

# **Automated BBLLC Formation in Vermont: An Architectural Blueprint for Legal, Financial, and On-Chain Integration**

## **Executive Summary**

This report provides a comprehensive architectural plan for a system designed to automate the formation and initial operationalization of Vermont Blockchain-Based Limited Liability Companies (BBLLCs). The analysis details an end-to-end process, beginning with the initial user request and culminating in a legally robust, operationally ready entity capable of interacting with both on-chain protocols and the traditional financial system.

The central challenge addressed is the inherent friction between the decentralized, often anonymous, ethos of blockchain-based organizations and the stringent regulatory requirements of the global financial system. While the legal formation of a BBLLC in Vermont is a relatively straightforward automatable process, the post-formation integration with banking partners presents a significant bottleneck. This is primarily due to the rigorous Know Your Business (KYB) and Ultimate Beneficial Ownership (UBO) regulations that are fundamentally at odds with the fluid, token-based membership structures of many decentralized autonomous organizations (DAOs).

The proposed solution is a multi-phased, automated workflow orchestrated by a sophisticated registered agent platform. This platform must transcend the role of a simple filing service to become a comprehensive compliance-as-a-service provider. It must securely manage sensitive information, dynamically generate legally-sound governance documents, and strategically structure the BBLLC to be "bankable." The system's success is not measured by the quantity of entities formed, but by the percentage of those entities that successfully secure banking relationships, thereby bridging the critical gap between the digital asset economy and the world of fiat currency.

Key findings indicate that Vermont's specific legislative framework, while prescriptive, offers a superior level of legal certainty for DAOs seeking long-term viability. The architectural blueprint detailed herein leverages this framework to create a tripartite anchor between the state's legal records, the BBLLC's legally mandated operating agreement, and an immutable on-chain registration message. By navigating the complexities of legal formation, federal identification, on-chain governance codification, and financial compliance, this report outlines a resilient and scalable system for launching the next generation of legally compliant decentralized organizations.

## **Section 1: The Vermont BBLLC: A Premier Legal Wrapper for Decentralized Organizations**

The selection of a legal jurisdiction and corporate structure is a foundational strategic decision for any decentralized organization aiming to interact with the off-chain world. The Vermont Blockchain-Based Limited Liability Company (BBLLC) represents a sophisticated choice, offering a robust legal framework designed to mitigate the inherent risks associated with the legally ambiguous nature of most Decentralized Autonomous Organizations (DAOs). This section analyzes the unique advantages of Vermont's legislation, positioning the BBLLC as a strategic tool for achieving legal personality and operational legitimacy.

### **1.1. Analysis of Vermont's Pioneering Blockchain Legislation (S.B. 269)**

On May 30, 2018, the state of Vermont enacted Senate Bill 269, "An Act Related to Blockchain Business Development," which became effective on July 1, 2018.<sup>1</sup> This legislation was a deliberate strategic move to stimulate economic development by creating a favorable and predictable legal environment for blockchain-centric companies.<sup>1</sup> The state's intent was to attract innovative technology businesses, mirroring its past success in establishing niche industries like captive insurance.<sup>4</sup> The law's core provision authorizes the creation of BBLLCs, a special class of limited liability company designed for entities that utilize blockchain technology for a

"material portion of its business activities".<sup>5</sup>

What distinguishes Vermont's approach is the explicit statutory recognition of on-chain governance mechanisms. The law permits a BBLLC to customize its governance structure, in whole or in part, through blockchain technology.<sup>2</sup> This includes the legal sanctioning of smart contracts to administer voting procedures and the use of "any reasonable algorithm" to validate records and operational processes.<sup>1</sup> This provision effectively creates a legal "safe harbor" for the types of automated, code-driven governance that define DAOs, translating what might otherwise be considered informal community consensus into legally cognizable corporate actions.

Furthermore, the legislation demonstrated a broader foresight into the digital economy by also establishing a framework for Personal Information Protection Companies (PIPCs). These are entities organized for the primary purpose of providing personal information protection services, establishing a fiduciary duty to consumers in that context.<sup>2</sup> While distinct from a BBLLC, the creation of PIPCs signals a deep legislative engagement with issues of data security and privacy, creating a potentially complementary ecosystem for blockchain-based businesses operating in the state.

