

Navigating the Legal and Regulatory Landscape of DAOs: A Global Perspective

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ABSTRACT

DAOs (Decentralized Autonomous Organizations) are fundamentally changing how companies are run in several key ways, through decentralized decision-making, social audibility, and limited liability principle. The following research examines the changes that DAOs bring to conventional corporate governance and analyses how they are being implemented worldwide. DAOs have advantages that include the decentralization of power, and the ability to improve the speed with which innovation occurs. However, they present obstacles that include legal uncertainty, problems of governance, and security vulnerabilities. This research comprehensively examines how DAOs could disrupt corporate processes such as decision-making, stakeholders' interactions, and power relations. It then reviews the current legal and regulatory environment for DAOs across different legal systems and considers the notion of liability issues. The research also presents a checklist of strengths and weaknesses for DAOs in emerging markets based on considerations such as technology adaptation, regulatory definition, and community engagement. When the trends of socioeconomic impacts are unveiled, it will be possible for lawmakers, managers, and investors to adapt to new conditions and utilize the evolved concept of corporate governance through DAOs.

KEYWORDS: Decentralized Autonomous Organizations (DAOs), Corporate Governance, Socioeconomic Impact, Legal Uncertainty.

INTRODUCTION

Decentralized Autonomous Organizations (DAOs) are a revolutionary concept for organizing the interaction between individuals and a company on the principles of decentralization based on blockchain technologies and the application of smart contracts. While DAOs might not give the impression of conventional hierarchal systems, they only operate based on the consensus of the participants. This change signifies that DAOs impact both developed and developing economies in significant ways and hence, the importance of this paper to analyse the socioeconomic effects of these new entities.

DAOs were born from the necessity to decentralize decision-making and management processes based on the Internet and the use of cryptocurrencies as well as collaborative open-source systems. This way, DAOs seek to decentralize organizational regulations and norms, placing them as smart contracts on blockchains, which makes the process more transparent, secure, and trustworthy for all the participants. This approach an apply to industries as diverse as finances to communal initiatives, providing a new way forward in addressing collective problems and managing people's collaboration.

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However, DAOs have some issues such as smart contract refinement, smart contract issues, legal issues, and how to maintain the active participation of its members. Some of these challenges suggest undertaking extensive research and studies on the socioeconomic aspects of DAOs across various economic environments.

To address this knowledge gap, this research seeks to explore the impact of DAOs on traditional corporate governance principles and how they will alter the corporate environment. This research aims to outline the perspectives of DAOs in transforming corporate governance by comparing the adoption and the impacts of DAOs in developed and developing economies, assessing the processes of decision-making, stakeholders' engagement, and power distribution within organizations.

UNDERSTANDING DAOs

DAOs are quite a unique concept that has moved away from the classical perception of organizational hierarchy with authority at the top and has distributed ownership of the organization and its management. DAOs do not have a CEO or similar figure and decisions are made through voting; transactions are also implemented on a blockchain system. This structure enhances transparency and does not involve the use of middlemen and the subjectivity that characterizes human opinion because of the use of smart contracts. A characteristic that is common to most DAOs is that they are invariably built around tokenized membership. Also, unlike conventional businesses in which investments lead to the acquisition of stocks, DAO members first acquire tokens which may create voting rights, profit share, and many other benefits. These tokens are transferable; meaning, anyone can become a member of a DAO.

DAOs exist in non-corporate forms and are built from blockchain applications; managed by growers with no physical base, offices, or bank. They work like internet checking accounts and can fundraise and organize projects without a company's backing.

Business rules and decision-making parameters of the smart contracts are incorporated into the blockchain system. The actions arising out of smart contracts given by the members and transactions that occur are recorded on the blockchain to make them transparent. DAOs can be applied for different purposes, such as donation, investing in startups, buying artwork with cryptocurrency, and others.

