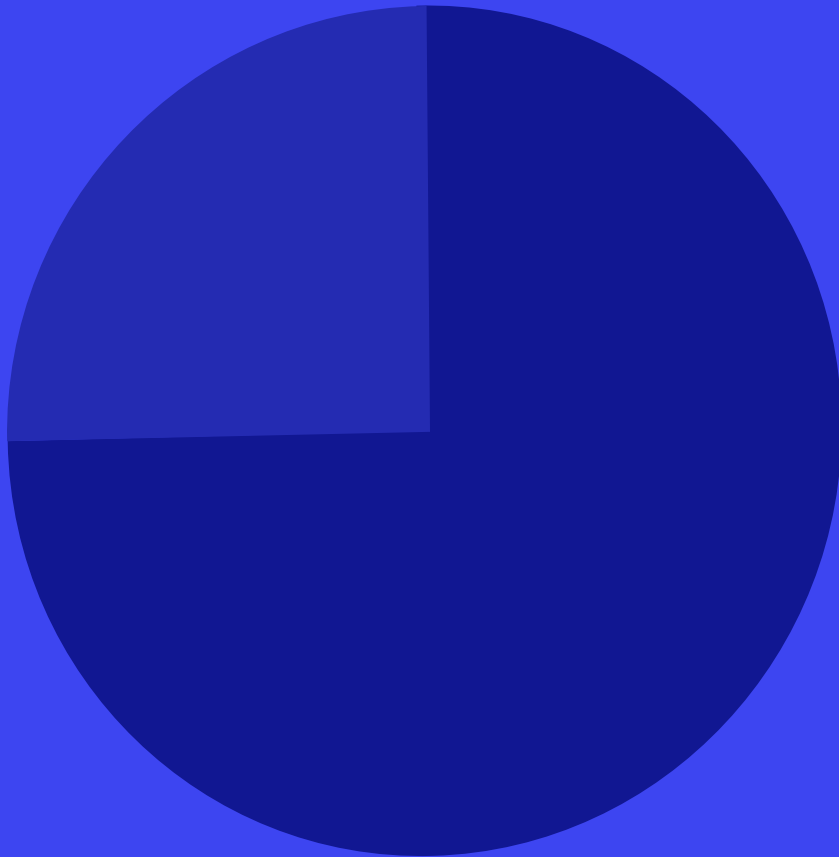


**2024**

# **Global DAO Legal Report**



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# 1. Filling the Legal Void for DAOs

Decentralized Autonomous Organizations (DAOs) can be defined as a decentralized network of autonomous subjects with a performance-maximizing production function. Based on the network effect, DAOs provide a revenue model and incentive to produce open, shareable resources. It should be emphasized that in the "perfect" DAO, decisions are made exclusively by intelligent algorithms or autonomous agents. This autonomy must include both information autonomy and manipulation detection. However, unlike a fully autonomous organism, the currently feasible DAOs still require appropriate human participation. Therefore, we assume that the DAO is an open, self-organizing network with automation at the center and natural persons at the edges.

Recently, DAOs have emerged as groundbreaking structures, offering numerous advantages over traditional organizational models. These benefits range from increased transparency and accountability to decentralized governance and cost-effectiveness.

However, these advantages should not obscure that the majority of DAOs operate without formal legal wrapper or any form of regulatory oversight. The fact that a DAO has no legal wrapper is initially questionable for liability reasons. Token holders are personally liable for material and immaterial damages caused by the DAO. This weakens trust in decentralization. In addition, unregulated DAOs represent an incalculable risk for investors. The inability to raise capital directly affects the likelihood of the DAO's success and survival, as well as trust in the DAO.

A legal wrapper gives the DAO a legal personality that allows the DAO community to enter contracts with third parties, acquire and dispose of property, and conduct legal transactions in its own name.

The purpose of this Report is twofold. The first is to provide an in-depth quantitative analysis of the legal and regulatory status of the world's top 100 DAOs. The goal is to highlight existing compliance gaps and the risks associated with operating in a legal gray area. The second objective is to provide a Jurisdiction Guide for DAOs in the seven jurisdictions that have proven to be the most relevant and viable based on the quantitative analysis and our professional legal expertise:

- Switzerland - Foundation and Association
- Liechtenstein - Foundation
- Lithuania - Private Limited Liability Company
- Marshall Islands - DAO (Non-Profit) Limited Liability Company
- Cayman Islands - Foundation
- British Virgin Islands - Limited Liability Company
- ADGM - Distributed Ledger Technology Foundation

This section of the Report includes actionable recommendations for establishing legally recognized DAO structures, known as "legal wrappers," in each jurisdiction. It also provides a detailed overview of the key regulatory and legislative acts that apply, with specific guidance tailored to the type of tokens involved in the DAO's operations.

The Report aims lastly to serve as an indispensable resource for stakeholders in the DAO ecosystem. It seeks to facilitate informed decision-making and to cultivate a culture of compliance and accountability within the DAO landscape. By adopting a proactive approach to legal and regulatory compliance, DAOs can fully unlock their innovative potential while operating within a secure and compliant framework.

This report is provided by Pontinova Law, your dedicated FinTech and DLT law firm. We appreciate your feedback, input and are eager to learn more about your DAO project.

We encourage you to review your current legal setup and are at your service. Book an appointment [here](#)



## 2. Preface

Dear Readers,

in my capacity as Founder of the Venom Foundation, it is with great pleasure that I present the first edition of this Report, diligently curated and expertly edited by Pontinova Law.

Venom, a pioneering Layer 0 blockchain initiative with a strong commitment to bridging the worlds of conventional businesses and institutions with the unlimited potential of Web3, is on a mission to tokenize tangible assets, starting with transformative projects such as stablecoins, carbon credits, and commodities. These efforts aim to bring the virtues of transparency, security, and operational efficiency to traditional asset markets, ultimately reshaping the financial services sector.

In this sense, our groundbreaking blockchain technology, featuring the cutting-edge Dynamic Sharding Protocol, represents a paradigm shift in the global blockchain arena. It embodies unprecedented scalability, enhanced security, and an unyielding commitment to decentralization. These attributes are paramount as we strive to address the pressing challenges in the cryptocurrency space.

The Venom Foundation is built on three pillars:

- Essential Infrastructure under the supervision of ADGM
- Support for Inbound Projects
- Developer-Friendly Platform

Each of these pillars has been designed to deliver disruptive solutions that accelerate the widespread adoption of blockchain technology across various sectors, with a special focus on the Middle East and North Africa (MENA) region.

Venom is at the forefront of recent developments in regulatory compliance. We have earned the distinction of being the first crypto foundation to be registered in ADGM. This recognition is a testament to our commitment to

innovation and allows us to operate a blockchain and issue utility tokens, marking a significant milestone in our journey.

In the rapidly evolving blockchain landscape, businesses and government entities in the MENA region are leading the way in embracing global crypto trends. The burgeoning demand for decentralized data flows on a global scale aligns closely with ADGM's pioneering role in regulating crypto asset activities to ensure security. At the same time, the need for well-defined regulatory standards has skyrocketed, as only a regulated DAO can create the trust and sustainability essential to the technology we champion.

As we continue this exciting journey, we warmly invite you to explore the vast realm of DAOs. This Report serves as compelling evidence that DAOs will mark the next seismic shift in the crypto and blockchain industry and provides critical insight into the corporate and regulatory requirements that DAO founders must adhere to. With this in mind, we will continue our relentless pursuit of a future of technological efficiency and human enrichment.

