

**TITLE 52 - ASSOCIATIONS LAW**  
**CHAPTER 7 - DECENTRALIZED AUTONOMOUS ORGANIZATION ACT 2022**



Republic of the Marshall Islands  
*Jepilpilin Ke Ejukaan*

**DECENTRALIZED AUTONOMOUS ORGANIZATION  
 ACT 2022**

**Index**

<b>Section</b>	<b>Page</b>
§701. Short title. ....	3
§702. Definitions. ....	3
§703. Application of Other Acts. ....	5
§704. Definition and Election of Decentralized Autonomous Organization Status. ....	7
§705. Formation. ....	8
§706. Certificate of Formation or Limited Liability Company Agreement. ....	9
§707. Amendment or Restatement of Certificate of Formation or Limited Liability Company Agreement. ....	10
§708. Management. ....	10
§709. Standards of Conduct for Members. ....	10
§710. Membership interests for Member Managed Decentralized Autonomous Organizations; Voting. ....	10
§711. Right of Members, Managers and Dissociated Members to Information. ....	11
§712. Beneficial Owner Information Report. ....	12
§713. Withdrawal of Members. ....	13
§714. Dissolution. ....	14
§715. Miscellaneous. ....	15
§716. Training fund. ....	15
§717. Regulations. ....	15
§717A. Sanctions for Violations. ....	15
§718. Transition. ....	16
§719. Effective Date. ....	16



1

## TITLE 52 - ASSOCIATIONS LAW

2

## CHAPTER 7 - DECENTRALIZED AUTONOMOUS ORGANIZATION ACT 2022



3

Republic of the Marshall Islands

4

*Jepilpilin Ke Ejukaan***DECENTRALIZED AUTONOMOUS ORGANIZATION  
ACT 2022**

5

AN ACT to provide for the formation and management of decentralized autonomous organizations as domestic limited liability companies pursuant to the Limited Liability Company Act 1996, Chapter 4 of Title 52.

6

7

8

*Commencement:**November 25, 2022*

9

*Source:**P.L. 2022-50*

10

*P.L. 2023-83*

11

**§701. Short title.**

12

This Act may be cited as the Decentralized Autonomous Organization Act 2022.

13

14

**§702. Definitions.**

15

As used in this Chapter, unless the context otherwise requires:

16

(a) “Automated transaction” means a transaction conducted or performed, in whole or in part, by electronic means or electronic records for example on a blockchain;

17

18

19

(b) “Blockchain” shall mean a distributed ledger that can record transactions between two parties in a mutually verifiable and permanent manner.

20

21

22

(c) “Decentralized autonomous organization” or “DAO” means a resident domestic limited liability company organized under this chapter

23

24

- 1 (d) "Digital asset" means a representation of economic, proprietary or  
2 access rights that is stored in a computer readable format and is  
3 either a digital consumer asset, digital security or virtual asset;
- 4 (e) "Digital consumer asset" means a digital asset which does not qualify  
5 as "digital security" or "virtual asset" as defined herein that is used  
6 or bought primarily for consumptive, personal or household  
7 purposes and includes: (i) A blockchain token which represents that a  
8 person is a Member of a DAO LLC incorporated under this chapter;  
9 (ii) A blockchain token constituting exclusive rights to deal with that  
10 laws of the Republic;
- 11 (f) "Digital security" means a digital asset which constitutes a security,  
12 as defined in the Securities and Investments Act, but shall exclude  
13 digital consumer assets and virtual assets as defined herein;
- 14 (g) "Distributed ledger" means a blockchain that is publicly accessible  
15 and its ledger of transactions is transparent;
- 16 (h) "Majority of the members," means more than fifty percent (50%) of  
17 the membership interests in a vote, or any membership interests  
18 required pursuant to the decentralized autonomous organization's  
19 certificate of formation or limited liability company agreement. A  
20 person dissociated or resignation as a member as set forth in Section  
21 36 of the Limited Liability Company Act, 52 MIRC, Chap. 4 shall not  
22 be included for the purposes of calculating the majority of the  
23 members;
- 24 (i) "Membership interest" means in the case of a for-profit DAO LLC, a  
25 member's ownership or financial right in a decentralized  
26 autonomous organization, which may be represented by a digital  
27 consumer asset as defined herein or a governance token, and which  
28 may be determined by the organization's Certificate of Formation or  
29 limited liability company agreement or ascertainable from a  
30 blockchain or smart contracts on which the organization relies to  
31 determine a member's interest; and in the case of a non-profit DAO  
32 LLC, a membership interest is a voting or governance right and not  
33 an ownership or financial right.
- 34 (j) "Registrar" means the Registrar of Resident Domestic and  
35 Authorized Foreign Corporations;

