

LIP: TBD

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Preamble/Summary

Amidst intensifying regulatory scrutiny of DeFi, we propose that Lido contribute \$1M in stablecoins from Lido treasury to a new LeXpunK_DAO dedicated to legal advocacy for Lido and other builder-centric DeFi communities. The LeXpunK_DAO will be governed by builders from contributing communities (including Lido) and practicing lawyers from the LeXpunK Army. 5% of the current supply of L3X, the non-transferable reputational token of the LeXpunK Army, would be airdropped to the Lido DAO, to enable direct sentiment polling on relevant legal issues from the Lido community. LeXpunK will effect additional airdrops from time to time, proportionally in line with the relative contributions of other builder communities, with the goal of forming a broad coalition to pool resources for funding shared advocacy goals.

A similar proposal was made yesterday to the Yearn governance ([here](#)) and to the Curve governance ([here](#)). For links and support, please see those proposals. Shortly thereafter, @Lomashuk

and CryptoCobain suggested that we submit this proposal to Lido, another value-aligned DAO and prominent ecosystem builder.

Motivation/Rationale

Growing mainstream awareness of DeFi is coinciding with institutional outrage over the “Wall St. Bets” phenomenon and political change in the United States to brew a perfect storm of aggressive legal threats against DeFi:

- mainstream media calls DeFi a “shadow financial market” and warns that regulatory action is imminent
- new SEC Chair Gary Gensler concludes a recent speech to the American Bar Association Derivatives and Futures Law Committee with a warning that many DeFi platforms may involve securities swaps
- CFTC Commissioner Dan Berkovitz, having googled DeFi, positioned DeFi as being squarely incompatible with the policy of ‘mandatory intermediation’ enshrined in CFTC regulations on leveraged retail commodities transactions and commodities swaps and referenced unfair advantages DeFi has to TradFi due to the lack of regulated intermediaries
- many blue-chip DeFi projects have already been called in front of regulators or are receiving SEC subpoenas and are forming organized political lobbying efforts which may have distinct and zero-sum goals

DeFi is a DAO of DAOs. These DAOs have many shared goals. For instance, we all aim to build, use, and enjoy open financial technologies. However, DAOs also compete with one another and often differ in ethos and strategy.

Existing advocacy orgs like the Blockchain Association, Coin Center, and the Uniswap-funded DeFi Education Fund have mutually overlapping membership and staff which are heavily intertwined with Silicon Valley venture capital funds and traditional crypto businesses like Coinbase. Many of the teams most directly represented by these organizations have pursued dual token/equity strategies, which means they also seek to accrue value to their equityholders through KYC-gated and censorable forks of their protocols which will cater to institutions and ‘fintechs’.

Builder-centric, bottom-up communities like Lido, Yearn, Curve, and SushiSwap have a different cultural ethos and a different story to tell. We are spontaneous, cryptonative communities of builders that have no TradFi backup plan and value openness, lack of hierarchy, and creativity above all else. Thus, we should have our own unique voice in the evolving regulatory landscape, and by doing so we may be able to make or emphasize lines of legal argument that are not as available to other kinds of projects. After all, the former head of the SEC’s CorpFin division views “sufficient decentralization” as the point where traditional regulations end, and there is nothing more decentralized than a community of builders, users and investors that come together with no contracts or rules, no board of directors or stockholders to answer to, yet somehow build remarkable innovations together.

We believe that cryptolaw should be done in the crypto spirit. If DeFi communities want to show regulators, lawyers, and

politicians what is special about DeFi, then Orwellian-named trade associations and non-profits staffed by D.C. insiders are not the best way to go. Instead, we should present ourselves as we are—as DAOs, as token communities, as builder communities. The values underlying these modes of expression are too important to cast aside in the name of expediency when the going gets tough and there are legal threats. On the contrary, the values of openness, transparency, and decentralization are DeFi's greatest defense to traditional regulation and should be front-and-center when regulators and politicians interface with DeFi communities. This is why LeXpunK was created—to bring lawyers and builders together under a shared ethos that is as disruptive to law as it is to finance.

Through a new, community-funded LeXpunK_DAO, we will not merely hire existing lawyers or fund existing traditional advocacy groups—We will bootstrap a new community of lawyers and builders working side-by-side to legitimize and protect shared creative values. This community will become a flywheel unto itself and yield benefits long after these initial donations are spent and far beyond the benefits of the specific projects these donations end up funding.

Specification

Overview

LeXpunK_DAO will mix long-term strategic advocacy campaigns with rapid-response 'guerilla lawfare' raids. LeXpunK_DAO will be structured either as a Moloch DAO, Gnosis multisig, or other DAO implementation; in any case, with balanced representation of LeXpunK Army members and representatives of the contributing DeFi communities. Un-committed contributed funds will be 'ragequittable' at the discretion of each community's representatives.

A. Campaigns

Campaigns are major strategic initiatives, such as:

- a landmark position paper advocating for positive analysis under securities law, commodities law or tax law of liquid staking. Notably, LeXpunK_DAO's @lex_node

contributed the legal portion of a widely disseminated liquid staking report, which was the most comprehensive legal breakdown of liquid staking legal issues to date;

- a legal defense of DeFi developers against regulatory litigation;
- proposed 'safe harbor' legislation legalizing key aspects of DeFi;
- if/when the SEC files a case premised on a novel, expansive view of securities laws that could adversely affect DeFi builders (for example, that all project participants are collectively responsible as an 'unincorporated association'; the LeXpunK_DAO would file an amicus curiae

brief in the litigation

Campaigns will be defined with thorough specifications and funded with pre-announced bounties. Campaign fulfillment will be by teams hand-picked by the Advocacy Fund Multisig. Relevant experts—both lawyers and developers—will be recruited from within the LeXpunK community, other DeFi communities and, if needed, from traditional law firms; these will be our 'MandDAOlorians' working for a piece of the bounty. A 'taskmaster' will be assigned from the most trusted ranks of the LeXpunK Army—typically an experienced attorney—who is not eligible for the bounty, but receives a flat fee to monitor the working group's progress, help remove blockers and make the final determination of when the project has been completed to spec and the bounty is due to be paid. Upon project completion, the team members themselves will decide how the bounty should be allocated, using coordinape. Campaigns will be pre-checked with the LeXpunK community through L3X snapshot polls.

B. Raids

Raids are rapid-response initiatives tailored to respond to current events in realtime. Examples of raids would be:

- a politician like Elizabeth Warren sends an adversarial public letter regarding DeFi to a regulator; the LeXpunK_DAO funds a rapid public response detailing community views about her questions;
- a contributing DeFi protocol suffers from a hack or exploit and the team needs help coordinating with law enforcement or CEXs to help block or recover funds
- builders from a contributing community receive an informal SEC inquiry; the LeXpunK_DAO helps strategize and marshal a legal team to defend the builder

Raids will be funded on an emergency, ad hoc

basis at the discretion of the LeXpunK_DAO.

Conclusion

The time is now. Let's do cryptolaw the crypto way.

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Read up on LeXpunk:

(1) LeXpunk: The New Legal Praxis

(2) Autonomous Lawyering

(3) Rise of LeXpunk Army

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