DeFi Education Fund

UNISWAP FOUNDATION

May 27, 2025

SUBMITTED VIA WEBSITE

U.S. Securities and Exchange Commission
Crypto Task Force Staff
100 F Street, NE
Washington, D.C. 20549-0213

Re: Response to the Crypto Task Force's Request for Comment:
Regarding Decentralized Autonomous Organizations

Dear Members of the Crypto Task Force:

We write on behalf of DeFi Education Fund ("DEF") and Uniswap Foundation ("UF"). DEF and UF appreciate the opportunity to submit their viewpoints to the U.S. Securities and Exchange Commission (the "Commission") and the Crypto Task Force.

DEF is a nonpartisan nonprofit research and advocacy organization. Its mission is to advocate for sound policy for decentralized finance ("DeFi"), educate lawmakers about the technical workings and benefits of DeFi, achieve regulatory clarity for the future of the global digital economy, and represent the interests of users and developers in the DeFi space.

UF is a nonprofit organization dedicated to creating a more open and fair financial system by driving the growth, innovation, sustainability, and decentralization of the Uniswap Protocol and community. Since 2018, the Uniswap Protocol, a decentralized trading protocol, has become an increasingly significant part of the internet's infrastructure. Today, it is the world's largest decentralized trading protocol, with over 25 million wallets interacting with the protocol, and more than $3 trillion in lifetime volume. The UF's vision for the Uniswap Protocol is for it to become the world's infrastructure for digital value transfer. Part of UF's mission is to support the Uniswap community to create, sustain, and propagate immutable software trusted by organizations and individuals globally.

We write jointly on behalf of DEF and UF in response to Commissioner Peirce's February 21, 2025 Statement, "There Must Be Some Way Out Of Here" (the "Statement").[1] DEF and UF are supportive of Commissioner Peirce's statement of priorities for digital asset regulation and the transparent approach she has advocated. DEF and UF are both uniquely well-situated, and have the particularized knowledge, to address many of the questions Commissioner Peirce posed, as discussed below.

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[1] Commissioner Hester M. Peirce, *There Must Be Some Way Out of Here* (Feb. 21, 2025), https://www.sec.gov/newsroom/speeches-statements/peirce-statement-rfi-022125.

I. The Purpose Of This Submission

Commissioner Peirce's Statement calls for industry comment, including on topics the Statement does not specifically raise. While decentralized autonomous organizations ("DAOs") are not specifically mentioned in the Statement, Commissioner Peirce seeks comment on matters that are critical to DAOs, and for which a comprehensive understanding of DAOs is important. For example, Commissioner Peirce seeks comments on a potential non-exclusive safe harbor, provisionally called Rule 195, that would, among other things, provide a time-limited exemption from the registration requirements under the Securities Act of 1933 for offers and sales of cryptocurrency assets during the development of a blockchain project (Requests Nos. 10-14).[2]

The questions for which Commissioner Peirce seeks comment include whether such a safe harbor should be available retroactively for projects that comply with disclosure requirements, and what those disclosure requirements should be for early-stage projects to provide token purchasers the material information regarding the blockchain project, crypto assets, and development team. Commissioner Peirce also proposes that under the contemplated safe harbor, at its expiration, if the network were sufficiently decentralized or functional, registration of the tokens would not be required (Request No. 13). She seeks comment on how to define and evaluate whether a network is sufficiently decentralized (dispersion of control, or something else), how the delegation of voting rights should be taken into account, and how the Commission should be notified if an exit marker is achieved (Requests Nos. 13-14).

The Rule 195 safe harbor could very well apply in the initial stages of the formation and operation of a DAO. It could also impact, both directly and implicitly, how DAOs operate and organize themselves. Guidance from the Commission would provide clarity to token issuers, as well as participants in DAOs – including token holders, token voters, delegates, and those considering taking a leadership or more involved role with a DAO – on what they can and cannot do to avoid violating federal securities laws.

