

**DRAFT ONLY
NOT APPROVED FOR
INTRODUCTION**

HOUSE BILL NO.

Decentralized autonomous organizations.

Sponsored by: Select Committee on Blockchain, Financial
Technology and Digital Innovation Technology

A BILL

for

1 AN ACT relating to corporations; providing for the
2 formation and management of decentralized autonomous
3 organizations; providing definitions; and providing for an
4 effective date.

5

6 *Be It Enacted by the Legislature of the State of Wyoming:*

7

8 **Section 1.** W.S. 17-31-101 through 17-31-115 are
9 created to read:

10

11

CHAPTER 31

12

DECENTRALIZED AUTONOMOUS ORGANIZATION SUPPLEMENT

1

2

ARTICLE 1

3

PROVISIONS

4

5

17-31-101. Short title.

6

7

This chapter shall be known and may be cited as the

8

"Wyoming Decentralized Autonomous Organization Supplement."

9

10

17-31-102. Definitions.

11

12

(a) As used in this chapter:

13

14

(i) "Blockchain" means as defined in W.S. 34-29-

15

106(g)(i);

16

17

(ii) "Decentralized autonomous organization"

18

means a limited liability company organized under this

19

chapter;

20

21

(iii) "Majority of the members," means the

22

approval of more than fifty percent (50%) of participating

23

membership interests in a vote for which a quorum of

1 members is participating. Withdrawn members shall not be
2 deemed to possess membership interests for the purposes of
3 calculating the majority of the members;

4

5 *****
6 *****

7 **STAFF COMMENT**

- 8 • W.S. 17-29-102(a)(xxv) defines "Majority of the
9 members" as follows:

10

11 "(xxv) "Majority of the members," unless the operating
12 agreement provides otherwise, means:

13

14 (A) For a limited liability company formed before July 1,
15 2010, more than fifty percent (50%) of its membership
16 interests based on each member's proportionate contribution
17 to the capital of the limited liability company, as
18 adjusted from time to time to properly reflect any
19 additional contributions or withdrawals by the members,
20 unless the limited liability company amends its articles of
21 organization to provide otherwise;

22

23 (B) For a limited liability company formed on or after
24 July 1, 2010, a per capita majority of the members."

25

26 **As currently defined in this bill draft, "Majority of the
27 members" appears to be more of a voting requirement. The
28 Committee may wish to consider how this definition is
29 structured in relation to the LLC act.**

30

- 31 • With respect to the definition of "Membership
32 interest" below the Committee may wish to consider
33 whether an entity can have a membership interest in an
34 algorithmically-managed DAO.

35 *****
36 *****

37

38 (iv) "Membership interest" means a member's
39 ownership share in a member-managed decentralized

1 autonomous organization, which may be defined in the
2 entity's articles of organization, smart contract or
3 operating agreement;

4

5 (v) "Open blockchain" means a blockchain as
6 defined in W.S. 34-29-106(g)(i) that is publicly accessible
7 and its ledger of transactions is transparent;

8

9 (vi) "Quorum" means a minimum requirement on the
10 sum of membership interests participating in a vote for
11 that vote to be valid;

12

13 (vii) "Smart contract" means an automated
14 transaction, as defined in W.S. 40-21-102(a)(ii), or any
15 substantially similar analogue, which is comprised of code,
16 script or programming language that executes the terms of
17 an agreement and which may include taking custody of and
18 transferring an asset, administrating membership interest
19 votes with respect to a decentralized autonomous
20 organization or issuing executable instructions for these
21 actions, based on the occurrence or nonoccurrence of
22 specified conditions.

23

1 **17-31-103. Application of Wyoming Limited Liability**
2 **Company Act.**

3

4 (a) The Wyoming Limited Liability Company Act applies
5 to decentralized autonomous organizations to the extent not
6 inconsistent with the provisions of this chapter and the
7 powers provided to the secretary of state by W.S. 17-29-
8 1102 shall apply to this chapter.

9

10 (b) This chapter does not repeal or modify any statute
11 or rule of law that applies to a limited liability company
12 that is organized under the Wyoming Limited Liability
13 Company Act that does not elect to become a decentralized
14 autonomous organization.