Based on the research findings³, the benefits of DAOs are that they are directly managed, they exercise self-organizing authority, and they are transparent. They can be formed rapidly and with little effort while gaining members all over the globe. This structure ensures the members can be part of several other DAOs at the same time thus enhancing great decision-making without massive overheads.

DAOs: A TRANSFORMATIVE SHIFT IN CORPORATE DYNAMICS

DAOs refer to a new concept aimed at redesigning organizational structure by developing internet-based organizations via blockchain. However, DAO's primary component is a smart contract that sets out the regulatory framework of the organization and the financial transactions. This contract covers the starting of the proposal and funds' distribution and may only be changed with approval from the members in a democratic manner. A voting subject can include decisions regarding hiring people, creating new products, determining large company strategies, deciding on investments, and fundraising as per the industries that the DAO is located in and its targets. Some of the prominent types of DAOs are involved in De-Fi and investment industries, including NFT collections.

³ Bellavitis, C., Fisch, C., & Momtaz, P. P. (2022). The rise of decentralized autonomous organizations (DAOs): a first empirical glimpse. *Venture Capital*, 25(2), 187–203. <https://doi.org/10.1080/13691066.2022.2116797>

This substantially decentralized structure has the potential to be criticized on the competence and necessities of rule implementations; however, governance token holders can suggest proposals regarding the communicate's various aspects. These proposals are introduced to the community where the people can post their constructive criticisms before having a voting session.

In traditional structure, knowledge moves up through levels of management, while the board formulates the broad outline of the company's actions and hands over the day-to-day processes. It creates a hierarchy that may result in a lack or poor sharing of information about the decision-making process with the stakeholders. In contrast, the main functions of a DAO board can be redeployed to facilitation and monitoring, the safety of smart contracts, and communication with stakeholders. The members must have sophisticated knowledge of boards and outstanding skills in the decentralization of blockchain technology. It also redefines stakeholder relationships by providing that anyone who possesses tokens has a say in the affairs of the organization. This model allows vested tokens to impact proposals that define the organization's growth and can be primarily used as dividends or compensation to bring the community on board. This in turn diminishes the agency problem.

Compared to the typical traditional large corporation that limits decision-making and ownership to a select number of people, DAOs are more equitable in their approaches. Members are involved in the critical major decisions for example appointment of governors while as for the profits they are fairly shared through the smart contract program as economic justice.

LIMITS TO DAOs

DAOs can create problems of co-ordination and decision-making processes can take longer time than the top-down kind of decisions. New studies show that due to the search and coordination related costs, DeFi markets build only 50% of their total welfare⁴.

Thus, while some of the voting mechanisms are designed to decrease participation costs, they may, at the same time, decrease the positive effects of distributed decision-making. If inactive members occur, large shareholders have power over others and may be exploited by small active groups to lessen the power of the democratic process and decrease the DAO's capacity to offset agency costs.

There are barriers to participation because of the high set of technological skills that are needed to comprehend the DAOs and their various elements of governance. This may create problems that necessitate investor segmentation and a certain degree of intermediation or hierarchy.

Security threats stem from a potentially inefficient voting system because remedying a bug or a security issue implies reaching a consensus. One of the most disturbing features of this type of exposure was demonstrated in 2016 when "The DAO," an organization invested in talented start-ups, lost \$60 million given hackers utterly exploited the program code.

These challenges are further worsened by regulatory risks since the legal framework of DAOs remains ambiguous in most countries. The same applies to the question of whether it is only smart contracts themselves and/or also the token holders who are subject to law and corresponding legal consequences⁵.

It would, however, wish to note that some jurisdictions have started working on this matter. For instance, the state of Wyoming introduced a bill to help the DAOs register for the LLCs while Vermont adopted the

⁴ Bellavitis, C., Fisch, C., & Momtaz, P. P. (2022). The rise of decentralized autonomous organizations (DAOs): a first empirical glimpse. *Venture Capital*, 25(2), 187–203. <https://doi.org/10.1080/13691066.2022.2116797>

⁵ Hassan, D. G. (2022). Towards analysing governance and legal issues related to decentralized autonomous organizations, awaiting for further legislative intervention. In *Rivista Di Diritto Del Risparmio*: Vol. fascicolo 1/2022 (pp. 1–6). <https://dirittodelrisparmio>.