In view of the importance of these issues and the consequences, DEF and UF respectfully submit this joint letter to share their viewpoints on DAOs, the concept of "sufficient decentralization," and the means by which to measure the decentralization of a network. In particular, DEF and UF present two main theses for consideration:

First, *dispersion of control over the governance of a network* is the most workable framework for determining if a network is sufficiently decentralized for purposes of the proposed safe harbor from registration, or under the test for an "investment contract" security under *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946) ("*Howey*"). If a DAO has a dispersed collection of token holders who have the opportunity to actively participate in and govern the DAO and the network, it is sufficiently decentralized such that neither the network token for that DAO, nor transactions in which that network token are the object, should be considered a security. Furthermore, the

[2] Commissioner Hester M. Peirce, *Token Safe Harbor Proposal 2.0* (April 13, 2021), https://www.sec.gov/newsroom/speeches-statements/peirce-statement-token-safe-harbor-proposal-20.

opportunity to delegate one's voting rights enhances, and does not undercut, dispersion of governance control of a DAO or network.

Second, there are no material information asymmetries in a sufficiently decentralized network, which reinforce that the federal securities laws do not apply to network tokens or transactions in which a network token is the object. Consequently, token holders and regulators can, and should, rely on publicly available blockchain data to determine when a DAO is sufficiently decentralized because governance control over the DAO is dispersed.

II. DAOs and Network Tokens

a. Blockchain Technology Enables Decentralized Control

Blockchain technology enables a vast and dispersed group of individuals to participate in various ways on a network or protocol. The requirement for participation typically involves nothing more than holding that network's native token; beyond that, a token holder's mode of participation can vary widely. Decentralization of the governance, control, and operation of the network is a key innovation of blockchain systems because it enables computations networks and their underlying tokens to operate and function absent any one individual's or entity's unilateral control.

b. Network Tokens

There are myriad types of tokens. Most relevant to DAOs are "network tokens," which are the native token of the corresponding blockchain network or protocol. Network tokens play an integral role in the operation of a blockchain, such as providing a mode of transaction, validation, fee payments, and/or governance of the network and/or protocol. Key examples include BTC and ETH. Given certain properties of network tokens such as governance rights, these tokens differ from other types of tokens including arcade tokens, collectible tokens, asset-backed tokens, tokenized securities, or memecoins. This submission focuses primarily on network tokens and their role within decentralized networks and/or protocols.

Network tokens can serve multiple functions, including facilitating transactions, incentivizing participants, and enabling governance. The value of network tokens is typically (but not necessarily) associated with the blockchain network or protocol they are associated with, rather than the fortunes or misfortunes of any initial development company. In some instances, a network's or protocol's value is returned to token holders; in other instances, it is not. We submit, however, that various value accrual mechanisms to a network token – if native and originating from the network – do not inherently transform a network token into a security, assuming that the network continues to operate in a sufficiently decentralized manner and the token's value is not predominantly reliant on the efforts of a centralized entity.

c. DAOs and Smart-Contract Based Governance of Networks

DAOs are a relatively new innovation that expand on this concept of decentralized control by technologically facilitating broad participation in the development and function of a

decentralized network. A DAO is an organizational structure with no centralized governing body. Rather, DAOs make decisions by distributing power and governance among those who hold tokens, and delegate or cast votes. All votes and activity occur and are verifiable on-chain, such that all decisions and actions are transparent and public.

Prior to blockchain technology, control over production codebases was solely managed by centralized entities. Indeed, nearly all internet-enabled services function with a small group of permissioned actors who make unilateral changes to what the code does, from where it runs, who can access it, and more. It is difficult to overstate the potential impact that these centralized parties can have on the lives of the average person with almost no oversight or accountability. The impact of this unilateral control can vary drastically. For example, a large refrigerator company could unilaterally change the algorithm for how its refrigerator manages its temperature settings: a customer's refrigerator could update overnight without them knowing, changing their preferred air settings and disrupting the quality of their food. Or, the impact could be more sinister – for example, unilateral tweaks in government databases could alter or revoke citizenship status.

In both of these examples, the governance of these systems is exogenous to the operation of these systems themselves. In the refrigerator example, the customer would presumably be forced to sign an update waiver that would allow the company to make unilateral decisions on the products it sells. In the second example, governance may come later, in the form of revised legislation, or action from the judiciary for violations of various laws and statutes.

Smart contracts are a useful tool to change this paradigm, and achieve undeniable and immutable governance of complex systems. Smart contracts can cryptographically guarantee roles-based permissions – *e.g.*, a person can only do a certain thing under specific conditions. Effectively, the goal of such systems is to manage any parameters that will impact the efficacy of the protocol, and to manage the tokens at the protocol's disposal.