- 1 (k) "Quorum" means a minimum requirement on the sum of membership  
2 interests participating in a vote for that vote to be valid;
- 3 (l) "Smart contract" shall have the meaning ascribed to the term in  
4 Section 102 (dd) of the Non-Profit Entities Act 2020;
- 5 (m) "Virtual asset" shall have the same meaning as provided in Section  
6 102 (hh) of the Banking Act 1987.
- 7 (n) "Gross revenue" shall have the same meaning as found in the Income  
8 Tax Act 1989 which excludes dividends and capital gains.
- 9 (o) "Non-fungible token" or "NFT" means a digital asset that has been  
10 tokenized via a blockchain and assigned unique identification codes  
11 and metadata to distinguish them from other tokens.
- 12 (p) "Official online venue or venues" of the DAO LLC mean the official  
13 places where members convene to participate in activities of the DAO  
14 LLC, where the interest address or addresses of those official online  
15 places are publicly available.
- 16 (q) "Registered agent" means MIDAO Directory Services, Inc., PMB 852,  
17 Long Island Rd, Majuro, Marshall Islands MH 96960.
- 18 (r) "Beneficial member" means any member of the DAO LLC who  
19 directly or indirectly holds 25% or more of membership interests or  
20 voting rights in the DAO; and where no member holds 25% or more  
21 of membership interests, then the beneficial member is the person or  
22 persons who have actual, effective, or sufficient responsibility or  
23 control.
- 24 (s) "Representative agent" means a designated agent and point of  
25 contact for a DAO LLC to receive correspondence and communicate  
26 with the registered agent and Registrar, where one or more electronic  
27 or physical means of delivery of the correspondence and  
28 communication are publicly available on the DAO LLC's official  
29 online venue or venues.[Amended by P.L. 2023-83].

30 **§703. Application of Other Acts.**

- 31 (1) Limited Liability Company Act.
- 32 (a) The Limited Liability Company Act of 1996, applies to DAO  
33 LLC to the extent not inconsistent with the provisions of this  
34 Chapter.

- 1 (b) This Chapter does not repeal or modify any statute or rule of  
2 law that applies to a Limited Liability Company Act that does  
3 not elect to become a DAO LLC.
- 4 (c) A DAO LLC may have series pursuant to §79 (Series of  
5 members, managers of limited liability company interest) of  
6 the Limited Liability Company Act. There shall be no  
7 additional reporting requirements for individual series within  
8 a DAO LLC beyond the requirements for the DAO LLC itself  
9 as set forth in §112 of this Act. [Amended by P.L. 2023-83].

10 (2) Securities and Investment Act.

- 11 (a) To the extent that a DAO LLC is not, directly or indirectly,  
12 issuing, selling, exchanging or transferring any digital securities  
13 as defined in Section 102 of the Securities and Investment Act to  
14 residents of the Republic, the provisions of the Securities and  
15 Investment Act shall not apply to DAO LLCs.
- 16 (b) Notwithstanding any other provision of this Act or any other  
17 law, all digital assets including non-fungible tokens issued,  
18 sold or transferred by a non-profit DAO LLC to its members or  
19 in advancing its non-profit purpose shall not be deemed a  
20 digital security under this Act (or a security under the  
21 Securities and Investment Act).
- 22 (d) Notwithstanding any other provision of this Act or any other  
23 law, a governance token conferring no economic rights shall  
24 not be deemed a security as defined in the *Securities and*  
25 *Investment Act*.

26 (3) Income Tax Act 1989.

