What a DAO is

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A decentralised autonomous organisation (DAO) is a group of persons who coordinate through smart contracts and govern a shared treasury or protocol by voting with tokens. The term dates from 2016, when "The DAO" raised the equivalent of USD 150 million in Ether to operate as an investor-directed venture fund and was drained within weeks by an exploit that led to the Ethereum hard fork described in Chapter I. The structure survived the failure. By 2026 several thousand DAOs existed, with the largest holding treasuries in the billions of dollars and governing protocols such as Uniswap, Aave, MakerDAO, Lido, Arbitrum and Optimism.[1]

The word "autonomous" overstates. Most DAOs are neither autonomous nor particularly decentralised. They are groups of people, often a small core team and a larger body of passive token holders, who vote on proposals through a web interface, with the result executed either automatically by a contract or manually by a multisig committee. The word "organisation" is accurate and is the source of the legal difficulty. An organisation of persons pursuing a common purpose is, in every legal system, something that the law classifies. The default classification is rarely the one the participants want.

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Notes

1. On The DAO and its aftermath see the US Securities and Exchange Commission, Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO, Release No. 81207, 25 July 2017. Treasury figures from DeepDAO as at June 2026 are approximate. ↩

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