At a high level, these systems enable holders of a network's or protocol's token to propose and vote on changes to software parameters or allocations of network value.[3] While implementations of these smart-contract based governance systems vary in terms of thresholds, quorums, and delays, the general idea is that governance power is distributed among token holders.

The Uniswap Protocol, for instance, is governed by an implementation of a voting module called "Governor Bravo." Over the 4.5 years it has been in operation, UNI token holders or their delegates have voted to manage exemptions to Uniswap v3's Business Source License, expand

[3] Smart contract-based governance of DeFi protocols has existed in several forms over the last decade. Effectively, the goal of such systems is to manage any parameters that will impact the efficacy of the protocol, and to manage any financial assets (tokens) at the protocol's disposal. The most popular governance system for DeFi protocols was launched in 2020, and it is variously known as Compound Governor Bravo (after the protocol who pioneered its use; "Bravo" was the second iteration after "Alpha") or OpenZeppelin Governor (after the security and development firm that genericized the contracts and made them publicly available). At a high level, this system enables holders of a protocol's token to propose and vote on changes to protocol parameters.

Uniswap v3 across ~35 chains, fund the Uniswap Foundation, adopt the Security Alliance (SEAL) Safe Harbor Agreement, and more.

Protocol staking and voting delegation are mechanisms that enhance participation and governance efficiency within DAOs. Protocol staking involves token holders locking their network tokens to support the security and operation of a blockchain network, and potentially earning rewards in return. Voting delegation involves token holders voluntarily entrusting their voting rights to a representative or delegate, who votes on their behalf. An example of staking and delegation is Unistaker, which was designed to incentivize delegation of UNI (the network token for the Uniswap Protocol) in the Uniswap ecosystem. Unistaker ties delegation of voting rights to the right to share in protocol-derived revenue, thereby incentivizing UNI holders to allocate their votes to delegates aligned with their views on the growth and expansion of the Uniswap ecosystem, leading to a more decentralized governance structure.

Network tokens and decentralized governance structures are intrinsically linked. Therefore, it is crucial for the Commission to provide clear guidance on network tokens and decentralization, as that guidance carries significant legal and practical consequences for blockchain networks and DAOs. Ill-fitting registration, disclosure, or compliance obligations may stifle innovation and limit participation in DAOs. Conversely, any guidance grounded in objective criteria would provide clarity to DAO participants and foster responsible innovation.

III. Prior Commission Actions And Pronouncements Related To DAOs

Beginning in 2017 with the "Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO" (Rel. No. 81207, July 25, 2017) (the "DAO Report"), the Commission treated a so-called "DAO" as a business organization capable of being a common enterprise for the purposes of the *Howey* test. Some may be. But the DAO Report, while noting that the "DAO Token holders' pseudonymity and dispersion diluted their control over "The DAO," concluded that "DAO Token holders relied on the significant managerial efforts provided by Slock.it and its co-founders." The Commission did not define the parameters of "significant managerial control."

The next year, Director Bill Hinman referenced the concept of "sufficient decentralization" in his remarks, "Digital Asset Transactions: When *Howey* Met Gary (Plastic)." Director Hinman's remarks highlighted that Bitcoin and Ether were not considered securities largely because their networks had become "sufficiently decentralized," and in such cases, purchasers no longer reasonably expected profits to be derived from the efforts of a central third party. Hinman also noted that the classification of a digital asset is not static – a token initially sold as a security could later cease to be one if the associated network achieved meaningful decentralization, and token holders exercised real governance authority.

The Commission's 2019 Framework for "Investment Contract" Analysis of Digital Assets (the "Framework") further elaborated on these principles, providing a set of factors to assess whether purchasers of a digital asset rely on the "efforts of others." For DAOs, the Framework discussed the importance of whether the founding team continues to play a significant managerial or promotional role, and whether token holders expect those parties to drive the project's value.

The Framework emphasized that reliance exists when an "active participant" drives network success through development, governance, or promotion. Nevertheless, if a DAO's governance and operations are truly decentralized, such that control and decision-making are widely distributed among token holders and there is no "active participant," the token may fall outside the definition of an investment contract.[4]

Both Director Hinman's 2018 remarks and the 2019 Framework focused on the degree of decentralization and the role of managerial efforts in determining a token's security status. Both also implied that the decentralized structure and governance of a DAO can eliminate reliance on a central group, which makes it less likely its network tokens are to be considered securities under federal law.