- 27 (a) DAOs not doing business in the Republic and the persons or  
28 entities doing business with them are not subject to the  
29 provisions of the Income Tax Act, except that DAOs that elect  
30 for-profit status are subject to §109 and §110 and shall pay a  
31 tax on gross revenue as defined in the Income Tax Act.
- 32 (b) Every for-profit DAO shall be required to file a gross revenue  
33 tax return annually along with its annual registration renewal  
34 and shall pay, based on its gross revenue the amount of tax  
35 imposed pursuant to §109 of the Income Tax Act to the  
36 Secretary of Finance. The Secretary of Finance, for good cause,  
37 may extend the time for making payments and returns.

- 1 (4) Foreign Investment Business Act of 1990,  
2 (a) Section 207A and Section 205(2)(d), (g), and (h) shall not apply  
3 to a DAO LLC.  
4 (b) The application referred to in Section 205 of the Foreign  
5 Investment Business License Act shall require the names and  
6 other information of beneficial owners or other members that  
7 have 25% or more governance rights in DAO LLCs but shall  
8 not require any information about other members. [Amended by P.L.  
9 2023-83].

10 **§704. Definition and Election of Decentralized Autonomous Organization**  
11 **Status.**

- 12 (1) A decentralized autonomous organization is a resident domestic  
13 limited liability company whose certificate of formation or limited  
14 liability company agreement contains a statement that the company is  
15 a decentralized autonomous organization as described in subsection  
16 (3) of this section.  
17 (2) A resident domestic limited liability company formed under the  
18 Limited Liability Company Act, Title 52 MIRC Chapter 4, may  
19 convert to a decentralized autonomous organization by amending its  
20 certificate of formation or limited liability company agreement to  
21 include the statement required by subsections (1) and (3) of this  
22 section and Section 106.  
23 (3) A statement in substantially the following form shall appear  
24 conspicuously in the certificate of formation or limited liability  
25 company agreement, if applicable, in a decentralized autonomous  
26 organization:

27 **NOTICE OF RESTRICTIONS ON DUTIES AND TRANSFERS**

28 The rights of members in a decentralized autonomous organization may  
29 differ materially from the rights of members in other resident domestic or  
30 non-resident domestic limited liability companies. This Chapter, underlying  
31 smart contracts, certificate of formation and limited liability company  
32 agreement, if applicable, of a decentralized autonomous organization may  
33 define, reduce or eliminate fiduciary duties and may restrict transfer of  
34 ownership interests, withdrawal or resignation from the decentralized  
35 autonomous organization, return of capital contributions and dissolution of  
36 the decentralized autonomous organization.

- 1 (4) The registered name for a decentralized autonomous organization  
2 shall include wording or abbreviation to denote its status as a  
3 decentralized autonomous organization, specifically “DAO LLC,”.
- 4 (5) A statement in the certificate of formation or limited liability  
5 company agreement may define the decentralized autonomous  
6 organization as either a member managed decentralized autonomous  
7 organization or an algorithmically managed decentralized  
8 autonomous organization. If the type of decentralized autonomous  
9 organization is not otherwise provided for, the limited liability  
10 company will be presumed to be a member managed decentralized  
11 autonomous organization.

12 **§705. Formation.**

- 13 (1) Any person may form a decentralized autonomous organization  
14 which shall have one (1) or more members by signing and delivering  
15 one (1) original and one (1) exact or conformed copy of the certificate  
16 of formation and limited liability company agreement to the Registrar  
17 for filing. The person forming the decentralized autonomous  
18 organization need not be a member of the organization.
- 19 (2) The existence of a DAO LLC begins upon filing of the Certificate of  
20 Formation. Each DAO LLC shall have and continuously maintain in  
21 the Republic a registered agent as defined herein upon whom process  
22 against a DAO LLC or any notice or demand required or permitted  
23 by law to be served may be served.
- 24 (3) A DOA LLC shall form and operate for any lawful purpose,  
25 regardless of whether for profit. The Certificate of Formation  
26 document and limited liability agreement shall state that the purpose  
27 of the DAO LLC is to engage in any lawful act or activity for which  
28 DAO LLCs may now or hereafter be organized under this Act. The  
29 Certificate of Formation documents shall specify that the registered  
30 address of a DAO LLC is that of the registered agent’s pursuant to  
31 regulations promulgated under this chapter.
- 32 (4) A DAO LLC may register as non-profit entity pursuant to the Non-  
33 profit Entities Act, 2020, so long as the DAO LLC engages in non-  
34 profit activity under Section 106 of the Non-Profit Entities Act 2020.