Blockchain-Based Limited Liability Companies framework. Similarly, across the globe, apart from the USA, places such as Monaco and Switzerland have not remained idle and have started regulating DAOs and smart contracts.

However, these frameworks limit the opportunities of DAOs by either returning to the idea of some central authority or sacrificing the unchangeability of operations on the blockchain. This absence of a more accurate legislation model is rather stunning, especially given the fact of uncontrolled growth of this kind of organization⁶.

DAOs also have issues introduced by anti-money laundering (AML) and countering the financing of terrorism (CFT). Multi-sig wallets have been selected to prevent embezzlement of funds donated to treasuries; the use of unwrapped ones makes it difficult for traditional channels of regulation that use these financial intermediaries. Future changes in the AML/CFT legislation specifically regarding virtual-asset service providers and sanctions will affect DAOs.

It can be concluded that DAOs are considered to be a promising new direction in the management of enterprises and social systems. Nevertheless, solving these problems will play a significant role in the further development of such companies and their stable organic growth in the future.

EXISTING LEGAL AND REGULATORY FRAMEWORKS ON DAOs

The legal regime informs DAO adoption as we shall see henceforth. The functions of many international jurisdictions differ significantly in terms of their preparedness to do this and regulate the work of DAOs.

Malta

Malta was the first country to pass legislation to legally classify DAOs as being legal persons and this was done through the bills that were introduced in 2018. Organizations, including those without legal personality, may make applications for recognition which is provided under the Innovative Technology Arrangement and Services (ITAS) Act. Thus, this legislation provides DAOs with the structural fundamental capacity to carry out legally enforceable actions or have legally enforceable undertakings. Nevertheless, the formation of the DAOs under the Maltese law has been restrained for the problems of increased complexity and raised centralization issues.

United States

Some of the U.S. states have thus gone ahead to offer the specific regulation of these DAOs as follows.

Vermont's Approach⁷

Vermont has become the first U. S. state which legalize the support of blockchain-based companies such as DAOs. The state passed the “Blockchain-Based Limited Liability Companies” (BLLC) law in July 2018. Included under this law is the formation of DAOs under a well-established legal framework for them to apply the use of blockchain technology in conducting business. Operating agreements of BLLCs need to contain information about the purpose and scope of the company, the features of the applied blockchain solution, measures towards security threats, approaches to voting, membership, and ways of regulating the relations of participants. This legislation addresses the legal space for DAOs in Vermont though it does not use the term DAOs in the legislation.

⁶ De Filippi, P., & Hassan, S. (2016). Blockchain technology as a regulatory technology: From code is law to law is code. *First Monday*. <https://doi.org/10.5210/fm.v21i12.7113>

⁷ Finger, J. H. (2023, August 25). Part II: With New DAO Law on the Books, Utah Joins Race with Wyoming and Tennessee to Become U.S. “Crypto Capital.” <https://natlawreview.com/article/part-ii-new-dao-law-books-utah-joins-race-wyoming-and-tennessee-to-become-us-crypto>

Wyoming's Legislation⁸

Vermont led the way which was followed by Wyoming which is another state that has proceeded with blockchain and DAO legislation. Thus, in July 2021, Wyoming adopted the “Wyoming DAOs Supplement” to the state’s LLC act, which was further amended in March 2022. This law regulates the formation of DAOs with the help of DAO LLC which describes how the DAO will be governed, including the degree of algorithmic governance. Wyoming bill allows a lot of freedom about the fiduciary roles, the law refined that, members do not owe fiduciary duties to other members of the corporation unless provided in the writing of the corporation. Yet, DAO LLCs in Wyoming can dissolve if no proposals or actions are taken for one year, which speaks to the constantly evolving nature of DAO work.