## **1.2. The BBLLC as a Solution to DAO Legal Ambiguity**

DAOs, in their "native" state, exist in a perilous legal gray area. Without a recognized legal structure, courts may classify them as general partnerships, a default status for unincorporated associations of individuals working toward a common goal.<sup>7</sup> This classification carries devastating consequences for members, exposing them to unlimited joint and several liability for the organization's debts and legal obligations.<sup>9</sup>

The 2022 case brought by the U.S. Commodity Futures Trading Commission (CFTC) against the Ooki DAO serves as a stark precedent. The court determined that the DAO was an unincorporated association and, in a novel move, permitted service of process to be executed by posting the summons in the DAO's online discussion forum and help chat box.<sup>7</sup> This case highlights the vulnerability of members in wrapper-less DAOs, who can be held liable without the traditional protections afforded to corporate shareholders or LLC members.

The Vermont BBLLC provides a direct and robust solution to this ambiguity by offering a "legal wrapper" or "legal personality".<sup>11</sup> By forming as a BBLLC, the DAO becomes a

distinct legal entity, capable of entering into contracts, owning assets (including intellectual property, domain names, and real-world property), and, most critically, shielding its members from personal liability for the organization's actions.<sup>8</sup> This legal recognition is indispensable for interacting with the traditional, off-chain economy. Activities such as opening a bank account, hiring employees, leasing office space, or engaging with third-party service providers are often impossible for an entity without a formal legal identity.<sup>12</sup>

### **1.3. Comparative Analysis: Why Vermont Over Other DAO-Friendly Jurisdictions**

Several U.S. states have recognized the need for DAO-specific legislation, including Wyoming with its "DAO LLC" and Utah with its "Limited Liability Decentralized Autonomous Organization (LLD)".<sup>7</sup> Tennessee has also passed legislation providing limited liability protection for decentralized organizations.<sup>11</sup> However, Vermont's framework offers unique characteristics that make it particularly suitable for projects prioritizing legal robustness.

The primary distinction lies in Vermont's prescriptive requirements for the BBLLC's operating agreement. While other states may allow for more flexibility, Vermont law (11 V.S.A. § 4173) mandates that the operating agreement for a BBLLC must contain specific provisions detailing the on-chain governance mechanics.<sup>2</sup> This includes a summary of the mission, specifications on blockchain protocols and permissions, detailed voting procedures, and security breach response plans.<sup>3</sup> This requirement forces a DAO to translate its often-amorphous governance processes into a clear, legally binding document.

This mandatory codification, while representing an initial operational burden, provides unparalleled legal certainty. In the event of a dispute, a court has a tangible, state-sanctioned charter to interpret, rather than facing the daunting task of deciphering complex smart contract code and evolving off-chain community norms. Furthermore, having been enacted in 2018, Vermont's law has a longer track record than more recent legislation, offering a greater degree of predictability for businesses building on its foundation.<sup>1</sup> The choice to form a BBLLC in Vermont is therefore a strategic one, favoring long-term legal resilience and clarity over the potential for greater operational flexibility or anonymity offered by other jurisdictions. An automated platform targeting Vermont BBLLCs is thus catering to a more mature, compliance-focused segment of the DAO market that values legal durability as a core

feature.

## Section 2: Phase I - Automated Legal Formation: Process and Information Flows

The initial phase of the automated workflow focuses on the creation of the legal entity itself. This involves a series of orchestrated interactions with the Vermont Secretary of State (SOS), transforming a user's request into a legally recognized BBLLC. The automation platform's role extends beyond mere filing; it must act as a secure data management system and a privacy shield for the initiators.

### 2.1. Initiation via Registered Agent (RA) Platform

The entire process is triggered when an initiator, such as a founder or core contributor, submits a formation request to the automated Registered Agent (RA) platform.<sup>16</sup> The RA serves as the legal point of contact for the business within the state, responsible for receiving official government communications and service of process.<sup>16</sup>

The platform's API or web-based front-end must be designed to capture the necessary initial data points to begin the formation process. This information flow constitutes the primary input for the system:

- **Proposed BBLLC Name:** The desired name for the entity. This name must conform to Vermont's requirements, which mandate the inclusion of a limited liability company identifier such as "LLC," "L.L.C.," "Limited Company," or "L.C.".<sup>20</sup>
- **Organizer Details:** The name and address of at least one "Organizer." The LLC Organizer is the individual or entity that signs and submits the Articles of Organization.<sup>22</sup> A key feature of a sophisticated RA platform is its ability to serve as the Organizer, which shields the initiator's personal information from appearing on the public filing document, a valuable privacy feature for many in the blockchain community.
- **Principal Office Address:** The designated principal office address for the newly formed LLC.

- **User Account Information:** Contact and billing information for the initiator to facilitate communication and payment for the service.

