

H.B. 318 DECENTRALIZED AUTONOMOUS ORGANIZATION ACT AMENDMENTS

Background

During the 2023 General Session, the legislature passed H.B. 357. This bill established the criteria for the state's recognition of a Decentralized Autonomous Organizations (DAO). Registered DAOs receive limited liability protections similar to those afforded to corporations or LLCs. This legislation went into effect on January 1 of this year.

H.B. 318 is a simple clean up bill.

What modifications were made?

It specifies that the Division of Corporations and Commercial Code is responsible for filing a decentralized autonomous organization's certificate of organization, not issuing it. Additionally, the bill makes changes to the permissible names of a decentralized autonomous organization to align them with the allowed names for other formed entities.



WHY ARE THESE MODIFICATIONS IMPORTANT?

Clarifying that the Division of Corporations and Commercial Code files a decentralized autonomous organization's certificate of organization rather than issuing it is important for transparency and legal clarity. Aligning permitted names of such organizations with those of other entities in the state ensures consistency and facilitates legal processes.

KEY TERM:

DAO: DAOs are entities structured with no central authority. Members of a DAO own tokens of the DAO, and members can vote on initiatives for the entity. Smart contracts are implemented for the DAO, and the code governing the DAO's operations is publicly disclosed.