Tennessee's Approach

Tennessee joined the scene with its own DAO legislation in April 2022 and called the entity type a “Decentralized Organization” (DO) instead of “DAOs.” This naming reflects that many DAOs actually may not be fully decentralized or fully autonomous because the governance power is typically centralized among the key token holders. Similar to Wyoming’s statute, Tennessee law considers DO LLCs governed by the state’s general LLC law but with the provision that the business organization will be dissolved if the DO is inactive or has not approved the given proposals within a year of their submission. This approach gives a legal foundation for the DAOs to exist within Tennessee by acknowledging the novel ways of functioning while still being under the legal structures.

Colorado's Limited Cooperative Associations⁹

Within Colorado, DAOs are legally allowed to be incorporated as limited cooperative associations (LCAs). As applied to Colorado’s LCA, it proposes an evolution of the structure of cooperatives based on different components from both the LLC structure and the corporate models. The LCA gives immense freedom in the distribution of profits and voting rights. However, to be more precise, it is a kind of corporation and since the LCA is such a legal entity, it needs a board of directors and must have a registered agent within the state which is suitable for some DAOs. The Colorado law also lacks explicit guidance regarding governance by a smart contract.

Although some individual states in the United States like Wyoming, Tennessee, and Vermont have passed special DAO laws, on a global level, DAO regulation is quite different. DAOs in developing countries such as India are still in the unrecognized legal realm and offer equal prospects and difficulties for blockchain developments.

At present, there is no Indian law for the regulation of DAOs. Nevertheless, several provisions may concern our operation under the existing laws and regulations. For instance, the token sold by the DAO will come under SEBI regulation despite no current categorization of the same at present. DAOs also have a problem of uncertainty on the enforceability of smart contracts from an Indian legal perspective. Although the Information Technology Act of 2000 has allowed digital signatures to be used for verifying and authenticating any document, it has not defined any kind of approval for blockchain-generated signatures.

Thus, DAOs working in India might face the Competition Act, data protection, as well as, issues relating to IP rights. Still, within the same year, the Competition Act could also be a legal policy that would affect

⁸ A Primer on DAOs. (2022, September 17). The Harvard Law School Forum on Corporate Governance. <https://corpgov.law.harvard.edu/2022/09/17/a-primer-on-daos/>

⁹ Colorado Legislature, “Chapter 197 Corporations and Associations”: http://www.leg.colorado.gov/sites/default/files/images/olls/2011a_sl_197.pdf.

DAOs in as much as they indulge in activities deemed to be hurting competition. Moreover, as of now, there is no blockchain-specific legislation that imposes proper data privacy and security standards on such networks, they have to meet typical cybersecurity and privacy standards.

Contrasting the countries of developed states for instance, Switzerland has advertised itself as a blockchain innovation country and is adopting a self-regulatory organization type of regulation for the crypto exchange while it fosters the blockchain-based organizations including the DAOs.¹⁰ As same as Switzerland, Singapore also encouraged blockchain development supporting, and maintaining the ratio between inventions and financial solidity, yet it does not have laws applied specifically to DAOs.

In the case of the European Union, efforts have been made on a more general approach to the regulation of crypto-assets through such instruments as the Markets in Crypto Assets Regulation (MiCA) that seeks to synchronize the rules for the members but it does not contain guidance regarding the DAOs. However, the treatment is focused on consumer protection, market integrity, and anti-money laundering regulation. As seen, DAOs functioning in countries such as India experience a problem of uncertainty in the legal framework in the constantly changing world. Such organizations should engage lawyers to conform with the law even in the lack of specific legislation concerning DAOs. The comparison of the countries that have already legalized DAO or are in the process of legalizing DAO with the countries that have not raised this issue at all, reveals the desire of regulators, pioneers of innovations, and legal scholars to continue a dialogue and design the legislation that can help the development of DAO and avoid the dangers connected with them.

