DEFI SUMMER

REGISTER HERE - DEFI.DEVPOST.COM

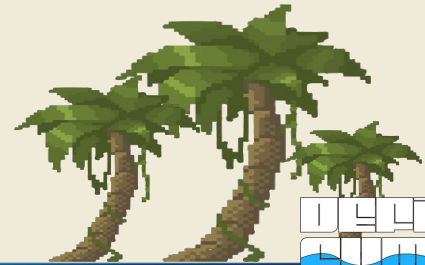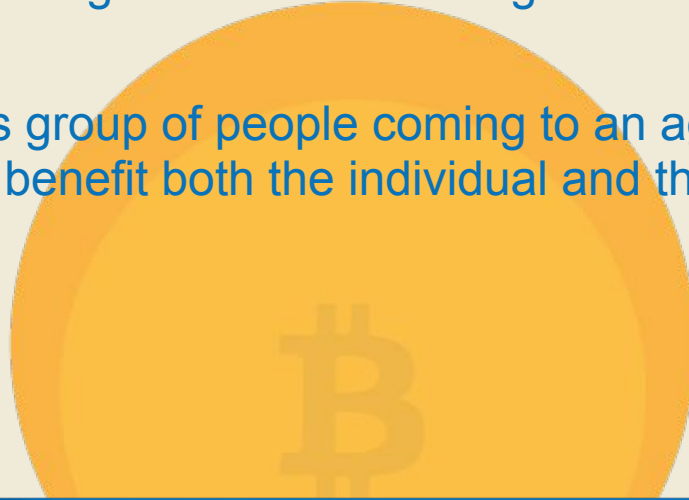**Introduction to DAOs, Governance, Business Use Cases**

<LEARN/> ALL JUNE . <HACK/> JULY-MID AUGUST . <CELEBRATE/> REST OF AUGUST

What is DAOs

There are many definitions, assumptions and new terminologies associated with DAOs, and they vary significantly depending on which group you are communicating with.

DAOs: the collective management of common goods via decentralized governance.

In simple terms, DAO is group of people coming to an agreement through "wisdom of everyone" which will benefit both the individual and that organization.
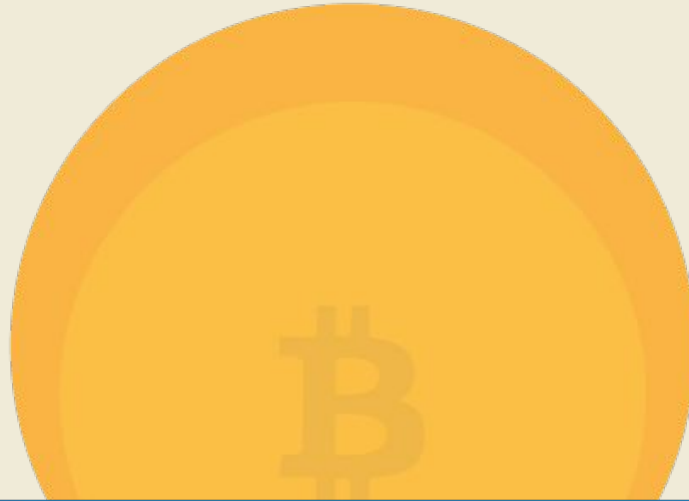
Characteristics of DAOs

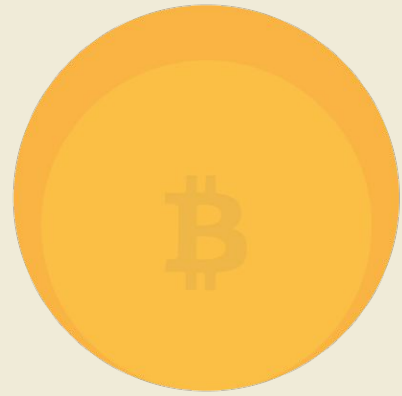Decentralization

Transparency

Independence

History of DAOs

Bitcoin was the first DAO. It is run without central authority.

The term was first coined by "The DAO" which launched in 2016.