Following these pronouncements, the Commission brought and settled a number of enforcement actions related to DAOs (or entities that behaved in some manner like a DAO). First, in *In the Matter Blockchain Credit Partners, d/b/a DeFi Money Market*, *Gregory Keough, and Derek Acree*, Securities Act Rel. No. 10961 (Aug. 6. 2021), the Commission stated that because a DAO constitutes a "business enterprise," its offer of digital asset tokens could be deemed an offering of unregistered investment contracts or securities due to the "entrepreneurial or managerial efforts of others." *Id.* ¶¶ 45-54. DeFi Money Market was a classic example of a "DINO" – a "DAO In Name Only" – where the principals called it a "DAO," but controlled the network in every conceivable way, such as by making representations to the public unilaterally, using funds from token sales to make purchases, personally funding payments to redeeming token holders, and hiring agents to develop code. Control over the governance of the DAO was not actually dispersed in any way.

Second, in *In the Matter of Barnbridge DAO,* Securities Act. Rel. No. 11262 (Dec. 22, 2023) ("Barnbridge"), the Commission declared that the Barnbridge DAO sold unregistered securities in the form of its Smart Yield bonds, and also that the Smart Yield Pools were themselves unregistered investment companies. *Id.* ¶¶ 28-35. Underpinning both declarations was the Commission's assertion that Barnbridge, led by two individuals, advertised investment opportunities that would be developed and managed by the Barnbridge DAO, which "authorized the core team to conduct" certain activities. Importantly, however, the Commission did not establish or rely on any argument that the DAO had ongoing discretionary control over the Pools' operation.

Finally, as part of the Commission's "ETH 2.0" investigation, the Commission served numerous subpoenas on various members of the Ethereum developer community, and even Wells Notices to some participants in the blockchain development space, concerning an investigation into whether ETH was a security (after Ethereum's transition from a proof-of-work to a proof-of-stake blockchain in 2022) because of the efforts of its widely dispersed and decentralized developer

[4] On April 5, 2025, then-acting Chairman Mark Uyeda instructed SEC staff to review the Framework pursuant to Executive Order 14192, Unleashing Prosperity Through Deregulation, noting that the "purpose of this review is to identify staff statements that should be modified or rescinded consistent with current agency priorities." *See* U.S. Securities and Exchange Commission (@SECGov), X (April 5, 2025, 11:47 AM), https://x.com/SECGov/status/1908546943686492633.

community. *See generally*, *Consensys Software Inc., v. Gary Gensler, et al.*, No. 4:24-cv-00369, ECF 1 ¶¶ 72-76 (N.D. Tex. April 25, 2024). The Commission closed this investigation without action or comment, again leaving the industry without any further guidance as to the Commission's views.

The lack of clarity from the Commission's prior statements and DAO-related enforcement activity has left the public without meaningful guidance. This lacuna raises concerns about the treatment of DAOs going forward, including in areas addressed by Commissioner Peirce relating to the criteria used to evaluate decentralized networks as relevant to the federal securities laws. We address these questions below.

IV. Dispersion of Control And The Concomitant Absence Of Informational Asymmetries Confirm That Neither Network Tokens Nor Transactions In Network Tokens Are Securities

a. *If a DAO has a large number of different token holders and the opportunity for those token holders to actively participate in governance, its governance is sufficiently decentralized such that neither the network token for that DAO, nor transactions in which that network token are the object, should be considered a security or a securities transaction under* Howey.

Commissioner Peirce has asked (Request 13(a)) whether dispersion of control is a better framework for decentralization or an indicator of network maturity. We submit that it is.

The "efforts of others" prong of the *Howey* test examines whether investors in a scheme or transaction reasonably expect to earn profits as a result of the essential managerial or entrepreneurial efforts of a third party, as opposed to their own efforts. *See SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946). Courts analyzing the "efforts of others" prong in the crypto context have focused on whether token purchasers reasonably expect profits derived from a central party's managerial or entrepreneurial efforts.

For example, in *SEC v. Ripple Labs, et al.*, No. 20-cv-10832 (S.D.N.Y. July 13, 2023), the court held that institutional buyers of XRP relied on Ripple's efforts to develop the network and market the token, satisfying the "efforts of others" prong, while programmatic buyers on secondary markets did not, as their purchases were not tied to Ripple's specific promises. Conversely, in *SEC v. Terraform Labs PTE Ltd. and Do Kwon*, No. 23-cv-1346 (S.D.N.Y. July 31, 2023), the same district court rejected this distinction, ruling that the "efforts of others" prong was satisfied because purchasers inherently relied on Terraform's ongoing ecosystem development to expect profits.