## 2.2. Pre-Filing Checks (Automated)

To minimize the risk of rejection by the SOS and to ensure a smooth, automated workflow, the platform must perform several pre-filing checks.

The most critical of these is the **Name Availability Search**. The platform must be architected to programmatically query the Vermont SOS Business Entity Search database to verify that the proposed name is not already in use or in conflict with an existing entity.<sup>20</sup> This search should be comprehensive, testing the name against the "Starts With," "Exact Match," and "Contains" parameters available through the state's search tools to provide the highest degree of confidence.<sup>24</sup> The information flow for this check is a direct query from the RA platform to the VT SOS database (via API or a well-maintained scraper), with the search results returned to the platform to provide immediate feedback to the user.<sup>24</sup>

As an optional service, the platform can also offer to file a **Name Reservation**. For a fee of \$20, this reserves the chosen name for a period of 120 days.<sup>23</sup> However, given that Vermont's online filing system provides approval within one business day, this step is often unnecessary and should be presented as an optional add-on rather than a required part of the primary workflow.<sup>22</sup>

## 2.3. Automated Preparation of Articles of Organization (Form LLC-1(D))

Once the name is validated, the platform dynamically populates the Vermont Articles of Organization. The state of Vermont prefers and incentivizes online filing through its Online Business Service Center, as it offers a significantly faster approval time (typically 1 business day) compared to mail-in filings (5-7 business days plus mail time).<sup>22</sup> The automation platform must therefore be built to interact with this online portal.

The key data fields on the Articles of Organization that must be populated by the

automation system include:

- **Article 1: Business Name:** The validated name from the pre-filing check.
- **Return Acknowledgement Address:** The address where the SOS will send the filed documents. This will typically be the RA's own address.
- **Registered Agent Information:** The platform will populate its own details as the designated RA. The RA must have a physical street address in Vermont; P.O. boxes are not permitted.<sup>17</sup>
- **BLLC Election:** This is a critical step. The form or online portal will have a specific checkbox or selection field to elect status as a Blockchain-Based Limited Liability Company. This selection is the legal trigger that subjects the entity to the special provisions of the BLLC statute.<sup>1</sup> The automation must ensure this election is made correctly.
- **Organizer Signature:** The system will use the information of the designated Organizer (either the RA or the initiator) to provide the necessary affirmation or digital signature required by the filing process.<sup>22</sup>

## 2.4. Filing, Confirmation, and Data Extraction

The platform executes the final step of legal formation by submitting the prepared data through the Vermont SOS's online portal.<sup>22</sup> This requires the platform to maintain and manage a programmatic user account with the state's Business Service Center. It is critical to note that the Vermont SOS has announced a system upgrade for December 2024, which will require all users to create new accounts. The automation platform's architecture must be flexible enough to accommodate such system changes without service interruption.<sup>26</sup>

The platform will also handle the payment of the state filing fee, which has been cited as both \$125 and \$155 in various sources; the system must be designed to query and apply the current, correct fee.<sup>20</sup>

Upon successful submission and payment, the platform will receive a confirmation and, most importantly, the officially filed Articles of Organization, typically as a PDF document. The information flow at this stage is from the RA platform to the SOS portal and payment gateway, and then back to the platform with the official confirmation and document.<sup>22</sup>

The process is not complete upon receipt of this document. The platform must be

capable of parsing this returned PDF to extract and store two critical pieces of metadata: the official **SOS File Number** and the **Date of Formation**. These identifiers are foundational credentials for the entity and will be required for all subsequent phases of the automation, including applying for a federal tax ID and opening a bank account. The platform must function as a secure system of record, creating a digital vault for each client entity to store these official documents and key identifiers, which will be programmatically accessed for future API calls and document assembly.

## **Section 3: Phase II - Federal and State Onboarding**

Following the successful legal formation of the BLLC with the Vermont Secretary of State, the automated process immediately transitions to the critical phase of federal and state onboarding. This phase establishes the entity's identity for tax purposes, a non-negotiable prerequisite for conducting business, hiring employees, and, most importantly, accessing the financial system.