- 1 (5) Formation of a DAO LLC that is in compliance with this Act shall be  
2 approved and registered within 30 days of the initial application.  
3 [Amended by P.L. 2023-83].

4 **§706. Certificate of Formation or Limited Liability Company Agreement.**

- 5 (1) The certificate of formation or limited liability company agreement of  
6 a decentralized autonomous organization shall include a statement  
7 that the organization is a decentralized autonomous organization,  
8 pursuant to and shall set forth the matters required by the Limited  
9 Liability Act, Title 52 MIRC Chapter 4 §9.

- 10 (2) In addition to the requirements of subsection (1) of this section, the  
11 certificate of formation or limited liability company agreement shall  
12 include a publicly available identifier of any smart contract directly  
13 used to manage, facilitate or operate the decentralized autonomous  
14 organization.

- 15 (3) Except as otherwise provided in this Chapter, the certificate of  
16 formation or limited liability company agreement or smart contracts  
17 for every decentralized autonomous organization shall govern all of  
18 the following:

- 19 (a) Relations among the members and between the  
20 members and the decentralized autonomous  
21 organization;
- 22 (b) Rights and duties under this Chapter of a person in  
23 their capacity as a member;
- 24 (c) Activities of the decentralized autonomous organization  
25 and means by which such activities are conducted;
- 26 (d) Means and conditions for amending the limited liability  
27 company agreement (s);
- 28 (e) Rights and voting rights of members;
- 29 (f) Transferability of membership interests;
- 30 (g) Withdrawal of membership;
- 31 (h) Distributions to members prior to dissolution;
- 32 (i) Amendment of the certificate of formation or limited  
33 liability company agreement;
- 34 (j) Procedures for amending, updating, editing or  
35 changing applicable smart contracts;

- 1 (k) Procedures for dispute resolution, if applicable;
- 2 (l) All other aspects of the decentralized autonomous
- 3 organization.

4 **§707. Amendment or Restatement of Certificate of Formation or Limited**

5 **Liability Company Agreement.**

6 Certificate of formation or limited liability company agreement shall be

7 amended when:

- 8 (a) There is a change in the name of the decentralized
- 9 autonomous organization; or
- 10 (b) There is a false or erroneous statement in the certificate
- 11 of formation or limited liability company agreement.

12 **§708. Management.**

13 Management of a decentralized autonomous organization shall be vested in

14 its members, if member managed, or the smart contract, if algorithmically

15 managed, unless otherwise provided in the certificate of formation or

16 limited liability company agreement.

17 **§709. Standards of Conduct for Members.**

18 Unless otherwise provided for in the certificate of formation or limited

19 liability company agreement, no member of a decentralized autonomous

20 organization shall have any fiduciary duty to the organization or any

21 member except that the members shall be subject to the implied contractual

22 covenant of good faith and fair dealing.

23 **§710. Membership interests for Member Managed Decentralized**

24 **Autonomous Organizations; Voting.**

- 25 (1) Unless otherwise provided for in the certificate of formation, limited
- 26 liability company agreement or smart contract:
- 27 (a) Membership interests in a member managed
- 28 decentralized autonomous organization shall be
- 29 calculated by dividing a member's governance tokens
- 30 held divided by the total amount of the organization at
- 31 the time of a vote;

- 1 (b) If members do not hold governance tokens of an  
2 organization as a prerequisite to becoming a member,  
3 each member shall possess one (1) membership interest  
4 and be entitled to one (1) vote;
- 5 (c) A quorum shall require not less than a majority of  
6 membership interests entitled to vote, unless otherwise  
7 specified in the certificate of formation or limited  
8 liability company agreement or smart contract

9 **§711. Right of Members, Managers and Dissociated Members to**  
10 **Information.**