DEF and UF respectfully submit that while the Commission's prior guidance, such as the DAO Report and the Framework, did contain some helpful guidance concerning the concepts of "sufficient decentralization" and "significant managerial efforts," the Commission should instead

focus on the existence of dispersed *control over the governance* of a network or protocol, rather than the ongoing efforts of developers or other identifiable groups as "active participants."[5]

DAOs can develop to a point where they are not driven or controlled by a single person or group to carry out the network's essential managerial or entrepreneurial efforts. In other words, many DAOs have no centralized team managing it. Rather, control over governance is distributed among a dispersed group of token holders, and holders are not relying on any specific "others" for any profit. Further, token holders often have conflicting views and disagreements – they do not always act as a unified group – which contradicts the argument that they constitute the 'efforts of others' in a singular aligned way.[6]

In these cases, the Commission should treat DAOs as nothing more than disparate people or groups of people. Some "DAOs" may have coordinated leadership, organizational structures, or other hallmarks of centralized control, resembling traditional corporations, but without any registration formalities. These "DINOs," as mentioned above, are distinct from true DAOs. True DAOs have no central authorities responsible for all decisions, and are largely governed by smart contracts that execute upon the coded instructions of widely dispersed communities without a clear common business purpose, any agreement to share profits or losses, any ability to admit or block new "members," or other hallmarks of corporate partnership. Such DAOs, and the token holders they are comprised of, should not be considered to be undertaking efforts on which other token holders rely for purposes of a *Howey* analysis.

Further supporting the notion that DAOs are merely disparate groups of people – and should be treated as such – anyone can join a DAO by simply buying a network token. To do so is permissionless; no one person or group, nor the existing DAO members, can control who can acquire a network token or participate in the DAO. The barriers to entry for joining a DAO are extremely low and permissionless, which distinguish DAOs from traditional business organizations and distinguish network tokens from traditional equity or debt securities.

To define decentralization, the dispersion of control over the governance of the network is the most effective guidepost. For example, to determine governance control, the Commission can consider the opportunity for open participation in the governance of a network, whether anyone can acquire a governance token, whether any token holder can make proposals and vote on proposals, the dispersion of ownership of network tokens, and whether changes to the network must be made by token holders casting votes.[7] The Commission can also consider whether there

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[5] DEF has made a separate submission to the Crypto Task Force discussing decentralization, among other concepts, in the context of a token safe harbor. *See* DeFi Education Fund, *Token Safe Harbor Guiding Principles* (April 18, 2025), https://www.defieducationfund.org/_files/ugd/84ba66_04e7a0f6cd7e4c95b47b08e0db16abb0.pdf.

[6] Although certain industry participants have posited that token holders should be considered partners in a partnership or unincorporated association, that legal analysis (whether correct or incorrect) is under state law, and should not bear on the non-applicability of federal securities laws.

[7] The security status of transactions in which a token is the object at a time when a network is decentralized should not be influenced by the security status of transactions in the token at a prior time before the network became decentralized. This approach is consistent with longstanding SEC guidance and comment – for example, Director Hinman's 2018 remarks that stated a token could cease to be a security if the associated network achieved meaningful decentralization.

is a decentralized governance mechanism built into a protocol; whether the protocol facilitates open and permissionless participation by allowing anyone to acquire a network token, make governance proposals, and vote; and whether no one person or group under common control can unilaterally modify the network (unless that authority has been delegated by an unaffiliated, dispersed group of token holders or validators).

To be sure, there are certain things that a DAO cannot control. For example, some DAOs cannot effectuate any protocol-level changes, so even a majority vote could not control certain fundamental changes to the network. In these cases, it further confirms that there is no centralized group capable of making all decisions on its own. Furthermore, all transactions and governance actions are visible and auditable by anyone, making manipulation or collusion difficult and making information asymmetries nonexistent. The absence of centralized control means that no single party or group can unilaterally dictate protocol changes, control funds, or disproportionately benefit from unilateral decision making. Collectively, all of these factors create a system where control over governance is broadly distributed, and ultimately, decentralized.

b. That token holders can delegate voting rights does not undermine dispersion of control over a network – it enhances it.

