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A FEW REMARKS ON THE LEGAL STATUS OF DAOS IN THE EUROPEAN UNION AND THE REPUBLIC OF ARMENIA

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Abstract. The development of blockchain technology has led to the emergence of a novel form of collaborative organization, known as Decentralized Autonomous Organizations (DAOs), which rely on internet-based communication and cryptographic mechanisms. The economic significance of DAOs has prompted legislators to consider appropriate legal frameworks. This article analyzes the legal status of DAOs in the European Union and the Republic of Armenia. While the EU adopted the Markets in Crypto-Assets Regulation (MiCA), it refrained from recognizing DAOs as distinct legal entities, despite preliminary considerations during the legislative process. Similarly, Armenia, through the Law on Crypto-Assets (HO-159-N), inspired by MiCA, does not explicitly address DAOs. Consequently, both jurisdictions exhibit a regulatory gap. The article demonstrates that, even in the absence of dedicated legislation, interpretative cues within these legal instruments can provide guidance on how DAOs may be treated under EU and Armenian law. By examining these frameworks, the study contributes to understanding the potential legal recognition and regulation of DAOs in different legal systems.

Keywords - *Decentralized Autonomous Organizations, decentralized finance, crypto-assets regulation, legal status, European Union, Armenia, blockchain.*

1. Introduction

The development of blockchain technology has contributed to the emergence of a new form of cooperation based on the use of internet communication and cryptographic encryption, known as decentralized autonomous organizations

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(DAOs). The scale of this phenomenon indicates its growing economic significance, which for many legislators constitutes a premise for the development of appropriate legal regulations[3]. There are numerous concepts concerning the regulation of the legal status of DAOs. Each state that undertakes an attempt to address this issue can point to its own experiences, which are often unique when compared to those of other jurisdictions.

The aim of this article is to analyse the legal status of DAOs in light of the most recent regulations adopted by the European Union (EU or the Union) and the Republic of Armenia. By adopting the Markets in Crypto-Assets Regulation[4] (MiCA), the European Union ultimately decided not to recognise DAOs as a separate legal entity, despite the fact that this issue had been subject to preliminary consideration during the legislative process. A similar approach was taken by Armenia with the adoption of the Law on Crypto-Assets (HO-159-N)[5], which, although inspired by the solutions introduced by MiCA, likewise does not directly address DAOs. Both legal acts therefore leave a significant regulatory gap. The article seeks to demonstrate that, notwithstanding the absence of dedicated regulation, it is nevertheless possible – on the basis of interpretative indications contained in both acts – to provide an answer as to how DAOs should be treated within the legal orders of the European Union and the Republic of Armenia.

2. DAOs – An Explanation of the Concept and An Definition Attempt

The first references about DAOs appeared as early as 2013, when V. Buterin, in the Ethereum white paper, suggested the possibility of programming decentralized forms of cooperation between individuals[6]. Buterin described the operational logic of virtual organizations whose functioning resembles traditional forms of collective organization, such as companies, foundations, or associations[7]. There is no single, universally accepted definition of a DAO, and existing conceptualizations emphasize different aspects of this complex phenomenon. A definition frequently cited in the legal literature is that proposed by S. Hassan and P. De Filippi, who describes a DAO as "a blockchain-based system that enables people to coordinate

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[3] There are over 172.7 thousand such entities operating worldwide; see: https://daobase.ai.
[4] Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937.
[5] Act available here: https://www.arlis.am/hy/acts/210999.
[6] Buterin, V. Ethereum Whitepaper, https://ethereum.org/en/whitepaper/ (access: 02.09.2025).
[7] Czarnecki, J. Czym są inteligentne kontrakty i DAO? [in:] Zandberg-Malec, J. (eds.) *Blockchain, inteligentne kontrakty i DAO*. Warsaw 2016, p. 8, (report), https://wardynski.com.pl/publikacje/-opracowania/blockchain-inteligentne-kontrakty-i-dao (access: 17.12.2025).

and govern themselves mediated by a set of self-executing rules deployed on a public blockchain, and whose governance is decentralized (i.e., independent from centralized control)"[8].

DAOs are not established through legal procedures characteristic of traditional legal forms. The process of creating a DAO is based on the use of blockchain technology and smart contracts, which differs fundamentally from the formation of a legal person under positive law. It may be argued that the creation of a DAO does not require knowledge of legal regulations but rather programming skills. Every aspect of a DAO's operation – including rules of participation, financial management, participant voting on decisions, and amendments to the organization's source code – is expressed in the form of computer code embedded in smart contracts.

It should also be noted that DAOs function as native economic units operating within the cryptocurrency sector, particularly in its decentralized finance segment (DeFi). DAOs may be used to coordinate DeFi applications providing cryptocurrency-related services. DAO participants may govern decentralized cryptocurrency exchanges (DEXs) or lending protocols[9].