My special thanks go to my colleagues who made this Report possible. First and foremost, Christoph Engel-Bunsas for the detailed research and content production. Jenny Wismer for the visual design. And last but not least our Partner Dominic Rogger for the efficient project management.

I trust that you will find great satisfaction in reading this Report.

Sincerely,



Dr. Kai-Uwe Steck  
Founder of Venom Foundation  
Senior Partner at Pontinova Law

### 3. Research Methodology

This is the first edition of an annual Report that provides an overview of the legal status of the DAO ecosystem. The Report includes a quantitative analysis of DAOs and the various regulatory environments for DAOs, with the goal of promoting legal transparency and accountability within the DAO ecosystem. The Report is based on a dataset compiled from CoinMarketCap as of September 12, 2023, to analyze the state of DAOs. The CoinMarketCap's dataset contains the top 100 DAO projects by market capitalization of the listed token.

The Report data is enriched with the following criteria: DAO Type, DAO Token and DAO Legal Wrapper. This information, introduced and defined in the Research Methodology section and applied to each of the selected jurisdictions in the Jurisdiction Guide for DAOs, provides the basis for understanding each applicable legal and regulatory compliance framework.

#### DAO-Type Classification

According to DeepDAO, there are 2'375 DAOs with over USD 16 billion in assets under management and more than 7.5 million token holders (as of October 17, 2023). CoinMarketCap estimates that there are 8'885 listed DAOs (as of October 17, 2023) and Snapshot speaks of more than 27'000 DAOs. This discrepancy underscores the difficulty to get an overview of the exact number of DAOs. This is also true for the types of DAOs. They range from DAOs that help manage some of the largest cryptocurrency protocols and invest in ecosystems, to smaller DAOs that cater to social communities, media, and philanthropic activities. From this wide range of potential use cases, we have identified the three most common types of DAOs: the Investment DAO, the Protocol DAO, and the Social DAO.

#### Investment DAO

The Investment DAO is a type of DAO that focuses on making collective investment decisions on behalf of its members or token holders. The Investment DAO pools financial resources from participants and invests them in various assets, using smart contracts and decentralized decision-making

processes to manage investment portfolios and distribute returns or profits to its members according to pre-defined rules and agreements.

#### Protocol DAO

The Protocol DAO, which may be described as a subtype of the Investment DAO – a clear classification or demarcation is not possible due to the very flexible design of DAOs –, is a type of DAO that focuses on managing and maintaining the underlying Protocol or infrastructure of a blockchain or decentralized network. The Protocol DAO typically involves stakeholders who have a vested interest in the technical aspects of the network and aim to ensure the security, scalability, and functionality of the protocol.

#### Social DAO

The Social DAO is a type of DAO that focuses on social or community-driven initiatives and projects. Participants in a Social DAO often hold tokens that give them voting rights and influence over which social or community initiatives receive funding.

#### DAO-Token Classification

Due to the wide range of possible applications, different types of virtual assets [VA], respectively tokens, have evolved in practice, depending on the objective. A uniform terminology for tokens has not yet been established. In particular, a clear distinction is often not possible due to hybrid design possibilities. To facilitate the readability of this Report, we have opted for a uniform token taxonomy and have excluded special cases such as Non-Fungible Tokens (NFTs) in this first edition. The Report distinguishes between utility tokens, payment tokens and asset tokens. Any regulation applicable to tokens can be subsumed under either the issuance of virtual assets [VA I] or the provision of services related to virtual assets [VA S]. Services related to virtual assets include trading, exchange, custody and financial services.

### Utility Token

The utility token [U], also known as a digital consumer asset, is a digital asset that provides access to digital goods and services. A subset of the utility token is the governance token. DAO governance tokens typically do not represent shares, but rather the ability for token holders to participate in on-chain voting and influence protocol updates and decisions. The fact that governance tokens may serve accessory investment purposes does not mean that they automatically qualify as securities.

### Payment Token

The payment token [P], also known as a virtual asset, virtual currency, or cryptocurrency, is a digital asset that serves, now or in the future, as means of exchange or as means of payment for the purchase of goods and services. DAO payment tokens, such as MakerDAO's Dai Coin, can be issued as part of an existing platform and do not qualify as securities.

### Asset Token

The asset token [A], also known as a security token, investment token, or digital security, is a digital asset that represents ownership of or a claim to physical or digital assets, such as real estate, stocks, bonds, or commodities. A subset of the asset token is the equity token. DAO equity tokens are intended to represent virtual shares. In the future, this token could be used to map shares of different legal forms and to handle them in an easily transferable manner.

### DAO Legal Wrapper Classification

Jurisdictions around the world are enacting laws specifically designed for the formation of DAOs. Among these jurisdictions is the Republic of the Marshall Islands, which legally recognized DAOs as domestic non-profit or for-profit limited liability companies in December 2022 by passing the Decentralized Autonomous Organizations Act of 2022. In the fall of 2023, this Act was amended by the Parliament of the Republic of the Marshall Islands. Another example is the Abu Dhabi Global Markets, one of the most recognized free zones in the United Arab Emirates. On October 2, 2023, the Board of Directors of the ADGM enacted the DLT Foundations Regulations 2023, which will introduce a DLT Foundation for DAO purposes. Most other jurisdictions, such

as Switzerland, have not (yet) created a specific legal framework for DAOs. Instead, they allow DAOs to opt for traditional legal wrappers to comply with the existing regulatory framework.

### Non-Profit

The Association is a member-based legal entity that uses assets to pursue a non-commercial purpose. The association is solely governed by its members, reflecting the values of decentralization. Each member has an influence on the management and governance of the association through its voting rights. The laws governing these associations are quite flexible, allowing for a range of governance structures, which can mirror the decentralized governance model of a DAO. This makes the association particularly valuable for on-chain transactions.

### Non-Profit or For-Profit

The Foundation is an autonomous legal entity that uses its assets to pursue a non-commercial or a private or commercial purpose defined by the founder. The foundation is orchestrated solely by its purpose, as it has no members or shareholders. The structure of the foundation protects assets, aligns with the decentralized ethos of DAOs, and allows a clean interaction with traditional legal and financial systems. This makes the foundation particularly valuable for off-chain transactions and layer one token projects. The non-profit foundation can apply for tax exemption.

### Corporation

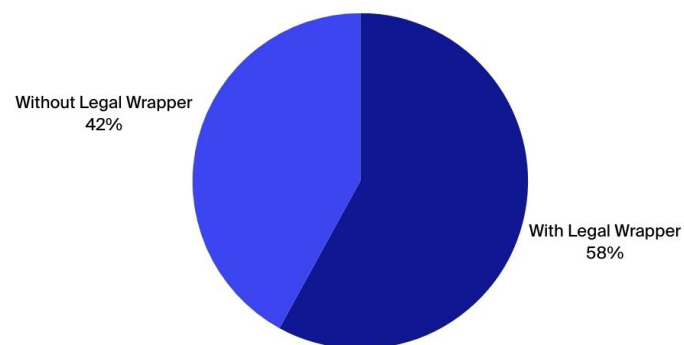
The Corporation, such as a Limited or Incorporated, is a legal entity formed by its shareholders to pursue an often, but not exclusively, commercial purpose. The corporation is owned and controlled solely by its shareholders. Corporations limit the liability of the shareholders for the acts and debts of the corporation. The corporate structure can act as a "service corporation" for DAO members, providing an interaction interface with the real world. However, corporations require a level of traditional operational structure and full degree of regulatory compliance, potentially limiting decentralized decision making within the corporation, but maximizing profits for shareholders. This makes the corporation particularly valuable for on-chain transactions.