- 11 (1) Recordkeeping and Retention. Notwithstanding §22 (1) of the *Limited*  
12 *Liability Company Act* of 1996, as long as actions, transactions, voting,  
13 and decisions of a DAO LLC take place on a distributed ledger, and  
14 where human readable explanations of those actions, transactions,  
15 voting and decisions are publicly available for a period of five (5)  
16 years after the date the decentralized autonomous organization is  
17 dissolved, there shall be no separate requirement to keep books of  
18 accounts and meeting minutes.
- 19 (2) Record in Writing. A requirement for a record to be in writing is  
20 satisfied where the details of a blockchain transaction are recorded in  
21 electronic form only and where the transaction has been authorized  
22 by a person's cryptographic signature.
- 23 (3) A company agreement may be composed in computer readable  
24 format and maintained on blockchain or distributed ledger  
25 technology in full or in part if the record of the agreement is capable  
26 of being retained for the record-keeping period stipulated under law  
27 and accurately reproduced for later reference.
- 28 (4) Right to information. No one shall have the right under the *Limited*  
29 *Liability Company Act* of 1996 to demand to separately inspect or copy  
30 records of a DAO LLC and the organization shall have no obligation  
31 to furnish any information to anyone concerning the organization's  
32 activities, financial condition or other circumstances to the extent the  
33 information is publicly available on a distributed ledger.
- 34 (5) A requirement for a person's wet or electronic signature is satisfied  
35 by the cryptographic signature recorded when a person, with the

proper authority and rights, signs or approves a blockchain transaction. [Amended by P.L. 2023-83]

## §712. Beneficial Owner Information Report

- (1) Each decentralized autonomous organization shall submit to the Registrar a report that contains the information described in subsection (2) of this section at the following times:
  - (a) at the time of formation; and
  - (b) at the time of each annual report.
- (2) A report delivered under in subsection (1) of this section shall identify each beneficial owner of the applicable DAO LLC by:
  - (a) full legal name;
  - (b) date of birth;
  - (c) residential or business street address, current as of the date the report is delivered;
  - (d) unique identifying number from a nonexpired passport; and
  - (e) address(es) and blockchain(s) of all wallets associated with the decentralized autonomous organization held by said beneficial owner or person.
- (3) Beneficial ownership information required under subsection (2) of this section relating to each DAO LLC shall be maintained by the Registrar for at least 5 years after the date the DAO LLC is dissolved.
- (4) It shall be unlawful for any person to: (a) willfully provide, or attempt to provide, false or fraudulent beneficial ownership information, including a false or fraudulent identifying photograph or document, to the Registrar pursuant to subsection (2) of this section; or (b) willfully fail to report complete or updated beneficial ownership information to the Registrar in accordance with subsection (2) of this section.
- (5) Foreign Investment Business License not required. If the DAO LLC is not doing business in the Republic, then the Beneficial Member Information Report (BMIR) shall be the only report required to be submitted containing the reports and verification documents of

1 members to whom this subclause applies as required by this section.  
2 In such a case where the DAO LLC is not doing business in the  
3 Republic, the DAO LLC shall not be required to obtain a Foreign  
4 Investment Business License and the Foreign Investment Business  
5 License Act shall not apply .[Amended by P.L. 2023-83].

6 **§713. Withdrawal of Members.**

7 (1) Except as provided in subsection (4) of this section, a member may  
8 only withdraw from a decentralized autonomous organization in  
9 accordance with the terms set forth in the certification of formation,  
10 the smart contracts or, if applicable, the limited liability company  
11 agreement.

12 (2) A member of a decentralized autonomous organization may not have  
13 the organization dissolved for a failure to return the members'  
14 contribution to capital.

15 (3) Unless the organization's certificate of formation, smart contracts or  
16 limited liability company agreement provide otherwise, a withdrawn  
17 member forfeits all membership interests in the decentralized  
18 autonomous organization, including any governance or economic  
19 rights.