3. DAOs – Justification for the Need of Regulation

Unlike traditional forms of cooperation, DAOs are not generally recognized as subjects of law. They are neither legal persons nor even organizational units endowed with legal capacity (at least in legal systems in which legal capacity does not necessarily entail legal personality). Consequently, DAOs cannot constitute entities separate from their participants with respect to rights and obligations. This state of affairs adversely affects fundamental institutions of both material and procedural civil law. DAOs do not appear as parties to legal transactions, nor can they be regarded as owners of property within the meaning of civil law. The only assets they may hold consist of crypto-assets recorded within blockchain infrastructure (so-called *on-chain assets*). DAOs lack legal standing before courts and therefore cannot act as claimants or defendants in judicial proceedings[10]. The resulting lack of integration with the traditional financial and banking system further complicates their participation in economic transactions, particularly with

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[8] Hassan, S. & De Filippi, P. Decentralized Autonomous Organization. Internet Policy Review, 2021, No. 2(10), p. 1.

[9] Shahzad, I. What Are DAOs & Why Do We Need Them?, https://medium.com/coinmonks/what-are-daos-why-do-we-need-them-23738ab528df (access: 01.12.2025).

[10] See, by contrast: CFTC v. Ooki DAO, 2022 WL 17822445 (N.D. Cal. Dec. 20, 2022).

regard to the payment of public-law obligations, such as income tax settlements[11]. There are no clear rules specifying who, within this virtual form of cooperation, bears liability for potential obligations, irrespective of whether such obligations arise from contract or tort[12]. The virtual and decentralized nature of DAOs renders traditional methods of determining applicable law – typically based on the registered seat of a legal person – potentially insufficient[13]. Under the current legal framework, the use of DAOs as vehicles for conducting business activities entails significant legal risks for participants as well as for other stakeholders, including developers and users. These groups may encounter substantial difficulties in enforcing their claims, a consequence directly attributable to the existing legal status of DAOs. Regulating the legal status of DAOs, as well as their internal and external relationships, would contribute to enhancing legal certainty, the security of economic transactions, and the overall stability of the digital asset market.

4. Overview of Global DAO Regulations

4.1. The Legal Wrapper Concept - Explanation

Legal practice and legal scholarship have developed a number of solutions aimed at facilitating the legal structuring of DAOs, offering various regulatory models and legal constructs designed to mitigate the legal risks associated with DAO operations. The concept that has gained the greatest recognition is commonly referred to as the *legal wrapper*. This solution is often presented as an entity endowed with a separate legal personality, which shields DAO participants from personal liability for obligations and serves as an interface between the DAO and the off-chain world, for instance by enabling the performance of legal acts and the settlement of tax obligations on behalf of DAO participants[14].

The creation of a legal person that "assumes responsibility" for a DAO is not, however, the only method of constructing a legal wrapper. A comparative overview of global jurisdictions demonstrates that this function may be effectively fulfilled not only by cooperative forms that result in the creation of a legal entity,

[11] An exception may arise where the laws of a given jurisdiction allow tax settlements to be made in cryptocurrencies; see. PwC Report. El Salvador's law: a meaningful test for Bitcoin, https://www.pwc.com/gx/en/financial–services/pdf/el–salvadors–law–a–meaningful–test–for–bitcoin.pdf (access: 19.06.2025).

[12] Jamka, R. Zdecentralizowane Organizacje Autonomiczne (DAO) – rekonesans potencjału rewolucyjnego, Palestra, 2025, No. 1, p. 199.

[13] Świerczyński, M. Przełomowe technologie informatyczne w prawie prywatnym międzynarodowym. Warsaw 2024, p. 169-170.

[14] Jamka, R. *op. cit.*, p. 203.

but also by contractual arrangements established on the basis of the principle of freedom of contract[15]. An obligational relationship serving as a legal wrapper makes it possible to flexibly regulate the mutual rights and obligations of DAO participants without the necessity of creating a legal person.

4.2. Examples of Legal Wrappers

An analysis of so-called legal wrappers applied in selected jurisdictions demonstrates a significant diversity of approaches to the legal structuring of DAOs. In the majority of countries, no statutory provisions have yet been adopted that would explicitly define the formal legal status of DAOs. Notable exceptions include certain U.S. states. The legislatures of Vermont[16], Wyoming[17], Tennessee[18], Utah[19], and New Hampshire[20] have adopted regulations providing for a dedicated DAO subtype of LLCs.