## 4. Research Analysis of the Top 100 DAOs

### 4 out of 10 of the Global Top 100 DAOs do not have a Legal Wrapper

Approximately 40% of the global top 100 DAOs operate without any form of legal wrapper and in no known place of jurisdiction. Operating in such a gray area might seem intriguing but it raises critical questions about liability, governance, and long-term viability. In a world increasingly concerned with legal compliance, this factor can't be overlooked. Our in-depth analysis reveals that this lack of a legal wrapper can weaken trust in decentralization and significantly heighten the risks for both the DAO and its stakeholders.

Top 100 DAOs by Legal Wrapper



### DAOs without Legal Wrapper Account for only 14% in Market Capitalization

Although 42% of the global top 100 DAOs lack a legal wrapper, their combined market capitalization of approximately USD 3.02 billion is relatively modest when compared to the entire market capitalization of the top 100

largest DAOs of USD 13.33 billion (13,7%). This stark difference highlights the challenges and limitations that unregulated DAOs face in capturing a larger share of the market. Despite constituting a large portion in terms of numbers, these DAOs represent just a sliver of the total value, underscoring the importance of legal frameworks in gaining market share and investor trust.

### 8 out of 10 of the Largest DAOs Operate Under a Legal Wrapper

The top 10 of the largest DAOs by market capitalization make up more than 70% of the total market capitalization of the largest 100 DAOs (USD 9.37 billion).

Except for Lido and Curve, all the top 10 DAOs operate under a legal wrapper. This speaks volumes about the correlation between successful DAOs and legal and regulatory compliance. Whether it is about securing investor trust or establishing robust governance mechanisms, operating under a legal wrapper seems to be a common denominator for success. In a market environment that is constantly scrutinized by authorities, the path to long-term success is clearer for DAOs that willingly embrace at least a minimum level of regulation. Our Report provides a data-backed argument supporting this and offers insights how to transition into a regulated framework.

### Top Jurisdictions and Legal Wrappers by Numbers

Navigating the labyrinth of global jurisdictions and possible legal wrappers for DAO operations can be a daunting task. Our analysis shows a clear picture of the top jurisdictions and legal wrappers currently chosen in the total number of DAOs and their share of market capitalization.

### Top Jurisdictions by DAOs

39 DAOs currently operate under an unknown jurisdiction. The United States follows with 16 DAOs, while Switzerland and Singapore are also strong contenders with 10 and 9 DAOs, respectively. The Cayman Islands rounds out the top five with 7 DAOs.

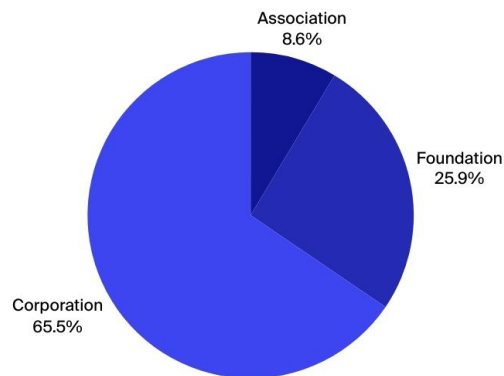
### Top Jurisdictions by Market Cap

When evaluated by market capitalization, the United States leads with approximately USD 5.23 billion. The Cayman Islands follow with around USD 3.09 billion, and Switzerland is not far behind at approximately USD 1.80 billion. DAOs operating under no known place of jurisdiction, while leading in the number of DAOs, only rank fourth in market capitalization at USD 1.56 billion. Singapore comes in fifth with a market capitalization of USD 671 million.

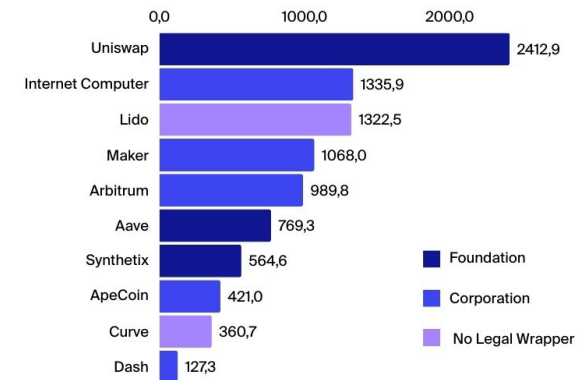
### Top Legal Wrappers by Total Numbers

The distribution of DAOs by legal wrappers shows that DAOs operating under no known legal wrapper are leading at 42 DAOs. The Corporation follows with 38 DAOs. There are 8 DAOs operating as For-Profit Foundations and 7 DAOs operating as Non-Profit Foundations. Associations accounts for 5 DAOs.

### Legal Wrappers by Type



### Top 10 DAOs by Market Cap USM



### Top 10 Legal Wrappers by Market Cap

In terms of market capitalization, the Corporation takes the lead, accounting for a market capitalization of USD 5.40 billion. For-Profit Foundations make up USD 4.59 billion, while DAOs operating under no legal wrapper represent USD 1.56 billion (73% of which is accounted for by Lido). Non-Profit Foundations and Associations trail behind at USD 1.59 billion and USD 326 million, respectively.

The analysis underscores the complexity and dynamism of the global DAO landscape. A more detailed exploration of these findings is available in the second part of this Report, providing stakeholders with an invaluable guide for informed decision-making on which place of jurisdiction and legal wrapper would be most beneficial for the individual project.



## 5. Which Legal Wrapper for your DAO?

In the evolving landscape of DAOs, founders and experts are often confronted with a myriad of legal and operational challenges. The key to navigating these complexities lies in selecting a legal structure, often referred to as a "wrapper", that aligns closely with the DAO's objectives, legal obligations, and tax implications. Moreover, the chosen wrapper should integrate with the DAO's existing smart contracts to ensure operational efficiency.

When it comes to types of DAOs, each has its unique set of requirements. In this Report, we introduce several criteria to match your DAO to the most suitable legal wrapper. By understanding the alignment between these criteria and the specific types of DAOs — be it Investment, Protocol, or Social — stakeholders can make informed decisions that not only fulfill operational requirements but also ensure legal and regulatory compliance.

This comprehensive approach is encapsulated in this Report, which will offer a detailed rating on various legal wrappers based on these pivotal criteria and aims to serve as an indispensable resource for stakeholders, facilitating informed decision-making and fostering a culture of accountability and sustainability within the DAO ecosystem.

### Investment DAOs

Investment DAOs are tailored to make collective investment decisions. They pool financial resources from members or token holders and invest them in various asset classes. These DAOs require a flexible governance structure, limited liability provisions, and a clear framework for financial compliance. The legal wrapper for an Investment DAO should be agile enough to adapt to rapidly changing investment strategies while ensuring compliance with financial regulations. Thus, Corporations may be the most recommended wrapper for Investment DAOs.

