

[Governance Proposal](#)

(technical implementation [explainer doc](#))

Updated Proposal & [Temperature Check](#)

We've updated the proposal (below) to incorporate the feedback and thoughts we received on the prior version. Thank you to everyone who helped us make this proposal better. Significant changes:

- Token Smart Contract Streaming

: DEF would receive 500k tokens upon passage of this proposal and 500k would be locked up in a streaming contract that would “vest” linearly over 12 months. Governance could vote to stop the streaming of the remaining tokens at any time. We are looking into the best way to implement this idea and will update the forum thread with confirmed details once we have them.

- Community Transparency and Engagement

: The DEF team will host monthly community calls that Uniswap community members can join to hear updates on our work, learn about high priority policy and regulatory developments, and have questions answered. We'll also keep a thread on the Uniswap governance forum up to date with our monthly updates.

GFX has initiated a [temperature check](#) on this updated proposal. Thank you all!

Overview

Since its founding via a timely Uniswap Governance governance proposal in 2021, the [DeFi Education Fund](#) (DEF) has fought to advance and protect the potential of DeFi in the public policy sphere. The threat that misguided policies and overreaching regulators pose to DeFi has never been clearer. This proposal is to provide DEF with one million UNI tokens in two tranches to support them in fulfilling their mission.

See our CLO Amanda Tuminelli [discuss our recent work](#) on Unchained this morning.

DeFi promises to revolutionize how people engage in economic activities. In particular, the openly accessible and decentralized characteristics of DeFi protocols means that anyone with an internet connection and a wallet can participate in the global economy in a way that would not be possible without DeFi. To do so, DeFi upends the structure of traditional financial services and related policy making approaches. That upending has brought with it intense interest, suspicion, and hostility from entrenched interests and regulatory bodies around the world.

DEF has defended DeFi from legislative threats that would require DeFi developers to implement protocol access restrictions or requirements designed for CeFi businesses; regulatory proposals that would mandate centralization if finalized; and in the courts against overzealous regulators. In late March, we sued the SEC over its policy on airdrops and its campaign of regulation by enforcement that is crippling DeFi and crypto development and participation in the United States.

Over the last few years, DeFi's policy challenges have become more real, more imminent, and more numerous. For example, in the U.S. alone, there are at least half a dozen bills actively under consideration in Congress and two rulemakings pending finalization that would effectively prohibit DeFi development. Luckily, public policy education and advocacy has borne—and can continue to bear—fruit for DeFi.

Without doubt, building a public policy environment welcoming of DeFi and decentralized governance will be a long and arduous struggle, but we know that Uniswap Governance shares our commitment to winning that debate—and it is winnable—so that the benefits of DeFi can be felt and enjoyed by as many people as possible, as quickly as possible.

DEF is eager to continue leading the fight on behalf of DeFi. With additional resources, we can build out our team:

1. super charge our impact litigation efforts to reshape the legal landscape to DeFi and DAOs' benefit;
2. expand our outreach to legislators and double down on our educational efforts;
3. more vigorously challenge the regulatory onslaught targeting DeFi; and
4. enhance our ability to engage in state-level debates and jurisdictions outside of the United States.

If DeFi development and DAOs are to have a future in the United States, we need to double down on our advocacy efforts to protect DeFi from the myriad policy risks it faces while proactively laying the foundation for longterm policy solutions favorable to DeFi and DAOs. We stand ready and able to do so with the community's backing and appreciate your consideration.

Rationale

DeFi's policy challenges are immense and interest in DeFi has only grown since the DEF got to work in 2021. Following the collapse of FTX and with the return of the bull market, there is acute interest in DeFi on Capitol Hill and state legislatures, as

well as inside federal and state government agencies. Providing meaningful educational outreach about DAOs and DeFi to lawmakers while also assisting in the legal defense of decentralized organizations is a role not played by anyone else in the US.

At this time, DAOs and DeFi protocols face several potentially catastrophic threats: a live IRS proposal would mandate the creation of intermediaries to conduct tax reporting (i.e., ban on disintermediated systems) and a live SEC rulemaking would define anyone loosely related to a DeFi protocol—including the underlying chain's miners/validators—to be national securities exchanges like the New York Stock Exchange. Moreover, bills written to regulate CeFi often inadvertently capture DeFi protocols and subject them to compliance obligations designed for CeFi businesses.

If DeFi development and DAOs are to have a future in the United States, we need to double down on our advocacy efforts to protect DeFi from these myriad policy risks while laying the foundation for longterm proactive policy solutions favorable to DeFi and DAOs. There is a reason TradFi businesses collectively spend over \$1 billion per year on U.S. lobbying and policy efforts: it works, and we're making it work for DeFi.