### **3.1. Automated Application for Federal Employer Identification Number (EIN)**

The acquisition of a Federal Employer Identification Number (EIN) from the Internal Revenue Service (IRS) is the first and most crucial post-formation step. The process is triggered automatically within the platform as soon as the confirmed, filed Articles of Organization are received from the Vermont SOS. The IRS explicitly advises that an organization should be legally formed *before* applying for an EIN, making this sequencing mandatory.<sup>27</sup>

The most efficient method for obtaining an EIN is through the IRS's online application portal, which provides the number immediately upon successful validation.<sup>28</sup> This is a significant advantage over mail or fax applications, which can take weeks.<sup>29</sup> The automation platform must be programmed to interact with this online service, keeping in mind that it operates during specific hours (Monday through Friday, 7 a.m. to 10 p.m. Eastern Time).<sup>28</sup>

The information flow for this step involves the platform populating the online version



of Form SS-4 using the data it has already collected and stored:

- **LLC Legal Name:** Pulled directly from the filed Articles of Organization.
- **Principal Address:** From the initial user input.
- **Responsible Party Information:** This is the most sensitive and critical data point in this phase. The IRS requires the disclosure of a "responsible party," defined as the individual (i.e., a natural person) who ultimately owns or controls the entity and the disposition of its funds.<sup>30</sup> This individual's full name and valid Taxpayer Identification Number (either a Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN)) must be provided.<sup>29</sup>

This requirement presents a significant challenge, as it directly collides with the preference for pseudonymity or anonymity common in the crypto and DAO communities. The automation platform cannot circumvent this federal mandate. Therefore, its design must prioritize building user trust. The platform's user interface must clearly explain *why* this information is non-negotiable for achieving the user's stated goal of creating an operational U.S. entity with banking capabilities. It must also employ robust security measures, such as end-to-end encryption, for the collection, transmission, and temporary storage of this Personally Identifiable Information (PII), and have clear policies regarding its eventual destruction. This step transforms the platform from a simple filing tool into a trusted partner guiding users through complex compliance requirements.

Upon successful submission, the IRS portal will issue an EIN Confirmation Letter (CP 575). The platform's workflow must capture this document (typically a PDF or HTML page), parse the nine-digit EIN, and store both the number and the official letter securely in the entity's digital vault.<sup>29</sup>

### 3.2. Vermont Department of Taxes Registration

With the legal entity formed and the federal EIN secured, the next step is to register the BBLLC with the Vermont Department of Taxes. While not all businesses are required to pre-register for every tax type, establishing a business tax account is a crucial step for maintaining good standing and ensuring state-level compliance.<sup>31</sup> For a typical BBLLC that will generate revenue, registration for Corporate Income Tax or Business Income Tax is the primary requirement.<sup>31</sup>

This registration can be accomplished through Vermont's secure online portal,

myVTax.<sup>31</sup> The automation platform can be programmed to complete the "Sign Up" process on this portal on behalf of the new BBLLC. The information flow for this step requires the legal name, principal address, and the newly obtained federal EIN.

Completing this state-level tax registration is not merely a formality. It is a prerequisite for being able to request a Certificate of Good Standing from the state in the future.<sup>23</sup> This certificate is a standard document required by many banks and financial institutions during their own due diligence and account opening processes, making this step a critical enabler for the subsequent financial integration phase.

## **Section 4: Phase III - The Nexus: Codifying Governance in the BBLLC Operating Agreement**

This phase represents the most distinctive and strategically important part of forming a Vermont BBLLC. The Operating Agreement is elevated from a standard internal document to a legally mandated charter that forges a durable link between the off-chain legal entity and its on-chain operational reality. The automation platform's role here is not to provide a simple template, but to function as a sophisticated "Constitution Builder" for the decentralized organization.

### **4.1. The Legally Mandated BBLLC Operating Agreement (11 V.S.A. § 4173)**

For a standard LLC in Vermont, an operating agreement is highly recommended as a best practice to govern internal affairs, but it is not legally required.<sup>23</sup> For a BBLLC, this is not the case. Vermont statute 11 V.S.A. § 4173 makes the operating agreement mandatory and specifies that it must contain several technology-focused provisions that define the entity's unique blockchain-based governance.<sup>2</sup>

This legal requirement means that a generic, boilerplate operating agreement template is wholly insufficient and would fail to meet the statutory standard. The automation platform must provide a dynamic, configurable system that guides the user through defining their specific governance model and codifying it in legally sound language that satisfies the explicit requirements of the law.

## 4.2. Translating On-Chain Concepts into Legal Clauses

The platform must be architected to collect specific on-chain details from the user and translate them into the mandatory clauses required by 11 V.S.A. § 4173.<sup>15</sup> The user's query notes that the smart contracts and tokens are created independently but are necessary for operation, meaning the platform's primary function is to link these pre-existing on-chain assets to the new legal entity.