The DAO aimed to operate as venture capital fund(worth usd $250M)

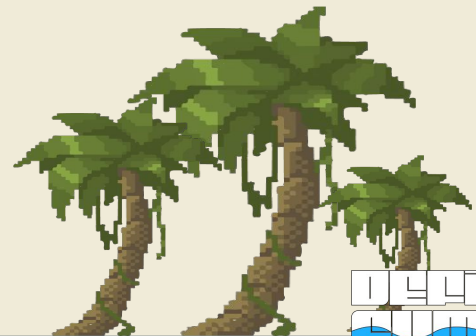The space has seen significant development since then.

Why DAO

- Transparency - all process becomes part of blockchain
- Improved efficiency - New proposals submitted would be well-constructed beforehand eliminating any ideas and proposals that aren't worth the time and money
- All investors in a DAO have opportunity to help shape how org is run - stakeholders at any level can submit proposals and ideas for improvement
- No power plays: rules and regulations are prearranged

Differences between traditional organizations and DAOs

- Governance:
  - Top Down Management vs Embedded in code
- Trust:
  - Based on experience and past relationship vs Cryptography
- Decision Making
  - Based on expertise and seniority vs Everyone in the network

Similarities between traditional organizations and DAOs

In the end, any organization is run by humans.

Human decision making is complex and it's hard to encode it into code.

Most of the decisions will be taken through social consensus.

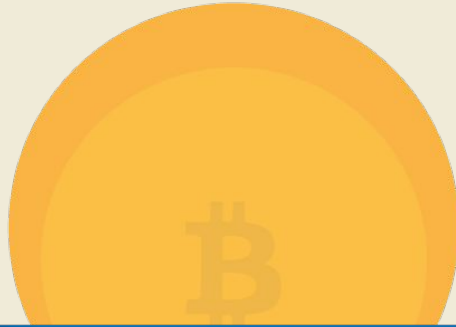As DAOs grow, they may also impact existing organizations.

Technology layer for DAO

The base layer for DAO is based on blockchain technology

Ex: Ethereum, EOS, Tezos, Cosmos, etc.

Aragon, colony and DAOstack which use solidity and can be considered as DSaaS(DAO software as a service) models.
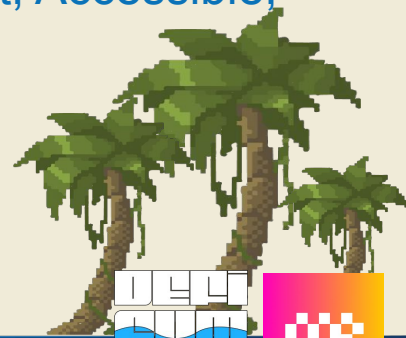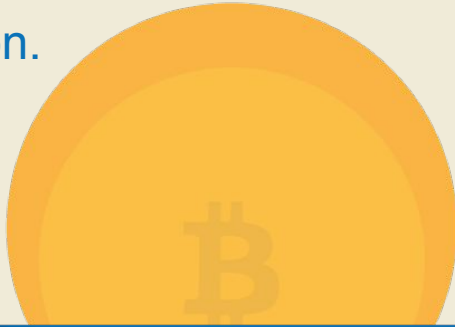
DAOs and DeFi

Due to DeFi + DAOs, they don't need to rely on traditional banking sector and their inefficiencies.

DAOs become more decentralized using DeFi products as the payment system.

Cryptocurrencies and digital assets can be moved directly within the DAO itself.

This is significant as it creates a Trustless, Borderless, Transparent, Accessible, Interoperable corporation.
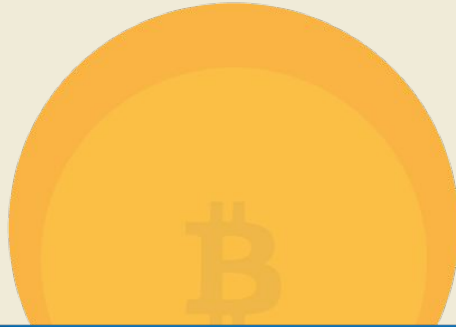
What is Governance and why do we need it

Governance is a system by which entities are controlled and directed.

Governance includes processes, like discussions and voting, tools, like laws and contracts, structures like democracy and hierarchies.