DEF focuses specifically on fighting for policy outcomes favorable to decentralized finance developers and users on the ground in Washington, DC. A summary of our past work, which has included defending DAOs in court, as well as providing comment and consultation to regulators to avoid burdensome rules and regulations in the US and around the world, below. This proposal would expand our budget so that we can expand our legislative, regulatory, and legal advocacy and education efforts on behalf of DeFi and DAO developers and users.

If DeFi development and DAOs are to have a future in the United States, we need to double down on our advocacy efforts to protect DeFi from policy risks while proactively laying the foundation for longterm policy solutions favorable to DeFi and DAOs. We stand ready and able to do so with the community's backing, and we appreciate your consideration.

Team, Social, & Contacts

- [Team: Miller Whitehouse-Levine](#), [Amanda Tuminelli](#), [Max Bernstein](#), and [Lizandro Peiper](#)
- Board: [Marc Boiron](#), [Jake Chervinsky](#), and [Rebecca Rettig](#) (all elected by Uniswap Governance in '21)
- [Weekly updates](#) on policy developments and activities
- [12 Month Estimated Budget](#) (current burn)
- Historical financial [information](#) (annual and monthly)
- [X](#)
- Contact - Please reach out to discuss!
- Email: miller@defieducationfund.org
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- Twitter: @fund_defi

Conclusion

The DeFi Education Fund is a nonprofit organization with a demonstrated history of being in the trenches fighting for DAOs and decentralized finance. Whether looking to provide legal assistance when DAOs and their members are targeted, providing educational resources, or fighting for policy changes, the DeFi Education Fund is the only major crypto advocate that focuses solely on decentralized web3.

FAQs

Why are you raising money now if you have about two years of runway at your current burn?

We are seeking Uniswap Governance's further support now for three primary reasons.

First, we need a good sense of our longer term funding in order to expand our efforts and take on the long term projects that our work often requires, which can play out over several years. For example, our legal challenge of the patent covering oracle tech that is being used against DAOs will likely take a total of at least two years from start to finish. Our lawsuit against the SEC will probably last several years. If we did not have a good expectation of being able to operate two years after starting those efforts, we would not have been able to take them on at all. In addition, because we hold tokens long term, we are exposed to crypto market price fluctuations.

Second, unexpected, ad hoc projects that we are well-positioned to take on in defense of DeFi can be extremely expensive. For example, we expect the challenge to the oracle patent to cost nearly \$500,000 over its entire course. A legal challenge to proposed rules that would de facto ban DeFi in the United States would cost well over \$1m. We have no ability to predict with certainty when and if those expenditures will be necessary, and without a sense of our longer term funding situation, we can't take on those types of unexpected, but critical, projects while also expanding our day to day efforts and team.

DeFi needs more dedicated advocates working on its behalf. With a larger budget, we can hire more people.

When and how would you plan on selling this proposal's tokens?

It is important to us that DEF remains aligned with the DeFi community and our supporters over the long term. Upon passage, 500k \$UNI tokens would be transferred to DEF's on-chain Coinbase \$UNI [wallet](#), and 500k would be locked up in a streaming contract that would "vest" linearly over 12 months. Governance could vote to stop the streaming of the remaining tokens at any time.

We will hold half of any tokens we receive for at least 12 months from the date we receive them, and we will pre-disclose all sales plans in writing.

How are you going to keep Uniswap Governance up to date on your activities?

The DEF team will host monthly community calls that Uniswap community members can join to hear updates on our work, learn about high priority policy and regulatory developments, and have questions answered. We'll also keep a thread on the Uniswap governance forum up to date with our monthly updates.

What about the tokens from the 2021 proposal?

We received our initial grant of one million \$UNI tokens from the Uniswap Governance in July 2021 and sold half of the tokens shortly thereafter. In February 2024, we began selling portions of the other half of the tokens according to an 18 month written [sales plan](#). We will sell in July 2025 the last of the UNI tokens we received in July 2021.

Why are you asking us for money and not other DAOs?

We are, and we will definitely continue to "pass around the hat"! We seek Uni governance's continued support as a community that is building for the long term. Uniswap Governance took a massive "leap of faith" in generously funding an organization that did not yet exist to do work that would benefit every DeFi project and DAO. We hope that our track record of work has proven valuable to DeFi projects and users such that Uni governance and other projects' governance will continue to contribute to our work going forward.