The "Constitution Builder" feature must guide the user through defining the following mandatory sections of the Operating Agreement:

- **(A) Summary of Mission and Purpose:** A clear text field where the user can articulate the project's overarching mission.
- **(B) Blockchain Protocols and Permissions:** This section requires specific, configurable inputs about the technical architecture of the DAO:
  - **Ledger Type:** A selection between "fully decentralized" or "partially decentralized."
  - **Access Level:** A selection between "fully public" or "partially public or private."
  - **Participant Permissions:** A clear definition of the extent of a participant's ability to access information and their "read and write" permissions on the ledger.
- **(C) Smart Contract Voting Procedures:** This is a critical nexus. The user must provide the specific blockchain addresses of the smart contracts that govern the DAO's decision-making processes. The Operating Agreement must then legally reference these addresses and describe the procedures for proposals, voting, and execution related to software upgrades, protocol modifications, and other governance matters.
- **(D) Security Breach Protocols:** A section where the user defines the organization's agreed-upon response to system security breaches, hacks, or other unauthorized actions that could affect the integrity of the blockchain. This clause is a vital tool for risk management.
- **(E) Membership Definition:** A clause that explicitly defines how a person becomes a member of the BLLC. For a DAO, this will typically state that membership interest (which can be denominated as units, shares, or other interests) is conferred by and tied to the ownership of a specific governance token. The user must provide the contract address of this token.

- **(F) Participant Rights and Obligations:** A clause that specifies the rights and obligations of different groups of participants, clarifying which participants are entitled to the rights of "members" and, if applicable, which are designated as "managers."

#### 4.3. The On-Chain Registration Message: Creating an Immutable Link

While not explicitly mandated by the Vermont statute, a final step is proposed as an essential best practice to ensure the operational integrity and legal defensibility of the BBLLC: the creation of an on-chain registration message. This step creates a permanent, publicly verifiable, and immutable link between the legal entity and its on-chain components.

After the Operating Agreement is finalized, the platform should calculate a cryptographic hash of the document (e.g., using SHA-256). It then facilitates the broadcast of a transaction from a wallet controlled by the BBLLC (or its designated managers) onto its native blockchain. This transaction would contain a structured data payload, effectively notarizing the link between the off-chain and on-chain worlds.

A proposed data structure for this on-chain message would include:

- **legalEntityName:** The official name of the BBLLC (e.g., "ExampleDAO BBLLC").
- **jurisdiction:** "Vermont, USA".
- **sosFileNumber:** The unique file number assigned by the Vermont SOS during Phase I.
- **einHash:** A salted hash of the entity's EIN, allowing for private verification without publicly exposing the number.
- **operatingAgreementHash:** The SHA-256 hash of the finalized Operating Agreement document.
- **governanceContractAddress:** The primary address for the DAO's voting smart contract.
- **tokenContractAddress:** The address of the project's governance token.

This on-chain message solves a critical evidentiary challenge. In any future dispute, a party might claim the Operating Agreement was altered or that a different version was in effect. By pointing to this immutable on-chain record, the BBLLC can definitively prove which version of its "constitution" was adopted and when. This creates a powerful "tri-partite anchor": the State of Vermont holds the official Articles of

Organization, the BBLLC's internal records hold the full-text Operating Agreement, and the public blockchain holds a tamper-proof pointer to that agreement, solidifying the entity's legal and operational foundation.

## **Section 5: Phase IV - Financial Integration: Navigating Banking and KYB/UBO Compliance**

This phase addresses what is arguably the most significant hurdle in the entire automated workflow: connecting the newly formed, blockchain-native BBLLC to the traditional fiat banking system. Success in this phase is not guaranteed and depends on the BBLLC's ability to navigate a complex and often skeptical financial and regulatory landscape. The automation platform's role here shifts from procedural execution to strategic preparation and documentation packaging.

### **5.1. The Challenge: Why Traditional Banks Are Hesitant**

Financial institutions generally perceive the cryptocurrency sector as high-risk. This perception is driven by several factors, including the price volatility of digital assets, evolving regulatory landscapes, and persistent concerns about the use of cryptocurrencies for money laundering (ML) and the financing of terrorism (TF).<sup>9</sup>

This cautious stance is reinforced by global regulatory frameworks, most notably the standards set by the Financial Action Task Force (FATF). The FATF requires member countries to ensure that Virtual Asset Service Providers (VASPs) and related entities are subject to robust Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) regulations, including licensing, supervision, and stringent customer due diligence.<sup>37</sup> Banks, as heavily regulated entities, are on the front lines of implementing these standards and are therefore extremely wary of onboarding clients that could expose them to regulatory penalties.<sup>39</sup> A BBLLC, by its very nature, falls squarely into this high-risk category.