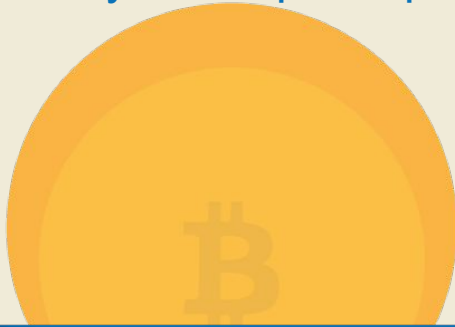Governance is necessary to reach an agreement and to make a decision.

Governance of DAOs

Governance is a heart of DAO.

DAO governance structure are built on software code, code and smart contracts that run on a public decentralized blockchain platforms.

DAOs do not have centralized and traditional management structure.

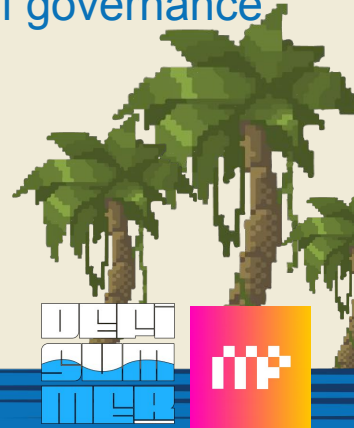This allows for anyone for anyone to participate in the network.

Two main types of DAO governance

Off-Chain Governance

- Informal governance process. Proposals are mainly made by core developers and discussed in the community. This process takes time and can lead to hard fork
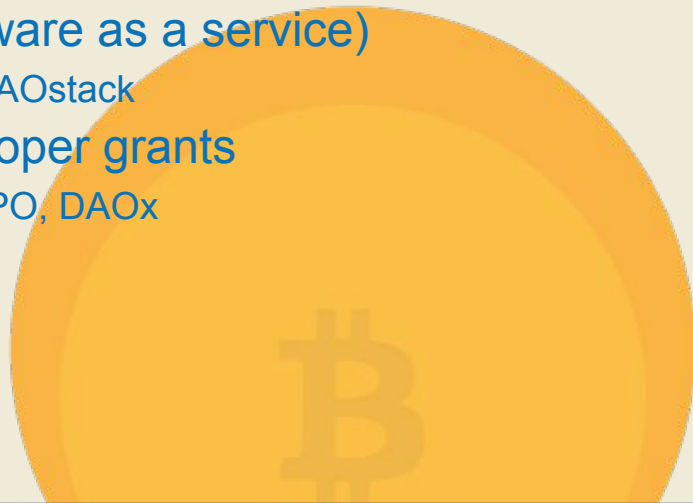
On-Chain Governance

- The voting process takes place on the blockchain using, some form of governance tokens.

DAO Ecosystem

- DeFi DAOs (for profit)
  - Compound, Maker, Synthetix
- Investment DAO (for profit)
  - The LAO
- DSaaS (DAO software as a service)
  - Aragon, colony, DAOstack
- Tech related developer grants
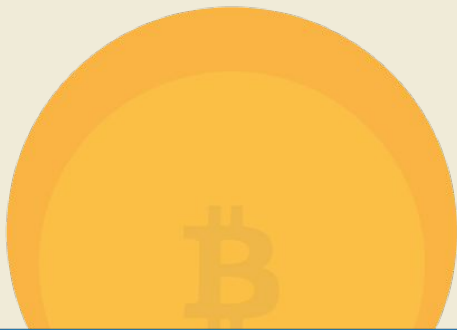 - Moloch DAO, DEPO, DAOx

Common DAO Infrastructure

The first layer contains common web2 primitives to discuss proposals like forums and communication tools like discord or slack.

The second layer contains voting infrastructure involving governance tokens.

The third layer contains fund management of DAO.

Governance Token vs DAO

Modern DAOs come with governance tokens.

It allows their token holders to take part in decision making process of these organizations.

DAOs and governance tokens forms new framework for organizing human collaboration.

Most DAOs are open and operate borderless.