Commissioner Peirce has asked (Request 13(b)) whether the delegation of voting rights should be taken into account when assessing decentralization. We submit that the opportunity to delegate one's voting rights does not undermine dispersion of governance control, but rather enhances that dispersion.

Voting delegation (proxy voting) within a DAO should not be viewed as undermining decentralization; rather, it is a mechanism for enabling broader and more dispersed participation, particularly for members who may lack the expertise or time to vote directly. Delegation in particular allows token holders to, on a permissionless basis, entrust their voting power to others (for as long or short of a time as that token holder may want), while still maintaining the overall distribution of decision-making authority across the community, supporting the DAO's democratic ethos. Further, delegates are naturally held accountable by token holders, since delegates can be replaced if necessary or just preferred.

Voting delegation also helps to minimize inadvertent centralization of control. For instance, the industry has long recognized that while DAOs promise decentralized governance, they face persistent challenges inherent to permissionless systems, such as the potential for a concentration of voting power among "whales" (large token holders) and the risk of improper coordination among participants. To address these issues, some DAOs are evolving their existing voting mechanisms, such as requiring tokens to be locked for certain periods before voting, to reduce "whale" dominance.[8] To be clear, these are ongoing developments in the space that are not yet concrete and widely adopted solutions – but the industry can (and is highly motivated to)

[8] *See* Shunya Tamai and Shoji Kasahara, *DAO voting mechanism resistant to whale and collusion problems* (June 16, 2024), https://www.frontiersin.org/journals/blockchain/articles/10.3389/fbloc.2024.1405516/full.

continue to adapt to such challenges if DAOs have the opportunity to develop and mature in future years.

Along the same lines, delegating responsibility does not undercut decentralization. We are aware that many DAOs enjoy the support of a nonprofit foundation or separate legal entity whose mission is to support a network, or enjoy the support of active marketing efforts performed by an identifiable third-party, who may or may not be a token holder in the DAO. Neither should be an indicator of centralization. Decentralization is not undermined when (as is a common dynamic) such a foundation or separate entity does not make decisions or provide managerial efforts in place of a DAO, or exercise actual control over the DAO's governance or operations, but rather serves administrative, legal, or compliance functions at the direction of the DAO community. For example, foundations or separate entities can handle financial and accounting practices, coordination with legal counsel, or work with community builders to support the native token's ecosystem, subject to a DAO's approval. Indeed, such an arrangement demonstrates dispersed control.

Similarly, active marketing efforts by a DAO should also not be equated with centralized control. Marketing campaigns by a DAO are typically initiated by a diverse group of participants and are open to community input, or are undertaken by a centralized group with the explicit, delegated consent of token holders. In these scenarios, promotional activities remain in the control of the dispersed and active participation of the DAO, rather than a single person or centralized group.

c. There are no material information asymmetries in a sufficiently decentralized network, which reinforce that the federal securities laws do not apply to DAOs or their tokens.

Part of the purpose of registration and disclosures under the federal securities laws is to provide material information to investors about the person or group controlling the enterprise upon whom investors are relying, such as their background, financing, and future plans. One difficulty of squaring the concept of a DAO with the Commission's "disclosure-based regime" is that in a DAO, there are no "issuers" or chief active participants who would be clearly responsible for making disclosures about a particular network or token. However, the nature of the technology itself provides a solution and moots the need for persons to proactively make disclosures – everything on the blockchain is publicly available. Ongoing efforts to maintain or develop a system without centralized control do not create information asymmetries and trust dependencies that would normally implicate the need for disclosure and regulation under the securities laws.

If a DAO is sufficiently decentralized, it is no longer the case that token holders can reasonably expect any specific person or group to carry out the essential managerial efforts related to the network, nor provide disclosures. And because token holders are collectively involved with the operation and growth of the network, and because the network and its activity are entirely on-chain, any material information asymmetries between token holders disappear – as should the requirement that any one participant in a DAO make informational disclosures.

Blockchain records are a uniquely transparent and immutable resource.[9] Public blockchain records show every transaction, governance vote, token distribution, and protocol change in real time, creating an auditable trail that can be used not only by members of the community, but by the Commission. Members of the public interested in joining a DAO or viewing its past activity can see all DAO votes on-chain, and follow public forum discussions.