LIABILITY AND LEGAL WRAPPING

There is a lack of legal clarity on the DAOs, since different countries are inclined towards different regulations and liabilities. The first putative class action litigation concerning a DAO in the United States is **Sarcuni et al. v bZx DAO et al.** (S.D. Cal. May 2, 2022). This negligence action is based on the legal argument that a DAO is a ‘general partnership’ and therefore its members might be liable for joint and several damages for allegedly having failed to exercise reasonable care in securing their Decentralized Finance (DeFi) protocol which was hacked and \$55 million stolen.

On the other hand, **Tulip Trading Limited v Bitcoin Association for BSV and others**¹¹, an English High Court decision, discussed the exposure of open-source cryptocurrency designers to the consumers. The court believed that all fiduciary or tortious duties as alleged were owed and dismissed them holding that the developers of the network software were a constantly changing group of contributors with no fixed organization. Despite issues of partnership not being contemplated, the idea of liability which will not be attributed to DAO participants is that this will only be the case if individual members of the association assume a duty to act for or on behalf of another in situations that give rise to trust and confidence.¹²

As mentioned earlier, due to their non-recognition under the existing laws, there is a concept known as the legal wrapper. Legal wrapper is the process of wrapping a DAO as a legal entity such as an incorporated

¹⁰ Finger, J. (2023, June 1). Part I: With New DAO Law on the Books, Utah Joins Race with Wyoming and Tennessee to Become U.S. “Crypto Capital” | Blockchain and the Law. Blockchain and the Law. <https://www.blockchainandthelaw.com/2023/05/part-i-with-new-dao-law-on-the-books-utah-joins-race-with-wyoming-and-tennessee-to-become-u-s-crypto-capital>

¹¹ [2022] EWHC 667 (Ch)

¹² Allen Emma and Brendish Samantha, Don't lose your keys: Bitcoin developers do not have a duty to assist owners in recovering lost cryptocurrency, <https://www.taylorwessing.com/en/insights-and-events/insights/2022/04/dqr-bitcoin-developers-do-not-have-a-duty-to-assist-owners-in-recovering-lost-cryptocurrency>.

structure that is used to carry out its activities. This structure provides for the limitation of the legal responsibility of individual DAO participants for the actions of the DAO since they are legally distinct from the legal person. The fundamental reason for having legal wrappers is because; when there are no structures in place, DAOs are regarded as unincorporated organizations, and their members are subjected to possible unlimited liability.

Different kinds of legal structures can be applied to DAOs, which are different from each other. There are many LLCs in the U.S. and it offers the members limited liability protection and some of the states have adopted laws specifically for DAO LLCs. The type of Limited companies swept by a guarantee for example in Hong Kong have no shareholders, and such a company is not permitted to distribute profits to the members which makes such structures appropriate for certain DAOs.¹³

To understand this better, let us consider an example of an imaginary DAO named ‘Greentech Innovators’ whose chief objective is to support innovative renewable energy projects around the world. The DAO is located solely on the Ethereum blockchain, the members of it can vote on the proposals and decide where the funds should be invested in the various green technology projects from all over the globe. But, to hire a team of software engineers and pay them in fiat currency, Greentech Innovators establishes a legal shell, which will be an employer of those engineers.

The advantages of using a DAO legal wrapper are great. The legal instrument offers some form of legal standard so that the business entity will not fall foul of the law and regulatory frameworks, hence minimizing cases where the business may be taken to court.

But more controversial within the DAO communities is the application of legal containers due to localization, centralization, and privacy issues. DAOs’ objectives are to be international; legal wrappers of specific jurisdictions make it difficult. Furthermore, the creation of a legal wrapper implies a certain degree of centralization because the activities of a DAO take place through a legal person. Moreover, creating a legal envelope always involves sharing information about founders, which many privacy-oriented users do not like.

DAOs IN DEVELOPING ECONOMIES: CHALLENGES AND OPPORTUNITIES

DAOs function as influential enablers of innovation in developed economies primarily in technology and finance industries. They can achieve goals and solve problems at a much faster pace and they are also well suited to the kind of flexible models that provide room for the creation of new ideas.