## 5.2. Identifying and Vetting Crypto-Friendly Financial Partners

Despite the challenges, a growing ecosystem of financial institutions is willing to serve crypto-native businesses. The automation platform must guide the BBLLC toward the most suitable partners. The landscape can be broadly categorized:

- **Digital/Fintech Banks:** Platforms like **Mercury**, **Juno**, and **Revolut** are often more agile and technologically adept, making them popular choices for startups.<sup>41</sup> They provide modern banking interfaces and API access but may have limitations on the types of crypto activities they support and are subject to the compliance requirements of their partner banks.<sup>43</sup>
- **Crypto-Specialized Banks:** Institutions like **Bank Frick** (Liechtenstein), **AMINA Bank** (formerly SEBA, Switzerland), and **Anchorage Digital Bank** (the only federally chartered crypto bank in the U.S.) offer deep expertise and services tailored to the digital asset industry, including custody and trading.<sup>41</sup> However, they often cater to institutional clients and may have high minimum deposit requirements or more intensive due diligence processes.<sup>46</sup>
- **Traditional Banks with Crypto Divisions:** Major players like **JPMorgan Chase** (with its Onyx division) are building blockchain-based solutions, but their services are typically aimed at large institutional clients and may not be accessible to a startup BBLLC.<sup>42</sup> Other banks like **Ally Bank** may not offer direct crypto services but are "crypto-friendly" in that they permit customers to link their accounts to compliant external exchanges.<sup>44</sup>

The entire automated formation process must be understood as a "compliance funnel." Its primary purpose is to produce an entity that is not just legally formed but is ultimately "bankable." The platform's value and success rate are therefore measured not by the number of LLCs it creates, but by the percentage of those entities that successfully open and maintain a business bank account. This perspective reframes the platform's core function from that of a simple legal-tech tool to a sophisticated compliance-tech engine designed to bridge the gap between decentralization and regulated finance.

## 5.3. The KYB Gauntlet: Information and Documentation Requirements

To have any chance of opening an account, the BBLLC must be prepared to undergo a

rigorous Know Your Business (KYB) process. This is a non-negotiable due diligence procedure mandated by regulations like the Bank Secrecy Act (BSA) and FinCEN's Customer Due Diligence (CDD) Final Rule.<sup>35</sup> The automation platform's critical function in this phase is to assemble a comprehensive "KYB Package" for submission to the chosen financial institution.

The information flow is entirely from the BBLLC to the bank and must include:

1. **Business Verification Documents:** The platform will programmatically gather the documents it has already secured and generated: the filed **Articles of Organization**, the **EIN Confirmation Letter**, the detailed **BBLLC Operating Agreement**, and potentially a **Certificate of Good Standing**.<sup>35</sup> The BBLLC's public-facing website and/or whitepaper will also be required.
2. **Ultimate Beneficial Owner (UBO) Identification:** This is the most challenging requirement for a DAO-like structure. Financial regulations require banks to identify and verify the identity of any "**natural person**" who either (a) directly or indirectly owns 25% or more of the company's equity interests, or (b) exercises "substantial control" over the company (e.g., senior managers).<sup>48</sup> For a DAO with thousands of anonymous token holders, identifying a 25% owner may be impossible. Therefore, the "substantial control" prong becomes the only viable path for compliance.
3. **AML/CFT Screening:** The bank will conduct its own screening of the business entity, its identified UBOs, and any listed managers against a battery of global watchlists, including sanctions lists (e.g., OFAC), Politically Exposed Person (PEP) databases, and adverse media sources.<sup>36</sup> The KYB package must provide the full legal names, dates of birth, and addresses of the identified UBOs to facilitate this screening.

The platform cannot simply hand off the newly formed BBLLC to the user at this stage. Doing so would lead to a high rate of failure and customer dissatisfaction. The platform must proactively address the UBO challenge as a core part of its service offering, providing the legal structuring and documentation packaging necessary to pass a bank's compliance review. This may involve guiding the user through the appointment of specific, named managers who can be designated as the UBOs under the "substantial control" definition, a strategy that must be reflected in the Operating Agreement itself.

#### 5.4. Table: Comparative Analysis of Crypto-Friendly Banking Solutions for BBLLCs

To assist the user in making an informed decision, the following table synthesizes research on potential financial partners, comparing them across dimensions critical to a newly formed BBLLC. This provides a decision-making framework that translates abstract research into an actionable tool, helping users select the right partner based on their specific needs, risk tolerance, and governance structure.