15

16 **17-31-104. Definition and election of decentralized**
17 **autonomous organization status.**

18

19 (a) A decentralized autonomous organization is a
20 limited liability company whose articles of organization
21 contain a statement that the company is a decentralized
22 autonomous organization as described in subsection (c) of
23 this section.

1

2 (b) A limited liability company formed under the
3 Wyoming Limited Liability Company Act, W.S. 17-29-101
4 through 17-29-1102, may convert to a decentralized
5 autonomous organization by amending its articles of
6 organization to include the statement required by
7 subsections (a) and (c) of this section and W.S. 17-31-106.

8

9 (c) A statement in substantially the following form
10 shall appear conspicuously in the articles of organization
11 or operating agreement, if applicable, in a decentralized
12 autonomous organization:

13

14 NOTICE OF RESTRICTIONS ON DUTIES AND TRANSFERS

15

16 The rights of members in a decentralized autonomous
17 organization may differ materially from the rights of
18 members in other limited liability companies. The Wyoming
19 Decentralized Autonomous Organization Supplement,
20 underlying smart contracts, articles of organization and
21 operating agreement, if applicable, of a decentralized
22 autonomous organization may define, reduce or eliminate
23 fiduciary duties and may restrict transfer of ownership

1 interests, withdrawal or resignation from the decentralized
2 autonomous organization, return of capital contributions
3 and dissolution of the decentralized autonomous
4 organization.

5

6 (d) The registered name for a decentralized autonomous
7 organization shall include wording or abbreviation to
8 denote its status as a decentralized autonomous
9 organization, specifically "DAO," "LAO", or "DAO LLC."

10

11 *****

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STAFF COMMENT

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15 "LAO" is only used in this subsection, and is not as
16 readily recognizable as "DAO" from the context. The
17 Committee may wish to consider clarifying the term or
18 removing it if it is unnecessary.

19

20

21

22 (e) A statement in the articles of organization may
23 define the decentralized autonomous organization as either
24 a member-managed decentralized autonomous organization or
25 an algorithmically-managed decentralized autonomous
26 organization. If the type of decentralized autonomous
27 organization is not otherwise provided for, the limited

1 liability company will be presumed to be a member-managed
2 decentralized autonomous organization.

3

4 **17-31-105. Formation.**

5

6 (a) Any person may form a decentralized autonomous
7 organization which shall have one (1) or more members by
8 signing and delivering one (1) original and one (1) exact
9 or conformed copy of the articles of organization to the
10 secretary of state for filing. The person forming the
11 decentralized autonomous organization need not be a member
12 of the organization.

13

14 (b) Each decentralized autonomous organization shall
15 have and continuously maintain in this state a registered
16 agent as provided in W.S. 17-28-101 through 17-28-111.

17

18 (c) A decentralized autonomous organization may form
19 and operate for any lawful purpose, regardless of whether
20 for profit.

21

22 (d) An algorithmically-managed decentralized
23 autonomous organization may only form under this chapter if

1 the underlying smart contracts are able to be updated,
2 modified or otherwise upgraded.

3

4 **17-31-106. Articles of organization.**

5

6 (a) The articles of organization of a decentralized
7 autonomous organization shall include a statement that the
8 organization is a decentralized autonomous organization,
9 pursuant to W.S. 17-31-104, and shall set forth the matters
10 required by W.S. 17-29-201.

11

12 (b) In addition to the requirements of subsection (a)
13 of this section the articles of organization shall include
14 a publicly available identifier of any smart contract
15 directly used to manage, facilitate or operate the
16 decentralized autonomous organization.

17

18 (c) Except as otherwise provided in this chapter, the
19 articles of organization and smart contracts for every
20 decentralized autonomous organization shall govern all of
21 the following:

22

1 (i) Relations among the members and between the
2 members and the decentralized autonomous organization;

3

4 (ii) Rights and duties under this chapter of a
5 person in their capacity as a member;

6

7 (iii) Activities of the decentralized autonomous
8 organization and the conduct of those activities;

9

10 (iv) Means and conditions for amending the
11 operating agreement;

12

13 (v) Rights and voting rights of members;

14

15 (vi) Transferability of membership interests;

16

17 (vii) Withdrawal of membership;

18

19 (viii) Distributions to members prior to
20 dissolution;

21

22 (ix) Amendment of the articles of organization;

23

1 (iii) The decentralized autonomous organization's
2 smart contracts have been updated or changed.