Governance Robustness	●
Ease of Setup	● ● ● ● ●
Asset Protection	● ● ●
Community Involvement	● ● ●

### Protocol DAOs

Protocol DAOs are primarily focused on the governance and maintenance of an underlying blockchain protocol or decentralized network. These DAOs usually involve stakeholders deeply invested in the network's technical robustness, security, scalability, and overall functionality. Given these specific needs, Protocol DAOs often require robust asset protection and rigorous governance mechanisms for long-term sustainability. One of the standout features of a (Swiss) Foundation, often recommended for Protocol DAOs, is its immutable structure. Once established with a specific purpose, the foundation is legally bound to adhere to that purpose, providing an added layer of protection against stakeholder pressures or market dynamics.

Governance Robustness	● ● ● ● ●
Ease of Setup	●
Asset Protection	● ● ● ● ●
Community Involvement	●

### Social DAOs

Social DAOs are oriented towards social or community-driven projects. These DAOs are generally easier to set up and require moderate asset protection. Members usually hold governance tokens that grant them voting rights, thereby influencing which social initiatives or community projects receive funding. Given their community-driven nature, Social DAOs benefit from legal structures that are simple to establish and offer flexibility in governance, such as a (Swiss) Association.

Governance Robustness	●
Ease of Setup	● ● ● ● ●
Asset Protection	● ●
Community Involvement	● ● ● ● ●

## 6. Introduction to the Jurisdiction Guide for DAO

This Jurisdiction Guide is designed to serve as an indispensable resource for (DAOs) considering legal incorporation and regulatory compliance across seven key jurisdictions:

- Switzerland - Foundation and Association
- Liechtenstein - Foundation
- Lithuania - Private Limited Liability Company
- Marshall Islands - DAO (Non-Profit) Limited Liability Company
- Cayman Islands - Foundation
- British Virgin Islands - Limited Liability Company
- Abu Dhabi Global Market - DLT Foundation

The guide is structured to offer a comprehensive understanding of the legal and regulatory landscape pertinent to DAOs in each jurisdiction, providing actionable insights and practical recommendations. The guide is organized into four sections:

### **Recommended Legal Wrapper**

This section identifies the most appropriate legal structures for DAOs in each jurisdiction and outlines the Pontinova DAO profile.

### **Legal Requirements**

Detailed information on the specific legal obligations and administrative procedures for establishing the recommended legal structures is provided, including constitutional, management, and Reporting requirements.

### **Taxation**

An overview of the tax implications associated with each legal structure is offered, including potential avenues for tax exemptions.

### **Regulatory Compliance Framework**

The guide concludes with an in-depth examination of the regulatory landscape, including guidance on which regulations apply to different types of tokens. This is informed by the latest guidelines and acts relevant to each jurisdiction.

By offering a comprehensive view of the legal and regulatory intricacies involved, this guide aims to equip DAO stakeholders with the knowledge and tools necessary for informed decision-making and effective compliance within these jurisdictions.

# Switzerland I

## Recommended Legal Wrapper

Legal Wrapper	Foundation
Suits best for	Protocol DAO
Governance Robustness	● ● ● ● ●
Ease of Setup	●
Asset Protection	● ● ● ● ●
Community Involvement	●

## Legal Requirements

Swiss Foundations are incorporated under the Swiss Civil Code.

### *Constitution*

Endowment of Assets, Deed of Incorporation, one or more Founders who can be either individuals or companies and do not need to be residents of Switzerland, Entry in the Commercial Register.

### *Regulatory Board*

Swiss Foundations Supervisory Authority (ESA), Swiss Financial Market Supervisory Authority (FINMA)

### *Administration, Management*

Registered Office within Switzerland, Bank Account within or outside Switzerland is not mandatory in the beginning, a Contribution in Kind is sufficient, Foundation Board which consists of one or more persons who can be either individuals or companies and of whom at least one must be a resident of Switzerland.

### *Reporting, Accounting, Auditing*

Reporting and Accounting are mandatory. Auditing is not mandatory, if the Foundation had total assets of less than CHF 200'000 in the past two years, is not issuing any public appeals for donations or other contributions, and an audit is not required to make a reliable assessment of its net assets and results of operations.

Please note that a minimum capital of CHF 50'000 is required to set up a Swiss Foundation. Also, the Swiss foundation is an independent and earmarked asset. This means that its purpose cannot be changed by the founder after its establishment. A change in the purpose of the foundation is only possible if this is urgently necessary to preserve the assets of the foundation or to fulfill the purpose of the foundation. The foundation supervisory authority monitors the proper use of the endowment and, if applicable, the tax-privileged capital. The calculation of the incorporation fees should include legal consulting fees, notary fees, fees for entry into the commercial register and fees for the supervisory authority. The incorporation duration is about 4 weeks. The Swiss Foundation is particularly suited for non-profit purposes.

## Taxation

4.25 % of Federal Tax on Earnings. Cantonal and communal taxes on earnings as well as taxes on capital and value-added tax are added. The overall effective tax rate depends on the Foundation's seat in Switzerland. If the Foundation makes less than CHF 5'000 profit p.a., there is no taxation on earnings.

However, non-profit Foundations may be granted tax exemption from federal corporate income tax, if they meet the following criteria: (a) common public interest, (b) exclusivity of use of funds, and (c) irrevocability of the pursued purpose.

# Switzerland II

## Recommended Legal Wrapper

Legal Wrapper	Association
Suits best for	Protocol DAO
Governance Robustness	●
Ease of Setup	● ● ● ● ●
Asset Protection	● ●
Community Involvement	● ● ● ● ●

## Legal Requirements

Swiss Associations are incorporated under the Swiss Civil Code.

### Constitution

Articles of Associations, two or more Members who can be either individuals or companies and do not need to be residents of Switzerland, Entry in the Commercial Register, if (a) it conducts a commercial operation in pursuit of its objects, (b) it is subject to an audit requirement, or (c) it primarily collects or distributes assets abroad, directly, or indirectly, that are intended for charitable, religious, cultural, educational, or social purposes.

### Regulatory Board

Financial Market Supervisory Authority (*FINMA*)

### Administration, Management

Registered Office within Switzerland if entered in the Commercial Register, Bank Account within or outside Switzerland is not mandatory in the beginning, a Contribution in Kind is sufficient, General Meeting, Committee which consists of one or more persons who can be either individuals or companies and do not need to be residents of Switzerland.

### Reporting, Accounting, Auditing

Reporting and Accounting are mandatory. Auditing is limited for most of the Associations.

Please note that no minimum capital is required to set up a Swiss Association. Although the democratic structure of an association guarantees flexibility, it does not guarantee anonymity. For example, a list of members must always be made available if the members can show a legitimate interest in it. For example, if the list is needed to reach other members for the purposes of the association. The calculation of the incorporation fees should include legal consulting fees and, if registration is required, fees for entry into the commercial register. The incorporation duration is about 1 day. The Swiss Association is particularly suited for non-profit purposes.

## Taxation

4.25 % of Federal Tax on Earnings. Cantonal and communal taxes on earnings as well as taxes on capital and value-added tax are added. The overall effective tax rate depends on the Foundations location of residence in Switzerland. If the Association makes less than CHF 5'000 profit, there is no taxation on earnings.

However, Associations may be granted tax exemption from federal corporate income tax, if they meet one of the following criteria: (a) common public purpose, (b) charitable purpose, or (c) cultural purpose.

## Regulatory Compliance Framework

On February 16<sup>th</sup>, 2018, the Swiss Financial Markets Regulator FINMA published guidelines for enquiries regarding the regulatory framework for initial coin offerings (ICOs). In these guidelines, FINMA bases its own approach to categorization of tokens on its underlying economic function and differentiates between utility tokens, payment tokens and asset tokens. Please note that as soon as your Swiss-based DAO provides services to citizens of the European

Union, European regulations, in particular the Markets in Crypto Asset Regulation (MiCAR), must also be observed.