ACCOMPLISHMENTS

Legal Advocacy

- SEC v. Kraken - In February 2024, we submitted an [amicus brief](#) explaining the various incorrect and often inconsistent legal positions the SEC employs in its attempts to justify its position that digital asset transactions are securities transactions.
- Van Loon v. Treasury - In November 2023, we filed another [amicus brief](#) related to the Tornado Cash sanctions in the U.S. Court of Appeals for the Fifth Circuit. We argued that the use of privacy-protecting technology is normal and not inherently illicit and that Office of Foreign Asset Control (OFAC) exceeded its statutory authority in issuing sanctions that included purely domestic transactions.
- Harper v. Internal Revenue Service - In October 2023, we filed an [amicus brief](#) in a case involving a challenge to a "John Doe" summons the IRS sent to Coinbase that resulted in the collection of information (including information revealing on-chain wallet addresses) about 14,355 Americans (none of whom were accused of any wrongdoing prior to the summons) over a three-year period. Our brief explained the sweeping Fourth Amendment implications of indiscriminately collecting digital asset transaction information and how doing so is more revealing than in the context of TradFi.
- SEC v. Coinbase - In August 2023, we filed an [amicus brief](#) in the U.S. District Court for the Southern District of New York in support of Coinbase. We explained how wallets and staking actually work and supported Coinbase's arguments that it is not a broker through its wallet software, nor did it offer securities through its staking program.
- Coin Center v. Treasury - In June 2023, we filed an [amicus brief](#) in support of a challenge to OFAC's sanctioning of Tornado Cash smart contracts. plaintiffs' motion for summary judgment ag. In October 2022, Coin Center and several individuals sued Treasury, challenging OFAC's designation of Tornado Cash smart contracts. The plaintiffs argued that doing so exceeded the Treasury's authority, and violated the Administrative Procedure Act (APA) and the First Amendment. Our brief supported arguments that the sanctions were beyond the Treasury Department's statutory authority and violated the Administrative Procedure Act, made the point that Tornado Cash is an important privacy-protection tool, and argued that the sanctions designations made no sense when considering the realities of the technology at issue.

- Van Loon v. Treasury - In April 2023, we submitted our first [brief](#) related to Treasury's sanctioning of Tornado Cash smart contracts. In addition to Treasury's lack of statutory basis for the actions, We argued that the downstream implications of sanctioning a software protocol will lead to not only a weakening of the digital asset industry, but will also seriously jeopardize law-abiding Americans' financial privacy.
- CFTC v. Ooki DAO - In late 2022, the Commodity Futures Trading Commission (CFTC) served Ooki DAO, alleging it is "illegally offering leveraged and margined retail commodity transactions in digital assets" without a Futures Commission Merchant designation or a Bank Secrecy Act (BSA) program. The CFTC served "Ooki DAO" via a help chat box with a contemporaneous notice posted on a website purportedly affiliated with Ooki DAO. We filed a brief in the case explaining: "First, the Commission has named Ooki DAO as a defendant in this action, asserting that Ooki DAO is an "unincorporated association comprised of Ooki Token holders." But nothing about the structure of a DAO inherently dictates that result. In many cases, DAOs lack any central organization or management, and many DAO token holders often lack coordination or common objectives. As a result, DAOs will often not be "associations" of any kind, and therefore will not be proper defendants in an enforcement action brought under the Commodity Exchange Act ("CEA"), which requires that a defendant be a "person" (defined to include "associations"). The Commission has not yet alleged facts sufficient to establish that Ooki DAO is an association, so its attempt to serve Ooki DAO here is premature."
- Combatting crypto patent trolls: In September 2023, we took action to protect DeFi and crypto from invalid patent infringement claims. We filed a [petition](#) with the U.S. Patent and Trademark Office seeking to initiate an inter partes review and cancellation of all claims in a patent owned by True Return Systems LLC. TRS is a patent troll who first tried to sell the patent as an NFT, and when that didn't work, sued both MakerDAO and Compound Protocol in federal court for alleged infringement of [U.S. Patent No. 10,025,797](#). Our petition argued that the technology that TRS purported to patent was not in fact TRS's invention, but was instead very similar to oracle technology that had been in development and use for years prior to the patent.

