals and provide physical addresses for accountability purposes. The speaker, drawing on their background as a regulator, highlights the importance of ensuring responsibility and accountability within the DAO structure to comply with regulatory and tax obligations.

01:42:46

The speaker reflects on the challenges of ensuring regulatory compliance and accountability within Decentralized Autonomous Organizations (DAOs), especially concerning tax obligations. The discussion raises the question of how to build confidence among regulators that DAOs will adhere to tax laws if traditional regulatory frameworks and accountability mechanisms aren't applicable. This leads to speculative ideas about the role of regulators within the DAO ecosystem, such as whether they might participate as nodes or oracles on blockchain networks to monitor and enforce compliance.

01:43:36

The conversation continues with considerations around the necessity of clear terms and conditions for participants in decentralized networks, highlighting the potential need for a permissioned system where participants acknowledge the risks and the decentralized nature of governance upfront. This approach could help manage expectations and ensure informed consent, but the speaker expresses skepticism about whether such measures would fully address regulatory concerns about accountability and consumer protection.

01:44:03

An entrepreneur's perspective is shared, emphasizing the attractiveness of jurisdictions like Estonia and Singapore for their ease of setting up and managing a company digitally. This contrasts with the more cumbersome and less digital-friendly processes in other regions, underscoring the appeal of streamlined and efficient regulatory environments for business owners and entrepreneurs.

01:44:56

The discussion touches on the practical aspects of establishing corporate entities in certain jurisdictions, highlighting the challenges and inefficiencies encountered in more traditional and less digitalized processes, which can hinder the integration of innovative structures like DAOs.

01:47:16

The speaker addresses the limitations of current legal frameworks in Japan regarding the enforcement of actions against DAO treasuries or members who engage in wrongdoing, pointing out the difficulty in achieving a fully decentralized model under existing regulations. There's mention of exploring mechanisms for enforcing legal judgments against DAO assets or members through smart contracts, with the ultimate goal of establishing a decentralized judicial process that operates globally. This ambitious vision reflects ongoing efforts to reconcile the autonomous nature of DAOs with the need for legal accountability and enforcement.

01:50:19

The speaker challenges the prevailing emphasis on decentralization within the blockchain and DAO communities, suggesting that the focus should be on the effectiveness of a DAO in fulfilling its purpose rather than its degree of decentralization. They introduce the concept that there might be an optimal balance between centralization and decentralization for different projects, as supported by research in the field of crypto-economics. This perspective advocates for a nuanced, case-by-case analysis of decentralization, considering various aspects such as geographic distribution, token distribution's impact on governance, and the centralization of miners or nodes within the underlying blockchain layer.

01:52:00

Continuing, the speaker critiques the uncritical adoption of democracy and decentralization as inherently superior organizational and governance models. They argue for a more pragmatic and objective approach to evaluating the structure and governance of DAOs and other decentralized projects, moving beyond catchy memes to assess what genuinely constitutes effective organization and governance in varied contexts.

01:52:26

Another speaker echoes the sentiment that while entrepreneurs in the blockchain space often focus on innovation and launching projects, there's a need to acknowledge the existing legal and regulatory frameworks of different countries. This recognition underlines the tension between the ideals of borderless, decentralized systems and the reality of national laws and regulations, especially when projects involve financial transactions or services.

01:53:02

The discussion proceeds with a reflection on the challenges faced by projects that intersect with financial services, highlighting the stark reality that comes with regulatory scrutiny. The conversation suggests that many projects claiming to innovate with decentralization may not be fundamentally different from traditional structures like LLCs when examined under legal and regulatory lenses. This realization prompts a call for the industry to engage more critically with the question of whether their projects truly represent novel paradigms or if they are merely digital iterations of existing legal entities.

01:53:49

The speaker emphasizes the inherent challenge faced by projects aiming to operate outside of regulatory frameworks, suggesting that the pursuit of decentralization is often driven by a desire to evade traditional legal and tax obligations. They stress that regardless of a project's claims of ubiquity or evasion, legal jurisdictions will eventually assert their authority, underscoring the inevitability of regulatory compliance and taxation as fundamental aspects of operating within a country.

01:54:36

Continuing, the speaker expresses frustration with the industry's tendency to push for changes that have yet to materialize within the existing legal and regulatory frameworks. They advocate for realistic discussions about decentralization and blockchain projects, acknowledging the constraints imposed by current laws and the necessity of operating within a defined legal jurisdiction.

01:55:13

Another participant responds by drawing parallels between the challenges faced by the crypto and blockchain industry and those encountered by other disruptive technologies and platforms, such as Uber and Airbnb, which have also navigated legal ambiguities and regulatory pushbacks in various jurisdictions. This comparison highlights the broader theme of innovation outpacing regulation and the entrepreneurial spirit of challenging existing boundaries.

01:56:07

The discussion further explores the distinction between fintech and other tech industries, emphasizing the unique regulatory complexities associated with financial services. The speaker argues that the intersection of technology with financial services (fintech) involves more stringent regulatory considerations than other sectors, underscoring the importance of recognizing and addressing the financial regulatory landscape.

01:56:56

As the discussion concludes, the focus shifts to the specific context of Japan, where regulatory constraints on securities tokens and digital assets have shaped the evolution of DAOs. It's noted that Japanese DAOs tend to focus more on social good and addressing real-world issues, necessitating some degree of centralization or identifiable core members to interface with the physical world. This highlights the balance between idealistic decentralization and practical considerations in different regulatory environments.