Common Traits Behind DAOs
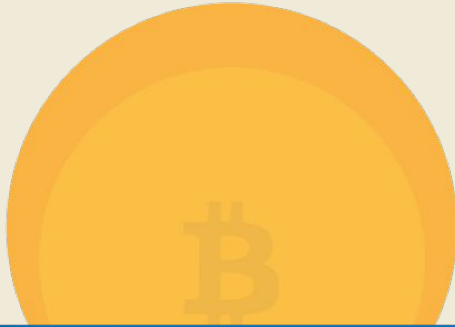
- Reputation
- Token
- Voting Consensus Protocol

DAO Infrastructure providers

- Aragon DAO is by far the most developed DAO infrastructure project. It hosts over 1700 DAOs and $900M crypto assets under management.
- Moloch DAO also have proposal, voting and fund management template. It is used by Meta cartel DAO and LAO.
- DAOstack is also open source project advancing the technology.
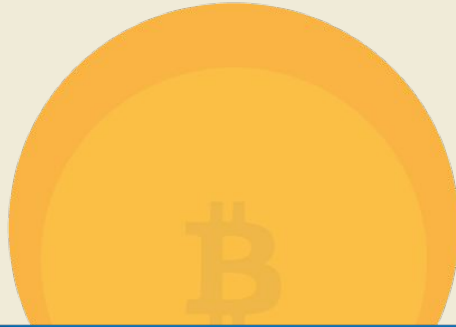- Alchemy is fund and proposal manager framework of DAO stack

Common DAO governance challenges

- Voting can lead to poor decision making.
- The program could include bugs.
- Shadow voting.
- Skin in the game.
- DAO identity.

Laws Surrounding DAOs

- In the Wyoming (US State), DAOs can also adopt legal framework of LLC, a limited liability company.
- It will allow them to operate them with same protections of legal corporations for both DAO and their members.
- Open Law blockchain protocol can form legal wrapper for projects like DAOs
- Example: The LAO is organized as a legal entity.

Business Use Cases

DAOs can be designed to mimic the structures of current organizations

- Challenge traditional organizations through "wisdom of crowd" to have better decision making
- Asset Management
- Curation Networks
- Community and contributors can grow the company
- DAOs can turn open source projects into profit organization.

DAO based corporate Architecture

- Examples
  - Wikipedia
  - Robin hood asset Management(Finland)
  - Nexus Mutual(UK)
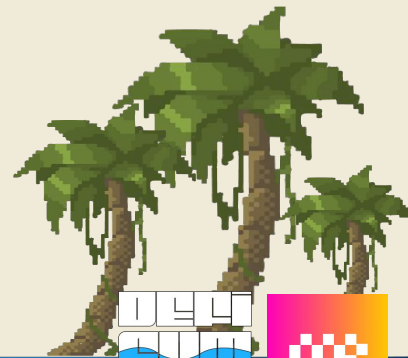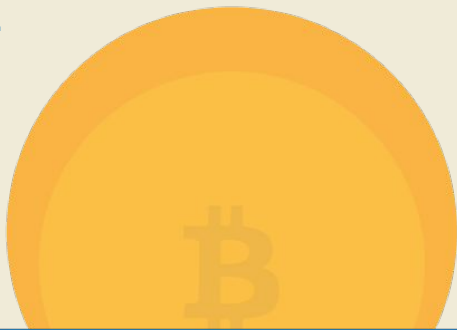 - Green bay packers football(NFL)

Conclusions

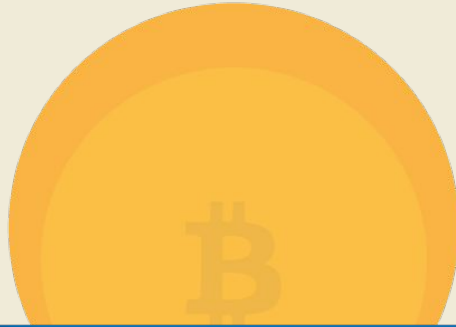Normal individuals can invest both their time and work in a way that hasn't been possible.

It is still early days and we are at the very beginning of this novel organization form.

DAOs of tomorrow will be different from DAOs of today for the future needs that hasn't been created yet.

Resources for Learning About DAOs

- DAOTalk.org
- https://miro.com/app/board/o9J_kxXpuF4=/ (Aragon DAOs)
- https://miro.com/app/board/o9J_kxpeJuY=/ (DAOstack DAOs)
- https://wulfkaal.medium.com/daos-governance-legal-design-experimentation-25b2d0f58a29

Questions!