#### *Anti-Money Laundering Act [P / VA S]*

applicable, if the token is intended to be used as a means of payment. In this case, the token issuer qualifies as a financial intermediary. A financial intermediary is required to affiliate to a self-regulatory organization (SRO) or to be subject to supervision (FINMA). The financial intermediary is also required to establish the identity of the beneficial owners. Please note that if the payment function is merely incidental, utility tokens are excluded from the anti-money laundering requirements.

#### *Financial Market Infrastructure Act [A / VA S]*

applicable, if the token qualifies as a security. Securities are standardized certificated and uncertificated securities, in particular uncertificated securities and ledger-based securities, as well as derivatives and intermediate securities, which are suitable for mass trading. Payment tokens are not securities. Neither do utility tokens qualify as securities, if their sole purpose is to grant digital access rights to an application or service and if the utility token can be used in this way at the point of issue. Asset tokens, including equity tokens, are considered securities. Please note that the legal consequences of being treated as a security follow from securities regulations, such as the Financial Services Act and the Financial Institutions Act.

#### *Financial Services Act [A / VA S]*

applicable, if the token qualifies as a security by virtue of (a) being issued, (b) being publicly offered or (c) being traded. In this case, the entity must publish a prospectus, i.e., a comprehensive presentation of the issuer and the securities, and prepare key information documents (KID), i.e., information for retail customers on the financial instruments offered. Please note that the intentional late or incorrect filing or publication of prospectuses and KIDs is punishable by a fine of up to CHF 500'000.

#### *Financial Institutions Act [A / VA S]*

applicable, if the entity is a financial institution, such as a portfolio manager or a security firm. In this case, the financial institution must be authorized by

FINMA and is then subject to anti-money laundering monitoring as well as prudential monitoring. Please note that financial institutions must meet high organizational, financial and risk mitigation requirements to be authorized. For example, portfolio managers must have a minimum capital of CHF 100'000 and securities firms CHF 1.5 million. Special requirements apply to branches of foreign financial institutions. This minimum capital must be met in addition to the minimum capital requirements for the legal wrapper and must be maintained.

#### *Banking Act [A / VA S]*

applicable, if the custody of token classifies as deposit. Excluded are tokens with a pure profit-sharing function as well as tokens with an exclusive value transfer and payment function, since no claim is acquired. Like financial institutions, banks must meet rigid organizational, financial and risk mitigation requirements to obtain a banking license. The minimum capital requirement is CHF 10 million. Please note that FINMA may grant a FinTech license to boost innovative financial companies. The FinTech license allows institutions to accept public deposits of up to CHF 100 million or crypto-based assets, provided that these are not invested, and no interest is paid on them. A further requirement is that an institution with a FinTech license must be a company limited by shares, a corporation with unlimited partners or a limited liability company and must have its registered office and conduct its business activities in Switzerland. The duration of the licensing procedure depends on the complexity of the project and the quality and completeness of the application.

# Liechtenstein

## Recommended Legal Wrapper

Legal Wrapper	Foundation
Suits best for	Protocol DAO
Governance Robustness	● ● ● ● ●
Ease of Setup	●
Asset Protection	● ● ● ● ●
Community Involvement	●

## Legal Requirements

Liechtenstein Foundations are incorporated under the Persons and Companies Act.

### *Constitution*

Foundation Declaration, one or more Founders who can be either individuals or companies and do not need to be residents of Liechtenstein, Entry in the Commercial Register, if the Foundation is carrying on commercial or non-commercial activities.

### *Regulatory Board*

Foundation Supervisory Authority (*STIFA*), Financial Market Authority (*FMA*)

### *Administration, Management*

Registered Office within or, in an international context, outside Liechtenstein, Bank Account within Liechtenstein, Foundation Council which consists of two or more persons who can be either individuals or companies and who do not need to be a resident of Liechtenstein, but in this case, the Foundation needs to appoint a Representative in Liechtenstein who is authorized to receive declarations, communications and notifications and to represent the Foundation in dealings with public authorities.

### *Reporting, Accounting, Auditing*

Reporting, Accounting, Auditing are mandatory. Please note that a minimum capital of CHF / EUR / USD 30'000 is required to set up a Liechtenstein Foundation. The calculation of the incorporation fees should include legal consulting fees, fees for entry in the commercial register and fees for the supervisory authority. The incorporation duration is about 1 week. The Liechtenstein Foundation is suited for profit and non-profit purposes.

## Taxation

12.5 % of Corporate Income Tax. However, Foundations may be granted tax exemption from corporate income tax, if they meet the following criteria: (a) common public interest, and (b) non-commercial purpose.

## Regulatory Compliance Framework

In 2019, Liechtenstein issued the Token and Trusted Technology Service Provider Act. Hereunder, "trusted technologies" are defined as technologies that ensure the integrity, the unique assignment, and the disposal of tokens. The Liechtenstein regulatory approach thus differs significantly from other jurisdictions. In contrast to Switzerland and the European Union, Liechtenstein does not differentiate between token categories, ("Token Container Model") but between Trusted Technologies (TT) Services provided by the Crypto Asset Service Providers (CASPs). As Liechtenstein is an EEA state, it offers unrestricted access to the EU/EEA market ("passporting"). However, this also means that the MiCAR provisions will apply in Liechtenstein from December 30, 2024. Please note that TT Service Providers already registered under the TVTG may convert to a MiCAR license in a simplified procedure.

### Trusted Technology Service Provider Act [U, P, A / VA S]

	Registration	Prudential Requirements*
Token Issuer	✓	CHF 50'000 – CHF 250'000**
Token Generator	✓	X
TT Key Depositary	✓	CHF 100'000
TT Token Depositary	✓	CHF 100'000
TT Protector	✓	X
Physical Validator	✓	CHF 125'000 – CHF 250'000
TT Exchange Service Provider	✓	CHF 30'000 – CHF 100'000
TT Verifying Authority	✓	X
TT Price Service Provider	✓	X
TT Identity Service Provider	✓	X
TT Agent	✓	X

\* Financial intermediaries licensed by the FMA which are required to have higher minimum capital under that license than the minimum capital required under the TVTG do not need to comply with prudential requirements. \*\* except token issuers that issue tokens in their own name or not on a professional basis

Please note that the capital required under company law may be counted towards the minimum capital under the TVTG. However, this capital must be always adhered to and may therefore not be used for operational expenses. Any legal and natural person with registered office or place of residence in Liechtenstein, who wishes to professionally act as TT Service Provider, is required to be registered by the FMA before beginning their activity. The registration fees payable to the FMA are CHF 1'500 for the first service and CHF 700 for each additional service. The registration duration is about 3 months. Any legal or natural person providing a TT service without being registered under the TVTG Act is liable on conviction to a fine or 1 year imprisonment.

### Due Diligence Act [U, P, A / VA I]

applicable to

- (a) Token Issuers, if they provide this service on a professional basis,
- (b) Token Issuers, subject to the registration obligation that issue tokens in their own name or not on a professional basis, if an investor buys tokens in a total amount exceeding CHF 1'000 irrespective of whether the purchase is made in one or several transactions.

### Due Diligence Act [U, P, A / VA S]

applicable to

- (a) TT Key Depositaries,
- (b) TT Token Depositaries,
- (c) TT Protectors,
- (d) Physical Validators,
- (e) TT Exchange Providers,
- (f) TT Agents, subject to the registration obligation, if they provide or distribute TT services for the TT service providers.