With the financial services, the subsequent DAO examples are evident; MakerDAO changed the course in offerings of financial services by decentralizing access. It enables customers to generate and control stablecoins guaranteed by collateral assets to promote DeFi. Through such innovations, people are now able to lend, borrow, and even trade directly.

In the same way, within open-source software development ecosystems, Gitcoin is an interesting example of how the DAO can encourage people to cooperate and share information. Hence, allowing the developers to focus on developing solutions that would change the world, Gitcoin has made the open-source community stronger through the provision of funding through community grants.

It is also equally important to note that the use of DAOs also helps in increasing the rate of financial inclusiveness. Platforms such as Aave enable users to lend and borrow different cryptocurrencies without the assistance of banks thus offering some form of financial services to the less privileged persons.

¹³ Llyr, B., Slavin, A., & Werbach, K. (2023). *Decentralized Autonomous Organization Toolkit*.

Funding is a significant factor for the realization of development projects, where MolochDAO, which provides Ethereum development initiatives, can allow every individual to support the projects they want thus expanding the funding sources for innovative ideas.

The role of the socio-economic nature of DAOs in developed economies is very vital. Their rather fast expansion, as DAO treasuries went from \$380M to around \$18.4 billion proved a disruption of traditional financial systems. It has been established that many DAOs, especially the impact DAOs are already addressing welfare of the society and global problems such as poverty and environmental degradation among others. Interests across various stakeholders, advancing inclusion, equity, and sustainability in developed economies.

DAOs have some implementation issues as well as potential benefits in the developing economy. Lack of technology and low adoption of technology can cause one to reduce participation in the DAOs but efforts to enhance the use of the internet and increasing literacy levels of people might likely address the issue into the future.

Blockchain and cryptocurrencies are relatively new phenomena and legal systems in many developing countries remain rather fluid and unclear regarding the legal particulars of DAOs. Lack of clarity of laws could lead to general use as well as innovative uses of these blockchains for other legal niches.

Nevertheless, DAOs' flexibility puts them in a position to try to meet developmental challenges. Namely, they could become involved in micro-finance organizations, encourage business development, and improve public resources and foreign assistance accountability.

The approach of the Grameen Foundation in the provision of micro-finance through the use of blockchain technology in developing nations depicted how decentralized technologies are valuable in enhancing people's access to social services and resources. Presumably, a DAO could handle and distribute microcredit much more effectively because it would not require a lot of resources to complete various procedures.

Technology is mandatory for DAOs located in regions that are in their developmental phase. Unlike other streaming sites Ujo Music helps musicians with tools to control the rights of their music and royalties. However, its effectiveness depends on internet availability and the use of computers, which pinpoint technological factors that should be worked on.

Employees and employers can easily pay and be paid through BitPesa, a blockchain-based payment firm that connects the African market to the rest of the world. This innovation relates well to the weaknesses of the existing banking models in developing economies showing how a DAO can improve and advance the provision of financial services

The legal framework has a direct influence on the DAOs' uptake. In Kenya, there has been discourse more so in the changes in the regulatory structure of cryptocurrencies that has led to a debate on a better conducive environment for blockchain technology and DAOs. For it could lead to innovation and bring investment. On the other hand, the initial restrictive measures taken by India towards cryptocurrencies nurtured uncertainty in the DAOs, suppressing innovation. The recent changes point to a possible positive change in this environment which gives hope for the growth of DAOs in India.

Through the use of DAOs, communities can be enabled to solve prevalent problems through decentralized decision-making and fund distribution. DAOs built on the Kiva Protocol to promote microfinance and provide microloans for entrepreneurs in underdeveloped areas for more capital access. It concentrates on donation and social change projects to help communities solve social issues, as well as add transparency

to the system of donation. Organizations such as MakerDAO¹⁴ offer lending and borrowing services for cryptocurrencies. Further, other community-focused initiatives such as Climate DAO and Givepact DAO deal with climate change and inclusion respectively, while the use of blockchain increases credibility and responsibility.