3

4 *****
5 *****

6 STAFF COMMENT

7 The Committee may wish to consider how paragraph (iii)
8 above would be implemented in practice, and how this
9 requirement would be incorporated into the articles of
10 organization.

11 *****
12 *****

13

14 17-31-108. Operating agreement.

15

16 To the extent the articles of organization or smart
17 contract do not otherwise provide for a matter described in
18 W.S. 17-31-106, the operation of a decentralized autonomous
19 organization may be supplemented by an operating agreement.

20

21 17-31-109. Management.

22

23 Management of a decentralized autonomous organization shall
24 be vested in its members, if member-managed, or the smart
25 contract, if algorithmically-managed, unless otherwise
26 provided in the articles of organization or operating
27 agreement.

1

2 **17-31-110. Standards of conduct for members.**

3

4 Unless otherwise provided for in the articles of
5 organization or operating agreement, no member of a
6 decentralized autonomous organization shall have any
7 fiduciary duty to the organization or any member except
8 that the members shall be subject to the implied
9 contractual covenant of good faith and fair dealing.

10

11 **17-31-111. Membership interests for member-managed**
12 **decentralized autonomous organizations; voting.**

13

14 (a) For purposes of W.S. 17-31-113 and W.S. 17-31-114
15 and unless otherwise provided for in the articles of
16 organization, smart contract or operating agreement:

17

18 (i) Membership interests in a member-managed
19 decentralized autonomous organization shall be calculated
20 by dividing a member's contribution of digital assets to
21 the organization divided by the total amount of digital
22 assets contributed to the organization at the time of a
23 vote;

1

2 (ii) If members do not contribute digital assets
3 to an organization as a prerequisite to becoming a member,
4 each member shall possess one (1) membership interest and
5 be entitled to one (1) vote;

6

7 (iii) A quorum shall require not less than a
8 majority of membership interests entitled to vote.

9

10 **17-31-112. Right of members, managers and dissociated**
11 **members to information.**

12

13 Members shall have no right under W.S. 17-29-410 to
14 separately inspect or copy records of a decentralized
15 autonomous organization and the organization shall have no
16 obligation to furnish any information concerning the
17 organization's activities, financial condition or other
18 circumstances to the extent the information is available on
19 an open blockchain.

20

21 **17-31-113. Withdrawal of members.**

22

1

2 **17-31-114. Dissolution.**

3

4 (a) A decentralized autonomous organization organized
5 under this chapter shall be dissolved upon the occurrence
6 of any of the following events:

7

8 (i) The period fixed for the duration of the
9 organization expires;

10

11 (ii) By vote of the majority of members of a
12 member-managed decentralized autonomous organization;

13

14 (iii) At the time or upon the occurrence of
15 events specified in the underlying smart contracts or as
16 specified in the articles of organization or operating
17 agreement;

18

19 (iv) The decentralized autonomous organization
20 has failed to approve any proposals or take any actions for
21 a period of one (1) year;

22

1 (v) By order of the secretary of state if the
2 decentralized autonomous organization is deemed to no
3 longer perform a lawful purpose.

4

5 (b) As soon as possible following the occurrence of
6 any of the events specified in subsection (a) of this
7 section causing the dissolution of a decentralized
8 autonomous organization, the organization shall execute a
9 statement of intent to dissolve in the form prescribed by
10 the secretary of state.

11

12 **17-31-115. Miscellaneous.**

13

14 The articles of organization and the operating agreement of
15 a decentralized autonomous organization are effective as
16 statements of authority. Where the underlying articles of
17 organization and operating agreement are in conflict, the
18 articles of organization shall preempt any conflicting
19 provisions. Where the underlying articles of organization
20 and smart contract are in conflict, the smart contract
21 shall preempt any conflicting provisions of the articles of
22 organization.

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1 *****

2 *****

3 STAFF COMMENT

4 The Committee may wish to consider whether the last
5 sentence above authorizes a smart contract to violate the
6 articles of organization.

7 *****

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10 Section 2. This act is effective July 1, 2021.

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12 (END)