Regulatory Advocacy

- In January 2024, we [urged](#) the Department of the Treasury to reconsider its proposed rule to classify crypto "mixing" transactions to be a "primary money laundering concern" subject to enhanced reporting requirements. Among the issues we commented on is the proposal's all-encompassing definition of "mixing," which would capture almost all crypto transactions and designate them to be "high risk."
- In January 2024, we submitted [our thoughts](#) on a Consumer Financial Protection Bureau (CFPB) proposed rulemaking that could expand the CFPB's supervisory authority to capture self-hosted wallets. We argued that the rulemaking should not move forward as it would further scramble the Federal government's already-convoluted regulatory treatment of DeFi and crypto-related activities.
- In November 2023, we filed a [comment letter](#) regarding the Treasury Department's proposed "broker" rulemaking. The proposed rule would introduce a brand new category of broker called a "digital asset middleman," a new term that is essentially limitless in scope and creates brokers out of thin air in DeFi and, as we argue, runs contrary to the statute and legislative history. Furthermore, we argued that the proposal violates the Fourth Amendment's prohibition on warrantless searches and seizures of a person's papers and effects because individuals do not voluntarily turn over their personal data to "digital asset middlemen" who themselves neither collect nor have any legitimate business reason to collect that information. For a plain language review of our issues with the rulemaking, read: ["Congress Gets the Runaround From Regulators, Again."](#)
- In October 2023, we [responded](#) to France's Autorité de Marchés Financiers (AMF) concerning their DeFi regulatory discussion paper. Our comment letter addressed many topics including permissionless blockchain protocols, legal enforceability of smart contracts, off-chain elements, etc. Importantly, we addressed the legal liability of smart contract developers, arguing that smart contracts' code is open-source for anyone to audit and make informed decisions. Furthermore, we argued that open-source code is a form of expression as it conveys ideas for societal change and demands protection. We also argued against the AMF's proposal to create a government-run certification regime for smart contracts.
- In September 2023, we [responded](#) to a request for comment from the Senate Finance Committee regarding the taxation of digital assets. In our submission, we recommended Congress: 1) Revise Section 6050I so that it does not "deputize recipients of digital assets to collect and report information about their payers;" 2) Do not tax staking rewards until a sale or other disposition; 3) Do not apply wash sale rules to taxpayers who utilize digital assets as a form of currency; and 4) explicitly extend the application of section 1058's nonrecognition rule to "loans" of actively traded fungible tokens.
- In June 2023, we submitted a [response](#) to a consultation from HM Revenue and Customs, the United Kingdom's tax, payments, and customs authority, regarding "the taxation of DeFi involving the lending and staking of cryptoassets." At a high-level, our submission noted that any changes to the tax regime that concern DeFi must: be flexible to account for future innovation; exhibit clarity and simplicity to promote compliance by minimizing the burden on taxpayers; and align with the underlying economic substance of a typical DeFi transaction.
- In June 2023, we submitted a [response](#) to Banque of France's Autorité de Contrôle Prudentiel et de Résolution (ACPR) regarding their discussion paper: "Decentralised' or 'Disintermediated' Finance: What Regulatory Response?"

Our primary arguments included that ACPR should not directly regulate miners and validators by establishing standards for public blockchains; a policy that would “force centralization” would eliminate the core innovations of public blockchains; and a framework for smart contract certification would require centralization and the inappropriate regulation of speech.

- In June 2023, we filed our [third comment letter](#) on the SEC’s proposed “exchange” rulemaking. Our brief made two primary arguments: first, the proposal improperly reads and misapplies the Exchange Act and exceeds the SEC’s statutory authority and mandate under the Act; and second, the SEC has flatly failed to comply with numerous procedural and statutory rulemaking requirements.
- In August 2022, the DEF filed a [response](#) to the U.S. Treasury Department’s request for comment on innovation in digital assets. In our response, we explained how DeFi protocols have the potential to benefit consumers, investors, and businesses in the United States and around the world by creating accessible financial infrastructure usable by any individual with an internet connection.
- In June 2022, we [responded](#) to Abu Dhabi’s DeFi consultation, in which we expressed our view that decentralization and disintermediation serve important societal objectives and that forcing the reintroduction of intermediation via legal obligations is a misguided approach to DeFi that would undermine its core potential and innovation.
- In June 2022, In our second [letter](#) on the SEC’s exchange rulemaking, we argued that the proposed rule represents an improperly static regulatory response to a dynamic innovation and therefore needs to be reconsidered in total.
- In May 2022, we [commented](#) on the SEC’s “dealer” rulemaking, which could not only subject large DeFi market participants to the threat of arbitrary SEC enforcement actions but also, potentially, capture liquidity pools themselves as so-called “dealers” under the securities laws. But how would it do so? In what way? The SEC did not say when it proposed the rule nor when it later finalized the rule in early 2024, which we expect to see challenged in court. .
- In April 2022, we submitted the [first](#) of three comment letters on the SEC’s “exchange” rulemaking, which would de facto ban DeFi protocols in the United States. We argued that the Proposal’s expanded definition of an “exchange” is so broad that it could be interpreted to cover DeFi market participants, yet the rule didn’t specify which or why—it didn’t even mention “crypto,” “DeFi,” or “digital assets” once. In January 2023 in response to these concerns, the SEC released 167 pages of additional information explaining that the proposal does apply to DeFi and crypto, which we also responded to.
- In April 2022, we submitted a [comment letter](#) to the Organization for Economic Co-operation and Development (OECD) on its proposed [framework](#) for tax reporting in the digital asset ecosystem. Broadly, when it comes to DeFi, the proposal fits squarely in the “how do we apply existing regulations and tactics to innovative systems” camp. This concept would force the creation of intermediaries where they do not exist for tax reporting purposes, a concept that the Treasury Department is now attempting to enshrine in the United States (see November 2023 comment letter on the IRS’s proposed “broker” rulemaking).