While all relevant blockchain data is publicly accessible, we recognize that there may be open questions about whether this information is easily interpretable or presented in "plain English" for token holders, regulators, and the general public. While the technical nature of certain blockchain records may pose challenges for a layperson, the availability of this transparent and immutable data ensures that anyone – including the Commission – can access, audit and translate these records as needed.

We also observe that publicly available tools for querying and interpreting blockchain data have evolved to the point that they, in many cases, can present blockchain data in a manner that is even more user-friendly than the complex, lengthy, and curated financial, operational, and accounting information disclosed by public companies under SEC rules. *See, e.g.*, Dune, *available at:* https://www.dune.com (providing "raw, decoded, and cross-chain data from all major networks" in a variety of uniquely queryable and user-friendly ways).

As one illustrative example as to how DAOs have resolved informational asymmetries, for the Uniswap Protocol, a UNI token delegate proposed using a certain "bridge" to deploy the protocol on another blockchain. Many delegates and token holders raised concerns about the safety of the bridge, given that many smart contract-based hacks have occurred on bridge protocols. The public debate over the proposal quickly became deeply technical. UF, an entity that had previously been funded by Uniswap Protocol governance, convened a panel of experts to develop a framework for evaluating bridge protocols in this specific Uniswap cross-chain governance use case, as well as published a full report, along with the framework used to write it. Ultimately, the community voted to deploy one of the bridges discussed by the panel. This scenario exemplifies how on-chain activity can reduce information asymmetry.

d. The Commission can accept disclosures concerning dispersed governance control from any person, and use public blockchain data to assess that dispersed governance control.

Commissioner Peirce has asked how ownership of governance tokens and voting rights should be considered in assessing the dispersion of governance control of a network or protocol (Request 13(a)), and whether a dispersed group should have the responsibility to notify the Commission proactively once it reaches a certain level of decentralization (Request 13(b)). We submit that the Commission can accept the requisite disclosures about a network's or protocol's

[9] *See, e.g.*, Uniswap v4 Launch Metrics Tracker, https://dune.com/uniswap_fnd/v4-launch-metrics-tracker/dd3d0388-a38e-4c13-bfd2-0719d0d53e31.

dispersed governance control from any person, given that blockchain data, as discussed, would evidence the dispersion of governance control.

Indeed, the Commission can and should be using these publicly available records for assessing decentralization, and dispersed governance control. Key metrics, such as token holder concentration and voting participation rates, can be easily accessed. The volume and accuracy of this data can enable the Commission to analyze decentralization objectively, relying on empirical evidence to determine whether a network's governance is genuinely dispersed. Given the transparency and reliability inherent in blockchain records, the Commission need not issue intrusive and burdensome subpoenas or requests for documents and electronic communications when the records the Commission seeks are publicly available.

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As part of the Commission's review of the Framework pursuant to Executive Order 14192, as instructed by then acting Chairman Uyeda on April 5, 2025, and in consideration of the principles of prosperity and deregulation underpinning Executive Order 14192, we respectfully recommend that the Commission adopt the following principles to provide much needed clarity to the DAO ecosystem:

- The Commission should treat DAOs with decentralized control over governance of the network as nothing more than disparate and dispersed groups of people, unless facts are developed that indicate otherwise;

- The Commission should recognize that DAOs with decentralized control over the governance of the network are not an identifiable and coordinated group of "others" undertaking efforts for the purposes of the "efforts of others" prong of a *Howey* analysis; and

- The Commission should recognize that blockchain records are a uniquely transparent and immutable resource that eliminate informational asymmetries.

The Commission should consider releasing guidance or a staff statement formally recognizing these principles.

We appreciate the Crypto Task Force's desire to engage transparently on issues relating to digital assets, and in particular, the matters discussed above. We look forward to being a resource to the Crypto Task Force, and continuing this productive dialogue with the Staff.

Respectfully,

/s/ Amanda Tuminelli
Amanda Tuminelli, Esq., Executive Director and Chief Legal Officer, DeFi Education Fund

/s/ Brian Nistler
Brian Nistler, Esq. General Counsel, Uniswap Foundation

cc:

Jason P. Gottlieb, Esq., Morrison Cohen LLP
Daniel C. Isaacs, Esq., Morrison Cohen LLP
Vani Upadhyaya, Esq., Morrison Cohen LLP