

April 24, 2023

The Honorable Matt Haney
1021 O Street, Suite 5310
Sacramento, CA 95814

RE: AB-1229 Unincorporated associations: decentralized nonprofit associations. – SUPPORT

Dear Assemblymember Haney,

The Crypto Council for Innovation (CCI) writes to support Assembly Bill 1229, which will create a category within the existing California Unincorporated Nonprofit Association (UNA) statute that is appropriate for the decentralized operations of blockchain networks and smart contract protocols.

CCI is a global alliance of industry leaders in the digital asset and Web3 sectors that serves to educate consumers and policymakers and advocate for policy that spurs responsible innovation. Our members include prominent companies headquartered in California. We believe that trusted partnership between government and business stakeholders is key to crafting inclusive policy that benefits consumers and industry alike.

A DAO, or “Decentralized Autonomous Organization,” is a community-led entity with no central authority. It is fully autonomous and transparent: smart contracts lay the foundational rules, execute the agreed upon decisions, and at any point, proposals, voting, and even the very code itself can be publicly audited. Ultimately, a DAO is governed entirely by its individual members who collectively make critical decisions about the future of the project, such as technical upgrades and treasury allocations.

Unfortunately, many legal entity structures are fundamentally incompatible with DAOs, primarily because they are predicated on centralized governance. However, even appropriate structures like the existing California UNA law do not provide enough certainty for those statutes to be used by DAOs absent state guidance. As a result of these challenges, states are missing out on the opportunity to shape the development of the future of the internet. AB 1229 will create a category within the existing California UNA statutes for decentralized nonprofit associations (“DNAs”), which allows for more targeted statutory requirements and clarity in application.

Providing regulatory clarity in this space will send a strong signal that California intends to stay at the forefront of the innovation economy. For these reasons, CCI is pleased to support AB 1229 as it moves through the legislature.

Sincerely,



Sheila Warren
Chief Executive Officer
Crypto Council for Innovation

info@cryptocouncil.org

The premier global alliance advancing crypto innovation.