### Professional Trustees Act [U, P, A / VA S]

applicable to TT Protectors that need to get licensed before they apply for a registration under the TVTG Act.

# European Union – Lithuania

## Recommended Legal Wrapper

Legal Wrapper	Private Limited Liability Company (UAB)
Suits best for	Investment DAO
Governance Robustness	●
Ease of setup	● ● ● ● ●
Asset protection	● ● ●
Community involvement	● ● ●

## Legal Requirements

Lithuanian Private LLCs (UABs) are incorporated under the Law on Companies.

### *Constitution*

Memorandum of Incorporation, Articles of Association, Deed of Incorporation, if the company is incorporated by one individual or company only, one or up to 249 Members who can be either natural or legal persons and do not need to be residents of Lithuania.

### *Regulatory Board*

Bank of Lithuania

### *Administration, Management*

Registered Office, Bank Account, Single-Person Management Body which consists of one individual. If the manager is a citizen of an EU/EFTA member state, he is entitled to be and work in Lithuania for a period up to 3 months. However, if he intends to reside and work for a longer period, he is obliged to receive a Certificate Confirming the Right of Temporary Residence in Lithuania. The procedure for receipt of the certificate is rather short and simple. Nationals of third countries willing to reside and work in Lithuania shall receive a work permit and a residence permit. The work permit is not required, e.g., for the founder and the manager. However, in such cases the receipt of the

residence permit is obligatory, and the procedure takes from 2 to 4 months. A Collegial Supervisory Body is optional.

### *Reporting, Accounting, Auditing*

Reporting and Accounting are mandatory. Auditing is mandatory, if two out of the following three conditions apply: (1) net turnover above EUR 3.5 million, (2) total value of assets above EUR 1.8 million, (3) number of payroll employees of 50 in a financial year.

Please note that a minimum capital of EUR 2'500 is required to set up a Lithuanian UAB. Moreover, the UAB is required to pay a registration fee of EUR 30.00. The calculation of the incorporation fees should include legal consulting fees and fees for the notary public. The incorporation duration is about 1 week.

## Taxation

Corporate Tax — 0% to 15%; Dividend Tax — 15%; Value Added Tax — 21%, if the company is a VAT payer: (1) virtual currencies and exchange services are not subject to VAT, (2) services invoiced in virtual currencies are subject to VAT.

## Regulatory Compliance Framework

The regulation of crypto assets in the European Union follows a dualistic approach. Utility tokens and payment tokens are subject to the MiCAR, which was published on June 9, 2023, and will apply to crypto-asset issuers on June 30, 2024, and to CASPs on December 30, 2024, while asset tokens are subject to capital markets regulation, in particular the Markets in Financial Instruments Directive (MiFID2). Until then, national regulations, particularly the Lithuanian Anti-Money Laundering and Counter-Terrorist Financing Law, apply.



#### *Markets in Crypto-Asset Regulation [U, P / VA I]*

applicable to the issuance of utility and payment tokens. The issuer is required to have an establishment in a Member State of the European Union and to draw up a crypto-asset white paper. However, if the public offering is made to fewer than 150 persons per Member State or addressed solely to qualified investors and does not exceed EUR 1'000'000 over a period of 12 months, the issuer shall be exempt from the obligation to draw up a crypto-asset white paper. The public offering of utility tokens issued for a good or service that already exists is also exempt from this obligation.

#### *Markets in Financial Instruments Directive and Prospectus Regulation [A/VAI]*

applicable to the issuance of asset tokens. The issuer is required to draw up a prospectus. However, if the public offering is made to fewer than 150 persons per Member State or addressed solely to qualified investors and does not exceed EUR 1'000'000 over a period of 12 months, the issuer shall be exempt from the obligation to draw up a prospectus.

#### *Markets in Crypto-Asset Regulation [U, P / VA S]*

applicable to service providers offering (a) crypto-asset trading platforms, (b) crypto-asset exchange services, (c) crypto-asset custody, or (d) crypto-asset financial services. Entities that intend to provide crypto-asset services need to have an establishment in a Member State of the European Union and to apply for authorization as a CASP with the competent authority of the Member State where they have their registered office, in case of Lithuania this is the

Bank of Lithuania. This authority will assess whether an authorization application is complete within 25 days and is accepted within 90 days of receipt. As a result, a license is granted to the CASP. CASPs must also meet minimum capital requirements: (a) EUR 150'000 for crypto-asset trading platforms, (b) EUR 125'000 for crypto-asset exchange services, (c) EUR 125'000 for crypto-asset custodians, and (d) EUR 50'000 for other crypto-asset financial services. In addition, CASPs must fulfill governance, transparency, sustainability, anti-market abuse and eventually outsourcing requirements. CASPs licensed under MiCA will be able to provide services across the EU ("Passporting").

#### *Markets in Financial Instruments Directive [A / VA S]*

applicable to service providers acting as (a) investment firms, or (b) trading venues, such as regulated markets, multilateral trading facilities, and organized trading facilities. Entities that intend to provide these services need to apply for authorization with the competent authority of the Member State where they have their registered office. In addition, they must comply with minimum capital requirements, governance, and organizational requirements, conduct of business requirements and transparency and Reporting requirements.

#### *Anti Money Laundering Directive 5 and Lithuanian Anti-Money Laundering and Counter-Terrorist Financing Law [P / VA S]*

applicable to virtual currency exchange operators and virtual currency depository wallet operators. Legal entities incorporated in Lithuania and providing these services must have a registered share capital of EUR 125'000. At least 25% must be paid in at the time of registration.

# Republic of the Marshall Islands

## Recommended Legal Wrapper

Legal Wrapper	DAO Limited Liability Company
Suits best for	Investment DAO
Governance Robustness	●
Ease of setup	● ● ● ● ●
Asset protection	● ● ●
Community involvement	● ● ●

## Legal Requirements

RMI DAO (Non-Profit) LLCs are incorporated under the Decentralized Autonomous Organization Act, the Limited Liability Company Act and, if applicable, the Non-Profit Entities (Amendment) Act.

### Constitution

Certificate of Formation or Limited Liability Company Agreement or Smart Contracts including a statement that the organization is a DAO and delivered to the Registrar of Resident Domestic and Authorized Foreign Corporations for filing, at least one Incorporator who can be either an individual or a company and who do not need to be a resident of the RMI or a member of the DAO, Non-Profit Activity, if the DAO wants to register as a non-profit entity.

### Regulatory Board

The Registrar of Resident Domestic and Authorized Foreign Corporations and the Banking Commissioner have the authority to promulgate regulations.

### Administration, Management

Registered Agent, Members if member managed or Smart Contract if algorithmically managed.

### Reporting, Accounting, Auditing

Accounting and Auditing are not mandatory. Reporting is mandatory on an annual basis between January 1<sup>st</sup> and March 31<sup>st</sup> of each year. The Annual Report must contain beneficial ownership information and information relating to leadership, community engagements and financial activities. In addition, DAOs must file a beneficial ownership information Report with the Registrar of Resident Domestic and Authorized Foreign Corporations at the time of formation and at the time of each annual Report. A beneficial owner is an individual who exercises control over the RMI DAO (Non-Profit) LLC through direct or indirect ownership of more than 25% of the LLC's interests or voting rights, through management of the LLC, or otherwise. Any person who engages in unlawful conduct is subject to a civil penalty of USD 500 for each day that the violation continues or is not corrected, and may be fined up to USD 10'000, imprisoned for up to 2 years, or both.