Financial Institution	Type	Services Offered	Target Client	Anticipated KYB/UBO Intensity	Notes on DAO-Friendliness
<b>Mercury</b> <sup>43</sup>	Fintech Platform (via partner banks)	Business Checking, Debit/Credit Cards, Treasury Management, API Access	Startups, Tech Companies	Medium	High. Well-regarded in the startup community. While crypto-friendly, they will still require clear identification of individuals with substantial control (managers) as UBOs.
<b>Anchorage Digital Bank, NA</b> <sup>45</sup>	Federally Chartered Crypto Bank	Qualified Custody, Trading, Staking, Governance, Settlement	Institutional Investors, VC Firms, Corporations	Very High	Medium. Understands digital assets deeply but is built for institutional-grade compliance. May be inaccessible to a new BBLLC without significant



					backing. UBO requirements will be stringent.
<b>Bank Frick</b> <sup>41</sup>	European Private Bank (Liechtenstein)	Business Accounts, Crypto Trading & Custody, Staking	Professional Market Participants, Blockchain Companies	High	High. One of the first banks to embrace blockchain. Understands the business model but operates under European regulations, requiring rigorous KYB and UBO disclosure.
<b>AMINA Bank (SEBA)</b> <sup>41</sup>	Swiss Regulated Crypto Bank	Integrated Fiat/Crypto Accounts, Trading, Staking, Tokenization	Global, Institutional & Corporate	Very High	High. Fully regulated Swiss bank offering a comprehensive suite of services. Will require a very detailed KYB process and clear UBO identification in line with Swiss AML laws.
<b>Juno</b> <sup>41</sup>	Digital Banking Platform	Fiat & Crypto Accounts, Staking, Debit Card	Individuals, Businesses	Medium	Medium. Offers integrated crypto features, but its business account

					services and KYB process for a complex entity like a BBLLC are less established than Mercury's.
<b>Ally Bank</b> <sup>42</sup>	U.S. Online Bank	Traditional Banking, Investment Services (indirect crypto)	General Retail & Business	Low-Medium	Low. "Crypto-friendly" in that it doesn't block transactions with major exchanges. Unlikely to have the specialized knowledge to underwrite a BBLLC directly. UBO rules would follow standard U.S. banking practice.

## Section 6: Strategic Recommendations for a Resilient Automated System

To ensure the long-term success and viability of the automated BBLLC formation platform, it must be architected not only for procedural efficiency but also for regulatory resilience. This requires proactive strategies to navigate the most significant compliance hurdles, particularly the UBO dilemma, and a system design that is both secure and adaptable.

## 6.1. Navigating FATF Guidance: Ensuring the Platform Is Not a VASP

A primary strategic imperative for the platform is to avoid being classified as a Virtual Asset Service Provider (VASP). The FATF defines a VASP based on its function, specifically whether an entity conducts certain activities—such as exchange, transfer, or custody of virtual assets—as a business on behalf of its customers.<sup>37</sup> If the platform were deemed a VASP, it would be subject to the full suite of AML/CFT regulations, including the Travel Rule, which would be operationally crippling.<sup>38</sup>

Therefore, the system's architecture and service offerings must be carefully circumscribed. The platform should operate exclusively as a **legal and corporate service provider**. Its functions should be limited to:

- Acting as a Registered Agent.
- Preparing and filing corporate documents with the state.
- Assisting with federal and state tax registration.
- Providing templates and tools for creating legal documents like the Operating Agreement.
- Securely storing and managing client documents.

The platform must explicitly **not** engage in activities such as:

- Taking custody of user funds or digital assets.
- Facilitating token swaps or exchanges.
- Acting as a money transmitter.
- Providing a hosted wallet service.

By maintaining this clear boundary, the platform remains in the category of a technology-enabled legal service, not a financial institution or VASP, thereby avoiding a direct and burdensome regulatory overhead.

## 6.2. Solving the UBO Dilemma: Proposed Strategies for Compliance

The platform's greatest value lies in its ability to help users solve the UBO identification problem, which is the primary obstacle to banking for decentralized organizations. Instead of leaving this to the user, the platform should offer several

pre-architected legal and governance structures that a BBLLC can adopt to satisfy KYB requirements. The user would be guided to choose a model during the Operating Agreement generation phase.

