

A proposal to establish one or more legal entities for the Lido DAO ("Lido Legal Entities"), to relieve contributors of critical compliance issues described in this proposal.

Context

The Lido DAO currently has an active set of teams (i.e., RockX, Hyperelliptic Labs) and individual contributors (i.e., [Master of Validators](#), [Business Development Lead](#)) who are compensated directly by the Lido DAO or contribute to the DAO pro-bono (i.e., P2P Validator) to maintain the protocol's ongoing operations and help the community execute on its roadmap.

[The recent Proposal to form Resourcing and Compensation Committee \(RCC\)](#) creates a working group that acquires bi-yearly funding grants from the Lido DAO to deliver on the [Lido DAO OKRs](#), offering the current Master of Validators and Business Development Lead further autonomy, flexibility, and privacy in building out their respective teams. The RCC aims to solve the most critical blocker and issue that the entire contributor community has been contending with for over 6 months now; the significant friction, privacy concerns, and lack of autonomy imposed by the current hiring procedure within the Lido DAO. These issues have been severely impacting the ability for the Lido DAO's contributors to execute on their responsibilities as Lido expands aggressively both vertically and horizontally. If the Proposal to Form RCC is approved by the Lido DAO, the RCC shall propose a budget request to the Lido DAO.

However autonomy, friction, and privacy are not the only issues that Lido DAO contributors have been experiencing with respect to hiring.

Concerns

In the eyes of the law, DAOs can be considered unincorporated entities ([thread by Mark Beylin](#)); where groups of people tie together into a network to take actions collectively. Since the Lido DAO is an organization that exists primarily as a smart contract with cashflows and assets governed by a token through the Aragon governance framework [or in other words it natively

does not exist as an incorporated entity], individual contributors are potentially exposed to liability. If someone wants to sue a DAO for wrongdoing for any arbitrary reason, it is possible for them to go after individual members of the DAO based on their role in the organization.

The Lido DAO is decentralized and large enough such that there is no single person or entity to target in such cases, however, multiple potential hires have expressed concern for the risk associated with engaging with the Lido DAO in this fashion. The Lido DAO has a vast pipeline of potential contributors that the team urgently needs to hire to further execute on its goals, especially as competitors are coming to market aggressively in the liquid staking domain, yet the compliance risks have reduced the attractiveness for them to proceed. As DAOs have proliferated globally and web 3.0 has become mainstream, intuitive solutions like [Opolis](#) and [Stripe Atlas](#) have offered promising ways of protecting contributors and alleviating operational/compliance burden. Yet, these are solutions not available globally, and even still present significant friction that delay or forgo promising and game-changing hires into the team [they are mere short-term band-aids].

Summary of Core Compliance Issues

The core compliance issues that contributors have experienced with the current regime are as follows:

- Liability concerns around working for the Lido DAO directly; financial & tax regulation uncertainty
- Having to worry about setting up an entity or working through an employment cooperative to safely contribute to the Lido DAO
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- Infamiliar accounting regimes and structures;
- Inability for the Lido DAO to engage with and pay third-parties, legal firms, and other contractors who are:
 - unable to accept cryptocurrency; a lack of Lido-specific bank accounts, credit cards, and payments apps
 - unable to safely engage with the Lido DAO while complying with Know Your Customer (KYC) and Anti-Money Laundering (AML) regulation. They can only engage with an incorporated entity after verifying the company's articles of association and other documentation and performing a KYC check on the person they are engaging with.
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- Inability for the Lido DAO to maintain and manage software, licenses, accounts, etc, that require a legal entity to maintain ownership in a safe and secure way

Contributors currently deal with payments, KYC/AML checks, and account/license management individually or through another entity, imposing undue risk and hardship to them or to that entity. This creates problems and risk, both from independence but from the perspectives of op-sec, continuity management, etc.

Proposal to Establish Lido Legal Entities

To aid in solving the aforementioned problems, the Lido DAO contributor community proposes establishing Lido Legal Entities.

Goals

- Acquire funding grants from the Lido DAO and make payments necessary for Lido DAO operations;
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- Ratify formalized engagements with contributors and core units for work to complete in executing on the Lido DAO's [OKRs](#);
- This would provide indemnity to those contributing to the Lido DAO
- This would offer a safe and familiar accounting/compliance and structure

in accordance with international regulation

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- Establish fiat bank accounts and pay contractors, legal firms, and other third-parties via wire transfers, credit cards, and other fiat payment apps;
- This would allow the Lido DAO to engage with third-parties that it currently is unable to

, through this new legal entity, and not impose undue risk and/or hardship

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What the Lido DAO needs to find out

We are looking to acquire expert legal advice, research, engineering, and/or structural/operational execution assistance in establishing Lido Legal Entities, to better understand:

- What is the best legal set up and jurisdiction to achieve the stated goals?
- How long would it take?
- How much would it cost?
- Who can best set it up?
- What can such a set up do, and what can it not do?

- What risk will the board of directors (pending selection and approval by the Lido DAO) to Lido Legal Entities have?
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- How much would it cost?
- Who can best set it up?
- What can such a set up do, and what can it not do?
- What risk will the board of directors (pending selection and approval by the Lido DAO) to Lido Legal Entities have?
- How complex is it to open up a bank account for such a set up?
- What questions are we not asking that we should be asking? What do we not know about this process that we should know?

The Lido community is seeking feedback, comments, and proposals.

I have also shared a draft of this proposal with Gabriel Shapiro of LeXpunK community, a renowned and highly-respected crypto-native lawyer who has a deep understanding of related matters. While Gabriel is very busy with work related to Delphi Labs and will be unable to provide end-to-end service with this work, he is happy to stay involved at a high-level and make strategic suggestions on the merits of Lido's importance in the ecosystem. He believes it is important for us to get as many smart crypto-legal experts on the case as possible. I welcome legal contributors and will be sourcing talent from the LeXpunK community.