Please note that there is no minimum capital required to set up a RMI DAO (Non-Profit) LLC. The calculation of the incorporation fees should include legal consulting fees. The incorporation duration is about 3 weeks.

## Taxation

No corporation tax, capital gains tax, wealth tax, or any other tax is applicable to RMI DAO (Non-Profit) LLCs. For-profit LLCs are taxed with a 3% gross revenue tax excluding dividends and capital gains.

## Regulatory Compliance Framework

The RMI adopted the Decentralized Autonomous Organization Act on November 25, 2022, making it the first in the world. Hereunder, the RMI classifies as virtual or digital assets (a) virtual currencies, (b) digital consumer assets, and (c) digital securities. A virtual currency is a digital asset used as a medium of exchange, unit of account or store of value. A digital consumer asset is a

digital asset that is used or bought primarily for consumptive, personal or household purposes and includes a blockchain token or any other digital asset that does not qualify as digital security or virtual currency. A digital security is a digital asset that constitutes a security, such as notes, stocks, and bonds and that does not qualify as digital consumer asset or virtual currency.

*Securities and Investment Act [A / VA I]*

applicable to any person who directly or indirectly issues a security. They must file a registration with the Registrar of Resident Domestic and Authorized Foreign Corporations and the registered security must be approved by the Cabinet. An exemption may be granted for any security issued by a non-profit entity.

*Securities and Investment Act [A / VA S]*

applicable to any person who directly or indirectly sells, exchanges, or transfers a security. They must file a registration with the Registrar of Resident Domestic and Authorized Foreign Corporations and the registered security must be approved by the Cabinet. In addition, a Virtual Asset Service Provider (VASP) operating as a financial service provider must obtain a license issued by the Commissioner of Banking. A license application fee of USD 300 must be paid at the time of application and an annual license fee of USD 1'000 must be paid before the end of September 30 of each financial year. It takes up to two weeks to obtain a license. Any person operating without a license is subject to a fine of up to USD 10'000.

*Anti-Money Laundering Regulations [P, A / VA S]*

applicable to all VASPs operating within the RMI and carrying virtual asset transfers that qualify as cross-border transfers and virtual asset transactions that exceed USD 1'000.

# Cayman Islands

## Recommended Legal Wrapper

Legal Wrapper	Foundation
Suits best for	Protocol DAO
Governance Robustness	● ● ● ● ●
Ease of Setup	●
Asset Protection	● ● ● ● ●
Community Involvement	●

## Legal Requirements

CI Foundations are incorporated under the Foundation Companies Act.

### Constitution

Memorandum of Association, Articles of Association, one or more Founders who can be either individuals or companies and do not need to be residents of the CI.

### Regulatory Board

Cayman Islands Monetary Authority (*CIMA*)

### Administration, Management

Secretary who is licensed or permitted to provide company management services in the CI according to the Companies Management Act (2021), Registered Office at the secretary's business address, Bank Account within or outside the CI, Board of Directors which consists of one or more persons who can be either individuals or companies and do not need to be residents of the CI.

### Accounting, Reporting, Auditing

Accounting is mandatory, Reporting and Auditing are not mandatory. However, persons registered or licensed under the VASP Act are required to undertake and submit annual audits of their Anti-Money Laundering (AML) systems and procedures at the request of CIMA. Moreover, the registrant or licensee must make sure its senior officers and beneficial owners are fit and proper persons.

Please note that no minimum capital is required to set up a CI Foundation. However, a Foundation is required to pay the annual registry fees in January of each year of USD 854. The calculation of the incorporation fees should include legal consulting fees as well as the registry fee of USD 609. The incorporation duration is about 4 weeks.

## Taxation

No corporation tax, capital gains tax, wealth tax, or any other tax is applicable to CI Foundations.

## Regulatory Compliance Framework

In May 2020, the Cayman Islands introduced the Virtual Assets Service Providers Act. Hereunder, a "virtual asset" is broadly defined as a digital representation of value that can be digitally traded or transferred and can be used for payment or investment purposes. "Virtual service tokens", such as utility tokens, as well as digital fiat currencies are not considered virtual assets.

### Virtual Assets Service Providers Act [P, A / VA I]

applicable to issuers of virtual assets who are required to register with CIMA.

#### *Mutual Funds Act and Private Funds Act [A / VA I]*

applicable to open-ended funds, if the entity operates as investment fund and issues virtual assets, because these are defined as “equity interest” and need to be registered or licensed under MFA. The Private Funds Act may apply mutatis mutandis to closed-ended funds. Open-ended funds, such as Exchange Traded Funds (ETFs), allow investors to buy and sell shares at any time, while closed-ended funds have a fixed number of shares and trade on an exchange like stocks.

#### *Virtual Assets Service Providers Act [P, A / VA S]*

applicable providers that provide (a) virtual asset custody, (b) virtual asset trading platform, or (d) virtual asset financial services. Virtual asset custodians and trading platforms require a license, while virtual asset financial services require registration. However, CIMA may grant a sandbox license for a maximum of one year to an applicant that utilizes innovative technologies or provides innovative activities.

Please note that a non-refundable assessment fee of USD 1'220 is payable at the time of application for license or registration. The application fee of between USD 1'220 and USD 18'500 – less the assessment fee – is payable by a successful applicant. The amount of the application fee will be determined by CIMA based on factors such as the type of virtual asset services business to be conducted and CIMA's assessment of the nature, size, scope, and complexity of the applicant's virtual asset services. The annual renewal fee is equal to the application fee and is due to CIMA by January 15 of each subsequent year. The license and registration duration are about 6 to 9 months. VASPs carrying on business without being registered or licensed are liable on summary conviction to a fine of USD 25'000- and 1 year imprisonment.

#### *Securities Investment Business [A / VA S]*

applicable, if the virtual asset is a “security”. Virtual assets are securities that can be sold, traded, or exchanged immediately or at any time in the future and that (a) represent or can be converted into another form of traditional securities, or (b) represent a derivative of traditional security. CIMA may exempt an applicant from registration or licensing under either SIBA or VASP

Act. However, an applicant must first apply under either law before having this exemption granted.

#### *Money Services Act [P / VA S]*

applicable, if the virtual assets service is classified as “money services business”, which would apply if the virtual assets were primarily used to facilitate the transfer of fiat currency from one party to another, or the conversion between fiat currencies. Any entity carrying on such money services business in or from the CI must get licensed by CIMA.

#### *Proceeds of Crime Act and Anti-Money Laundering Regulations [P, A / VA S]*

applicable to all VASPs operating within CI because virtual asset services are “relevant financial business”.

#### *Foreign Account Tax Compliance Act and Common Reporting Standard Regulations [P, A / VA S]*

applicable to all VASPs operating within CI.

# British Virgin Islands

## Recommended Legal Wrapper

Legal Wrapper	Limited Liability Company (LLC)
Suits best for	Investment DAO
Governance Robustness	●
Ease of setup	● ● ● ● ●
Asset protection	● ● ●
Community involvement	● ● ●

## Legal Requirements

BVI LLCs are incorporated under the Business Companies Act.

### *Constitution*

Memorandum of Association, Articles of Association, one or more Members who can be either individuals or companies and do not need to be residents of the BVI.