20 (4) Where the certificate of formation, limited liability company  
21 agreement or smart contracts for a decentralized autonomous  
22 organization do not specify the manner by which a person:

23 (i) Becomes a member of a decentralized  
24 autonomous organization, a person shall be  
25 considered a member if the person purchases or  
26 otherwise assumes a right of ownership of a  
27 membership interest or other property that  
28 confers upon the person a voting or economic  
29 right within the decentralized autonomous  
30 organization;

31 (ii) Withdraws membership from a decentralized  
32 autonomous organization, the person shall cease  
33 to be a member if the person transfers, sells or  
34 alienates all membership interests or other  
35 property that confers upon the person a voting or  
36 economic right within the decentralized

1 autonomous organization and retains no further  
2 right of ownership therein.

3 **§714. Dissolution.**

- 4 (1) A decentralized autonomous organization organized under this  
5 Chapter shall be dissolved; it shall be dissolved upon the occurrence  
6 of any of the following events:
- 7 (a) The period fixed for the duration of the organization  
8 expires;
  - 9 (b) By vote of the members of a decentralized autonomous  
10 organization;
  - 11 (c) At the time or upon the occurrence of events specified  
12 in the underlying smart contracts or as specified in the  
13 certificate of formation or limited liability company  
14 agreement;
  - 15 (d) By order of the Registrar if the decentralized  
16 autonomous organization is deemed to no longer  
17 perform a lawful purpose or is no longer under the  
18 control of at least one (1) natural person;
  - 19 (e) Where all members of the decentralized autonomous  
20 organization have resigned in accordance with Section  
21 36 of the Limited Liability Company Act.
- 22 (2) As soon as possible following the occurrence of any of the events  
23 specified in subsection (1) of this section causing the dissolution of a  
24 decentralized autonomous organization, the organization shall  
25 execute a statement of intent to dissolve in the form prescribed by the  
26 Registrar.
- 27 (3) Any interested party may petition a court of competent jurisdiction  
28 for dissolution of a DAO LLC once that interested party determines  
29 further efforts are futile, and upon the court finding the occurrence of  
30 one (1) or more of the events specified in subsection (1) of this section  
31 and that further efforts would be futile, the court shall enter an order  
32 dissolving the DAO LLC. [Amended by P.L. 2023-83].

1 **§715. Miscellaneous.**

2 (1) The certificate of formation, limited liability company agreement, and  
3 smart contracts of a DAO LLC are effective as statements of  
4 authority. Where the underlying certificate of formation or limited  
5 liability company agreement and smart contract are in conflict, the  
6 certificate of formation or limited liability company agreement shall  
7 pre-empt any conflicting provisions of the smart contract.

8 (2) Nature of business permitted; powers. A DAO LLC shall carry on  
9 any lawful business, purpose or activity. DAO LLCs are permitted to  
10 use a blockchain as defined herein and crypto currencies. If a DAO  
11 LLC is a virtual asset service provider as defined in the Banking Act  
12 1987, it shall comply with the provisions thereunder. DAO LLCs are  
13 permitted to create open source software, which is then used by other  
14 people on a blockchain independent of the DAO LLC's involvement.  
15 .[Subsection (2) is inserted by P.L. 2023-83].

16 **§716. Training fund.**

17 (1) A fund is hereby established purposely for training to improve the  
18 knowledge and skills of the implementers of the law.

19 (2) Payments made of the fund shall be approved by the Minister of Justice  
20 and for the purpose of the training, on criteria and conditions set forth in  
21 the Regulations for the use of the Fund.

22 **§717. Regulations.**

23 Subject to the Marshall Islands Administrative Procedure Act 1979, the  
24 Registrar shall promulgate regulations and issue a new forms that relate  
25 specifically to DAO LLCs, including the annual filing form and charter, and  
26 Certificate of Formation. [Amended by P.L. 2023-83]

27 **§717A. Sanctions for Violations.**

28 (1) Sanctions for violation of this Chapter shall be made pursuant  
29 to regulations promulgated hereunder.[This Section is inserted as new by P.L.  
30 20233-83].

1 **§718. Transition.**

2 This Chapter shall not be implemented until up to but not exceeding three  
3 months from the date of certification of this law.

4 **§719. Effective Date.**

5 This Chapter shall take effect on the date of certification in accordance with  
6 Article IV, Section 21 of the Constitution, subject to Section 118.

7