DAOs also contribute to the growth of the economy by funding combined tasks for the development of specific needs with the help of cryptocurrencies and smart contracts. Organizations such as Gitcoin have the potential to transform open-source development through fairness in compensation and demographics. To harness the full potential of DAOs, especially in developing countries, major challenges need to be surmounted. For DAOs to thrive, there is a need for regulatory certainty, treasuries, compliance, and voters. It will be inevitable for regulators, blockchain scientists, and start-ups to come up with favourable conditions for the functioning of DAO.

RECOMMENDATIONS

Decentralized Autonomous Organizations (DAOs) provide a different concept in organization governance using blockchain. That being said, the approaches to choosing the operational strategies, processes, aims, and objectives. To set up a DAO, people must be asked whether this form of organization is appropriate for the said objective. In the case of a DAO as the decision-making body, goal specification and public disclosure can be operationally useful. The organization requires a clear mission and vision statements to ensure people's efforts are in harmony with everyone's general goals.

One of the tactical approaches could be progressive decentralization, where basic tasks are administrated by the headquarters but are then handed over to the community educated with DAOs. This returns to the proper recruitment and onboarding methodologies that should be used to enhance the development of communities. It has been found that the onboarding risk of fraudulent identities may be managed by the use of non-transferable tokens. The scaling issues can be solved with the definition of the formal positions for the contributors and offboarding procedures.

Using the seasonal sprints targeting measurable goals can increase productivity, in addition to using working groups for certain work. Setting up among other practices reasonable membership and compensation structures such as the minimum and maximum membership fees or pay-as-you-go style for compensation will foster participation. Documentation and communication about what is taking place must be clear and easy to find, to let new participants easily get into the process.

Appropriate good governance in the framework of rendering decisions in DAOs concerns the observance of open discussion of matters, the strengthening of clear voting procedures, and the determination of the rules for filling out proposals and voting on them. The legal approaches to DAOs need to factor in the DAO's type, and its community, as well as purpose and weigh the pros and cons of incorporating formal legal structures (if any) in spheres of securities law, taxation, and employment law in focus.

CONCLUSION

Decentralized Autonomous Organizations (DAOs) challenge traditional corporate structures through decentralized governance, transparency, and community ownership. Built on blockchain technology, DAOs offer a new model for decision-making and resource allocation. While demonstrating potential in various sectors, DAOs face legal, governance, and security hurdles.

¹⁴ Bellavitis, C., Fisch, C., & Momtaz, P. P. (2022b). The rise of decentralized autonomous organizations (DAOs): a first empirical glimpse. *Venture Capital*, 25(2), 187–203. <https://doi.org/10.1080/13691066.2022.2116797>

This research focuses on the comparison of DAOs in developed and developing economies where social analysis can show both similarities and differences. The main principles are decentralization, transparency, and the role of the community, however, the specifics of the environment in which DAOs work define the effectiveness and the extent of the influence they can produce. As for established economies, DAOs are capable of functioning in the conditions corresponding to the technological development, availability of resources, and legislation that facilitate their growth. However, for emerging markets the problem is different, namely, restricted access to the necessary technologies and digital competence, thus they limit the introduction of DAOs.

Promoting decision-making with the help of DAOs has positive effects on both developed and developing economies. In developed economies, DAOs can contribute to improving frameworks of governance; and in developing economies, DAOs can achieve the financial inclusion of the excluded populations under the present scenario. In the long journey of DAOs, knowledge of these social facts about social existence makes a difference in the actualization of the benefits of decentralization and community stewardship of things; the local environment and regulatory response in concert will determine the trajectory of such systems. This research highlights the need for a comprehensive understanding of DAOs and their impact on corporate governance. Future research should focus on the long-term implications of DAOs and the development of supportive regulatory frameworks.

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