Legislative Advocacy

The past year has yielded some fruit in the industry’s push for crypto-specific legislation, but legislation is still a few years out, in our view. In July, The House Agriculture Committee and the House Financial Services Committee (HFSC) voted, with bipartisan support, to advance the [Financial Innovation Technology for the 21st Century Act](#), a bill that would create a regulatory framework for crypto in the U.S. That same month, the HFSC advanced a bill to establish a [federal regulatory regime](#) for stablecoins.

More recently, the House Committee on Energy and Commerce passed the [Deploying American Blockchains Act](#) (by a 46-0 margin), which would direct the chief of the Department of Commerce “to promote the competitiveness of the United States related to the deployment, use, application, and competitiveness of blockchain technology or other distributed ledger technology.” While these bills are not perfect, we’re pleased that Congress has taken a serious approach to these matters.

There’s another factor that gives us hope for the long-term chances of good legislation passing both chambers. And that is the willingness of Congressional offices and policymakers to engage with DEF and learn about the foundational aspects of the technology. We do “DeFi Demos” on Capitol Hill and advocate for policies welcoming of DeFi and DAOs. We explain why we believe in DeFi and why government officials and elected representatives should be just as curious as we are as to how this technology can improve the lives of their constituents. Away from sensational media headlines and televised hearings, one can see that a better, more open future for DeFi is developing.

Specifically, we’ve provided a perspective from DeFi’s corner on the following federal legislation:

- H.R. 1122, CBDC Anti-Surveillance State Act
- H.R. 1177/S. 427, Financial Freedom Act of 2023
- H.R. 1414. Keep Innovation in America Act
- H.R. 1747: Blockchain Regulatory Certainty Act

- H.R. 2670, National Defense Authorization Act for Fiscal Year 2024, including provisions related to Amendment 44
- H.R. 2743/S. 293, Fair Access to Banking Act
- H.R. 2891/S. 1323, Secure and Fair Enforcement (SAFE) Banking Act of 2023
- H.R. 2969/S. 1340, Financial technology Protection Act of 2023
- H.R. 3572, Securities Clarity Act
- H.R. 4664, Making appropriations for financial services and general government for the fiscal year ending September 30, 2024, and for other purposes
- H.R. 4763, Financial Innovation and Technology for the 21st Century Act
- H.R. 4766, Clarity for Payment Stablecoins Act of 2023
- H.R. 4841, Keep Your Coins Act of 2023
- H.R. 5403, CBDC Anti-Surveillance State Act
- H.R. 5741, Uniform Treatment of Custodial Assets Act
- H.R. 6307, Creating Legal Accountability for Rogue Innovators and Technology (CLARITY) Act of 2023
- H.R. 6322, End Financing for Hamas and State Sponsors of Terrorism Act
- H.R. 6572, Deploying American Blockchains Act of 2023
- S. 661, Crypto-Asset Environmental Transparency Act of 2023
- S. 695, A bill to repeal the provisions of the Infrastructure Investment and Jobs Act that impose new information reporting requirements with respect to digital asset transfers
- S. 1357, Responsible Digital Asset Advertising Act of 2023
- S. 2226, National Defense Authorization Act for Fiscal Year 2024, including provisions related to Senate Amendment 326 and Senate Amendment 1087 to Senate Amendment 935
- S. 2281, Lummis-Gillibrand Responsible Financial Innovation Act
- S. 2355, Crypto-Asset National Security Enhancement and Enforcement Act of 2023
- S. 2597, Digital Consumer Protection Commission Act of 2023
- S. 2669, Digital Asset Anti-Money Laundering Act of 2023
- S. 3087, Proving Reserves Of Others Funds (PROOF) Act
- S. 3441, Terrorist Financing Prevention Act of 2023

[media work continued in next post...]