

Report by the Dynamic Coalition on Blockchain Technologies for the Period 01 January - 31 December 2021

1. Background

The primary goal of the Dynamic Coalition on Blockchain Technologies (**DC-Blockchain**) is to educate, inform and disseminate information on current trends and policy developments with regard to blockchain development, policymaking and regulation. The Dynamic Coalition is presently working on the development of “model frameworks” in relation to blockchain technologies, including: (1) application of existing legal and oversight regimes to applications of blockchain; (2) smart contracts or self-executing transactions and interactions between humans and machines or between multiple entities which are automatically enforced by the underlying code of the technology; and (3) Decentralised Autonomous Organisations (**DAOs**) that offer new forms of participatory governance and economic activity. In this regard, the DC-Blockchain seeks to create model rules consistent with international law standards and that could potentially be adopted in different jurisdictions worldwide¹. The DC-Blockchain also initiated a deep dive into fundamental structures and concepts embedded in traditional governance and social frameworks to inform how the governance, participatory and economic opportunities afforded by blockchain can be designed to better conform to evolving understandings of the moral political economy of today.

2. Work undertaken in 2021

a. *Activities within the IGF*

- i. The DC-Blockchain was unable to participate in the annual IGF meeting due to exigencies and challenges presented by the global pandemic occasioned by the Coronavirus disease (COVID-19). DC-Blockchain hopes to participate in the 2022 annual IGF meeting, should restrictions and limitations due to the global pandemic abate.

¹ Further information in relation to the work of the DC Blockchain can be accessed at: <https://coala.global>

b. Activities Beyond the IGF

i. Trust and Confidence Reading Group

COALA has convened a multi-disciplinary working group to discuss and explore the various facets of trust and confidence within the context of Blockchain Technology. This has been examined through the lens of a multi-disciplinary reading group, which brings to bear practical and philosophical considerations in the use of blockchain technology in the modern day world. The reading group has been running bi-weekly, from January 2021 to June 2021. The objective of the reading group was to deliver a Report on Trust & Confidence (see section on “Outcomes” for more details on the report).

ii. Legitimacy Reading Group

COALA has convened a multi-disciplinary working group to discuss and explore the impact of blockchain technology on governance, and its consequences for legitimacy and trust. The question of legitimacy is increasingly relevant for understanding blockchain governance, and the purpose of this group will be to better understand the practical and empirical conceptions of legitimacy within blockchain communities. This has been examined through the lens of a multi-disciplinary reading group, which brings to bear practical and philosophical considerations in the use of blockchain technology in the modern day world. The reading group has been running bi-weekly, from July 2021 to December 2021. The objective of the reading group was to deliver a Report on Blockchain & Legitimacy, to be finalised in the upcoming year.

iii. DAO Model Law Framework

The DC-Blockchain completed its work on drafting a coherent model law framework for Decentralised Autonomous Organisations. The Model Law has been circulated to stakeholders for comment amongst the DC-Blockchain community and to the public writ large, inviting diverse input and participation for this work. At present the DC Blockchain is actively working on its continuous stakeholder engagement and the solicitation of feedback from targeted academic, technical and policy-making groups in order to finalise the DAO Model Law, with the ultimate view to inviting implementation as a best practice standard.

c. **Outputs produced and/or research/studies conducted**

Trust and Confidence Report

The outcome of the legitimacy and confidence in Blockchain Technology work research stream and has been the development of a comprehensive Report which has been co-authored by some of the researchers and resident fellows comprising the task force within DC-Blockchain. The Report, which is due to be published this year, provides an in-depth analysis of the theoretical foundations in building trust and confidence and their correlation to the notions of risk, agency and legitimacy. These theoretical underpinnings are thereafter applied to the blockchain sphere, in order to identify how the elemental nature of the technology lends itself to bridging traditional paradigms in generating greater trust and confidence amongst users. In so doing, a thorough overview of the preeminent academic schools of thought is undertaken. The report concludes by providing the key areas in which trust can be reinforced, identifies the limitations of traditional factors as a measure for building trust with a decentralised and pseudonymous environment and clearly defines the differing levels of trust and confidence which are required within an on-chain and off-chain governance structure and its nexus to engendering legitimacy.

