

DAOs: an introduction

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Technology is increasingly revolutionizing many aspects of our lives. From how we conduct business meetings – now through video calls – to how we exchange written or voice messages, through instant messaging apps, or even the way we interact virtually (as in the Metaverse), it is undeniable that most social interactions were totally or partially reformulated over the years. The way we organize ourselves in groups is radically changing as well.

Decentralized Autonomous Organizations, or DAOs, have been boasted as the future of organizations, a new model to conglomerate people with a common objective. By its nature, DAOs allow the participation of an expressive number of individuals, located anywhere around the world, superseding geographical barriers and organizational complexities, ensuring that any participant can have a voice and guide the activities that will be carried out by the organization.

However much the global blockchain community adopts the phrase “code is law”, which represents the idea that technology itself is capable to regulate the rules existing in this space, not requiring third parties’ interventions – or intervention from legal systems –, the truth is that there is no way to set apart the applicable binding norms to the internal and external relations existing in Decentralized Autonomous Organizations. Beyond this, many jurisdictions are searching for alternatives to effectively regulate the functioning of some specific models of interactions and businesses driven with support on blockchain technology.

At the time of writing, for instance, the Brazilian National Congress is discussing Bill nº 4.401/2021, which aims to regulate virtual assets service providers, commonly known as cryptocurrency exchanges. Even though the Bill does not directly address DAOs, it is natural that these organizations draw the legislators’ attention as their applications propagate in the country, attracting the possibility of developing specific legislation to regulate its functioning.

Regardless of a future bill specifically regulating DAOs, there are already many legal challenges that may be anticipated both in the development and the functioning of a Decentralized Autonomous Organization, and which may drastically impact its employment in the national market, exposing founders and members to unknown risks.

Following the line of the e-book we published earlier this year concerning the application of law in the Metaverse, this new material also aims to induce discussions and incite the debate, but this time concerning the legal dilemmas involving DAOs, in order to anticipate problems that must be approached deeply taking into account its consequences for the ecosystem.

This e-book tends to be as relevant as the one we produced previously about the Metaverse. Both themes are still under development, although DAOs are structures that are already being used frequently by the national and

international markets, and whose cases of application are being well explored.

Among the many complexities that may arise from the employment of DAOs, there are aspects of the various areas of law that must be considered, including corporate, labor, regulatory, intellectual property, data protection, and other dilemmas.

Hence, we gathered professionals from BMA's different practices once more to contribute with strategic visions on what may be expected from the application of law on DAOs, facilitating the identification of situations that may generate complex legal challenges, which must be faced properly and conscientiously by those intending to create projects involving DAOs or to participate in Decentralized Autonomous Organizations.

Given that this subject will inevitably evolve over time and incite relevant questions, the same invite made in the Metaverse e-book is valid for this material: if any article has been specifically interesting for your business or a project you intend to develop, reach out to our professionals to continue this conversation and explore together the best way to apply in practice this revolution of organizations without unnecessary legal risks. In the end, it is better be safe than sorry.

Good reading!

>>> *This content belongs to our e-book "DAOs: Legal Challenges for Decentralized Autonomous Organizations". [Click here to read more articles.](#)*

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