### *Regulatory Board*

British Virgin Islands Financial Services Commission (*BVIFSC*)

### *Administration, Management*

Registered Office, Registered Agent, Bank Account within or outside the BVI, Board of Directors which consists of one or more persons who can be either individuals or companies and do not need to be residents of the BVI. The BVI LLC must maintain a register of directors. This register is not available for inspection by the public, unless the company elects otherwise.

### *Reporting, Accounting, Auditing*

Mutual Legal Assistance (Tax Matters) Act requires BVI LLCs to keep its accounts, records, and underlying documentation for at least five years from the date of completion of the transaction at the office of its registered agent or at

the place the directors determine. The Reporting and accounting must therefore be sufficient and accurate. However, auditing is not mandatory.

Please note that no minimum capital is required to set up a BVI LLC. However, a BVI LLC is required to pay government fees after it is incorporated and thereafter on either May 31 or November 30 of each year depending on whether it was incorporated in the first or last six months of the year. The calculation of the incorporation fees should include legal consulting fees. The incorporation duration is about 4 weeks.

## Taxation

No corporation tax, capital gains tax, wealth tax, or any other tax is applicable to BVI LLCs.

## Regulatory Compliance Framework

On February 1st, 2023, the Virtual Assets Service Providers Act came into effect. The VASP Act creates the legal framework for the registration and supervision of VASPs operating in and from within the BVI. Through the provisions of the VASP Act, the BVIFSC is established as the competent authority for the supervision of persons engaging in any virtual assets service. However, virtual assets and virtual assets services including utility tokens are generally not covered by the regulatory framework.

### *Securities and Investment Business Act [A / VA I]*

applicable, because asset tokens qualify as “investment”. That means that an issuer of asset tokens is required to hold a BVIFSC investment business license. However, an offering prospectus will not be required since none of Part II of SIBA is presently in force.

### *Virtual Assets Service Providers Act [P, A / VA S]*

applicable, if (a) virtual assets service, (b) virtual assets custody, or (c) virtual assets exchange is provided. An entity wishing to provide virtual assets

services in or from within the BVI is required to be registered by the BVIFSC to obtain a license. The registration fees payable to the BVIFSC depend on the virtual assets service provided by the entity and are summarized as follows: (a) USD 5'000 for virtual assets service, (b) USD 10'000 for virtual assets custody service, and (c) USD 10'000 for virtual assets exchange. The registration duration is about 6 to 9 months. Any entity carrying on virtual asset services without being registered and licensed under the VASP Act is liable on conviction to a fine of up to USD 100'000 and/or 5 years imprisonment.

*Financing and Money Services Act [P / VA S]*

applicable, if the virtual assets service is classified as “money services business”. However, the Financial Services (Regulatory Sandbox) Regulations allow innovative fintech products to obtain a sandbox license for a limited time, without the need to comply with the more onerous licensing requirements set out in the FMSA.

*Proceeds of Criminal Conduct Regulations [P, A / VA S] applicable, if the transactions involving virtual assets are valued at USD 1'000 or more.*

*Securities and Investment Business Act [A / VA S]*

applicable, if the virtual asset product is classified as “investment” and the “investment activity” is captured and not excluded by SIBA. Thus, the VASP must hold an FSC investment business license.

*Beneficial Ownership Secure Search System Act [A / VA S]*

applicable, if not exempt, e.g., if the entity is recognized, registered, or otherwise approved as a mutual fund under the SIBA.

*Foreign Account Tax Compliance Act and Common Reporting Standard Regulations [P, A / VA S]*

applicable to all VASPs operating within BVI.

# United Arab Emirates – Abu Dhabi Global Markets

## Recommended Legal Wrapper

Legal Wrapper	Distributed Ledger Technology (DLT) Foundation
Suits best for	Protocol DAO
Governance Robustness	● ● ● ● ●
Ease of setup	●
Asset protection	● ● ● ● ●
Community involvement	●

## Legal Requirements

DLT Foundations are incorporated under the DLT Foundations Regulations 2023.

### *Constitution*

DLT Foundation Charter, Declaration of Compliance, Statement of Initial Beneficial Ownership and Control, Certificate of Registration, one or more Founders who may be either individuals or companies and who need not to be residents of ADGM, Application for Commercial License.

### *Regulatory Board*

Financial Services Regulatory Authority (FSRA)

### *Administration, Management*

Registered Office, Bank Account, Company Service Provider who is licensed to provide company services, Foundation Council consisting of at least two councilors who must be the Founder, a Beneficiary, a Tokenholder, or a legal person, an optional Guardian supervising the actions of the Foundation Council, Tokenholders if the DLT Foundation issues tokens.

### *Reporting, Accounting, Auditing*

Reporting, Accounting, Auditing are mandatory. Please note that the DLT Foundation must have a minimum initial asset value of USD 25'000 which should be paid in within 6 months from the date of the DLT Foundations' incorporation. The registration fee is USD 500. To obtain the commercial license, the DLT Foundation must pay licensing fees of USD 8'000. These fees are recurring and must be paid annually. The incorporation fees should include legal fees and other administrative fees, such as data protection fees. The incorporation duration is approximately 3 weeks.

## Taxation

9% of Corporate Income Tax. However, the DLT Foundation may qualify for a 0% tax rate if it is a free zone person with a taxable income up to AED 375'000 or a qualifying free zone person with qualifying income.

## Regulatory Compliance Framework

The Registration Authority of the free zone ADGM of the emirate Abu Dhabi has enacted on October 2, 2023, the Distributed Ledger Technology Foundations Regulations 2023 implementing rules for distributed ledger technology foundations and DAOs. The rules were published on November 1, 2023.

### *Financial Services and Markets Regulations [A / VA I]*

applicable, if the token qualifies as a digital security. The issuance of digital securities requires the issuance of an approved prospectus, unless the security is an exempt offer. An exempt offer is an offer that is directed at professional clients other than natural persons or that is directed at fewer than 50 persons in any 12-month period, excluding professional clients who are not natural persons, or whose total consideration to be paid by a person to



acquire securities is at least USD 100'000, or an equivalent amount in another currency.

*Financial Services and Markets Regulations [P, A / VA S]*

applicable to digital securities activities of market intermediaries and market operators that must be licensed by the FSRA as a financial services permission holder (FSP), a recognized investment exchange or a recognized clearing house. It is also applicable to virtual assets activities of market intermediaries, multilateral trading facilities and custodians that must be licensed by the FSRA. Please note that ancillary virtual assets activities do not need to be licensed by the FSRA if the entity merely uses virtual assets as a medium of exchange to facilitate the transfer of fiat currencies on behalf of clients across jurisdictions, and if the entity demonstrates that the ancillary use of the virtual asset is fit for purpose. However, an entity that offers its clients the service of exchanging virtual assets for fiat currencies must apply to and be authorized by the FSRA to use virtual assets as part of its business. In addition to the aforementioned requirements, entities must comply with capital requirements equal to 6 months of operational expenses plus an additional buffer of up to another 6 months of operational expenses, substance requirements within ADGM, virtual asset risk disclosures, and requirements relating to market abuse, transaction Reporting and misleading impressions.

*Federal Anti-Money Laundering and Countering the Financing of Terrorism Laws [P, A / VA S]*

applicable to all VASPs operating within ADGM.

*Foreign Account Tax Compliance Act and Common Reporting Standard Regulations [P, A / VA S]*

applicable to all VASPs operating within ADGM.

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