The Development of the Model Law on Decentralised Autonomous Organisations

DAOs can be classified into two (2) distinctive categories: registered DAOs, i.e. DAOs that are organised according to the laws of a State and that are registered in a corporate registry, and unregistered DAOs, i.e., DAOs that are created outside of the legal frameworks defined by national laws and are not registered in a corporate registry. The vast majority of existing DAOs are unregistered DAOs and their legal status is currently uncertain: they are *alegal*. The result is a great deal of legal uncertainty, which can be detrimental to the development and utilisation of this new model of social and business organisation.

DC-Blockchain stakeholders gathered for an in-person workshop in Paris, France in February 2020 and collaborated together virtually before, in-between, and after these workshops to research, discuss and draft a governance report and related model clauses. Virtual meetings were held on a bi-monthly basis to convene diverse participants within the DC-Blockchain and with other intersecting communities with a keen interest in fostering development of the global, participatory organisations afforded by blockchain technologies.

The goal of the Model Law is to assist governments in crafting their own DAO laws, so as to recognize full or partial legal personality to DAOs. The objective is to endow them with specific legal rights — and obligations — without requiring them to register or conform to traditional corporate law rules, so long as they satisfy the relevant legal provisions through technological means (e.g., “technological guarantees” afforded by Blockchain infrastructure). Those technological means should provide legal protections equivalent to those underpinning traditional corporate legal forms, while taking account of the new opportunities of Blockchain technology. At its core, the Model Law maps the various policy goals underpinning traditional corporate law rules, with a series of technological guarantees that can be regarded as “functional equivalents” to those rules.

Since its preparation the DAO Model Law has been circulated to diverse stakeholders in order to stimulate feedback as well as discussion surrounding the core areas encapsulated in the text. Recently, the DC-Blockchain DAO Model Law was endorsed by the Digital Law Association (DLA) in Australia to the Australian Senate as a new type of legal entity under the Australian Corporation Act 2001.

During 2021, work has been undertaken to strengthen the Model Law through engagement of stakeholder feedback, in order to ensure that it meets with current developments within the Blockchain sphere and can be effectively implemented by governments.

3. Updates on internal processes

The DC-Blockchain has continuously sought to expand its network and membership to diverse stakeholders within and outside of the blockchain ecosystem who have a keen interest in fostering new forms of participatory governance, social and economic activity afforded by blockchain technology. Accordingly, DC-Blockchain has continued to expand its network of participants - both institutional and individual, which has been reflected in new members and collaborations for DC-Blockchain research streams (e.g., trust and confidence, legitimacy and DAOs), as well as ongoing updates to its mailing list and associated websites. The DC-Blockchain has hosted a number of virtual workshops (on a bi-monthly basis) as well as in-person workshops and internal meetings described above, for joint intersectional discussions in order to ensure diverse and multidisciplinary inputs to the DC-Blockchain activities.

4. Priorities/Objectives for the Following Year

The DC-Blockchain will continue its stakeholder engagement initiatives through the ongoing work of the 9 COALA Working Groups. Through open consultations, it is also

intended to seek consensus in the finalisation of the DAO Model Law, with the ultimate view of its adaptation by governments. DC-Blockchain will also continue its deep dive into fundamental concepts of trust, confidence and legitimacy to inform its work on blockchain governance and participatory communities.

In addition to these priorities, DC-Blockchain has proposed to host a session/workshop "Addressing Advanced Technologies, including AI" related to the DC-Blockchain current work on the Model Law for Decentralised Autonomous Organisations, for the 2022 IGF annual meeting currently slated to be hosted in Ethiopia in 2022.

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