1. **The "Designated Manager" Model:** This is the most direct approach. The BBLLC's Operating Agreement is explicitly structured to be "manager-managed." The DAO, through an initial vote or founder agreement, appoints a small, fixed group of individuals (e.g., a three-person "operations council" or "board of managers"). These individuals agree to be publicly named and serve as the points of contact for the BBLLC. For banking and KYB purposes, these managers would be identified as the UBOs under the "substantial control" prong of the CDD rule.<sup>49</sup> Their personal information would be securely collected by the platform and provided to the bank. This model provides maximum clarity for financial institutions.
2. **The "Foundation as a Member" Model:** This strategy is suitable for more highly decentralized DAOs that wish to preserve the anonymity of their core contributors. The platform would facilitate a two-step process. First, it would assist in the formation of a legal wrapper in a jurisdiction with more flexible or clearer UBO requirements for DAOs, such as a **Marshall Islands DAO LLC** or a **Cayman Islands Foundation**.<sup>12</sup> These jurisdictions have legal frameworks designed for ownerless or algorithmically-managed entities. This offshore entity would then be established as the sole or primary member of the Vermont BBLLC. When the BBLLC applies for a U.S. bank account, the KYB process is performed on the offshore foundation and its designated directors or supervisors, rather than the thousands of individual token holders. This abstracts the complexity and provides a single, verifiable entity for the bank to underwrite.
3. **Tiered Membership and KYC Gates:** The platform could provide the tools and legal clauses for the BBLLC to implement a tiered membership structure within its Operating Agreement. For example, any token holder can be a member, but only members who voluntarily complete an identity verification (KYC) process are eligible to vote on certain critical matters (e.g., treasury management) or to receive specific financial benefits. This creates a known, vetted pool of participants from which managers could be selected or who could be presented to financial partners to demonstrate a commitment to compliance. This approach aligns with emerging trends in the DAO space to integrate optional compliance pathways to enable real-world interaction.<sup>55</sup>

### 6.3. System Architecture Recommendations

The technical architecture of the platform must be built for security, privacy, and adaptability.

- **Security and Privacy:** All sensitive user data, especially PII related to Responsible Parties and UBOs, must be protected with end-to-end encryption both in transit and at rest. The platform must utilize a secure digital vaulting system for storing official documents and client data. Clear, transparent policies regarding data handling, retention schedules, and data destruction must be prominently displayed to build user trust.
- **Scalability and Maintainability:** A microservices-based architecture is strongly recommended. Functionality should be broken down into discrete, independently deployable services, such as a Vermont\_SOS\_Filing\_Service, an IRS\_EIN\_Application\_Service, a KYB\_Package\_Assembly\_Service, and an OnChain\_Registration\_Service. This modularity allows for individual services to be updated or replaced as government portals, agency APIs, or bank requirements change, without requiring a full system overhaul.
- **Proactive Monitoring:** The system cannot be static. It must incorporate automated monitoring and alerting for changes to key external dependencies. This includes tracking the Vermont SOS website for updates to forms, fees, or portal functionality (such as the planned system change in December 2024 <sup>26</sup>), as well as monitoring the IRS website and the requirements of key banking partners. This proactive stance ensures the platform remains functional and compliant over time.

## Conclusion: A Roadmap to Fully Automated, Legally Compliant BBLLCs

The journey to automate the production of Blockchain-Based LLCs begins with a simple technical premise but rapidly evolves into a complex strategic challenge. The analysis presented in this report transforms the initial query from a request for a filing script into a detailed architectural blueprint for a sophisticated compliance-tech platform. The ultimate goal of this platform is not merely to create legal entities, but to make decentralized organizations "bankable," thereby enabling them to operate effectively at the intersection of the on-chain and off-chain worlds.

The central conclusion of this report is that the UBO/banking dilemma is the single most critical problem to solve. The natural state of a DAO—decentralized, fluid, and often pseudonymous—is fundamentally incompatible with the static, identity-centric requirements of global financial regulations. An automated platform that ignores this reality and focuses only on the mechanics of legal formation is destined for failure, as its clients will be unable to complete the final, crucial step of financial integration.

Therefore, the success of the system described herein is defined by its ability to provide elegant, pre-architected solutions to this compliance challenge. By offering strategic governance models like the "Designated Manager" or the "Foundation as a Member," the platform moves beyond automation to provide substantive legal and strategic value. It becomes a trusted guide, navigating users through a regulatory landscape they are ill-equipped to face alone.

The future of legally-wrapped DAOs depends on the emergence of such platforms. By creating a robust, tripartite anchor between state legal filings, a legally-mandated Operating Agreement, and an immutable on-chain registration, the system provides the certainty and transparency that both regulators and institutional partners demand. This architecture provides a clear roadmap for building the critical infrastructure that will bridge the decentralized economy with the traditional financial system, unlocking the potential for a new generation of innovative and legally resilient organizations.

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