A dedicated legal form has also been introduced in the United Arab Emirates[21], which opted for the model of a DAO association. In jurisdictions where the legislator has not resolved the formal legal classification of DAOs, the existing regulatory gap may be addressed through the appropriate application of provisions governing traditional legal forms, such as general partnerships (e.g. California, Philippines), traditional LLCs (Delaware), foundations (Switzerland), associations (California, Liechtenstein, Switzerland), limited cooperative associations (Colorado), foundation companies (Cayman Islands), and trusts (Jersey)[22].

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[15] See more in: de Lima Pinbeiro, L. Laws Applicable to International Smart Contracts and Decentralized Autonomous Organizations (DAOs) [in:] Perestrelo de Oliveira, M. & Garcia Rolo, A. (eds.), Decentralised Autonomous Organisation (DAO) Regulation, Tübingen 2024, p. 277.
[16] Vt. Stat. tit. 11 § 4173 et seq. (2025).
[17] Wyo. Stat. Ann. § 17-31-101 et seq. (2025).
[18] Tenn. Code Ann. § 48-250-101 et seq. (2025).
[19] Utah Code § 48-5-101 et seq. (2025).
[20] NH Rev Stat § 301-B:1 et seq. (2025).
[21] See DAO Association Regulations 2024 issued by the Ras Al Khaimah, https://freezone.innovationcity.com/dao-association-regulations/ (access: 17.12.2025).
[22] DAObox. DAO Legal Wrappers: Definition, Types, Jurisdictions, and Use Cases, https://docs.daobox.io/dao-legal-wrapper-design-and-creation/legal-wrappers-for-daos-definition-types-jurisdictions-and-use-cases (access: 18.12.2025).

5. An Attempt to Reconstruct the Legal Status of DAOs in the European Union Based on the MiCA Regulation

5.1. Introductory Remarks

At the level of the European Union, DAOs have not yet been subject to a separate, dedicated regulatory framework comparable to the solutions adopted in certain U.S. states. At the same time, the EU has recently adopted the Markets in Crypto-Assets Regulation (MiCA), which establishes a comprehensive legal framework for the trading of crypto-assets. Although MiCA does not explicitly address DAOs, an analysis of its provisions based on literal and functional interpretation may allow for the determination of the legal status of DAOs within the EU, as well as the potential scope of application of MiCA to DAO-related activities. Examining the legal status of DAOs from the perspective of this regulation is justified by its subject matter, namely crypto-assets, which are also widely used within DAO structures. Moreover, it cannot be overlooked that, in the practical functioning of the crypto-asset market, these organizations play a significant role. DAOs may be used to manage DeFi applications and may also acquire crypto-assets on their own account. In light of this, the decision to omit this phenomenon from the material scope of the regulation may not be entirely clear. Precisely because MiCA regulates the provision of crypto-asset services, it constitutes an important source of insight into the legal status of DAOs in the European Union, even if such forms of cooperation do not fall within the regulation's direct focus.

5.2. DAOs and the Scope of MiCA

The subject matter scope of MiCA clearly indicates that the EU legislator has focused on the regulation of services provided in a centralized manner. MiCA applies to natural persons, legal entities, as well as partnerships[23] and certain other enterprises involved in the issuance, public offering, and admission to trading of crypto-assets, or in the provision of crypto-asset services within the territory of the Union (see Art. 2(1) of MiCA). MiCA directly addresses only entities with a recognized legal status, for which there is no doubt regarding their legal capacity, which contrasts with the situation of DAOs, whose formal legal status remains the subject of intense debate.

It might therefore appear that such organizations would be excluded under the catalogue of exempted entities. However, this is not the case (see Art. 2(2) of MiCA), and the question of using DAOs in economic transactions remains

[23] See Recital 74 of MiCA.

unresolved. Certain interpretative cues, which simultaneously reflect the legislator's approach to decentralized trading, are provided in Recital 22 of MiCA. The legislative technique employed renders this recital rather opaque, and consequently, it itself requires interpretation.

5.3. "Full Decentralization" as a Criterion Excluding the Application of MiCA

The EU legislator's approach to decentralized trading is reflected in the second sentence of Recital 22 of MiCA, which states: "Where crypto-asset services are provided in a fully decentralized manner without intermediaries, they should not fall within the scope of this Regulation". Under this provision, service models that can be described as "fully decentralized" are excluded from the scope of MiCA. However, a question arises as to what exactly constitutes "full decentralization" and, more importantly, whether DAOs can be regarded as an expression of such decentralization. Consequently, it must be examined whether DAOs are excluded from the application of MiCA on the grounds that they meet this criterion.

"Decentralization" should not be understood as a binary criterion; rather, it can be viewed along a spectrum[24]. Decentralization occurs across multiple dimensions (e.g., access, development, governance, finances, and operations) and is inherently gradable[25]. Generally, the higher the degree of decentralization, the more processes can be automated, simultaneously reducing the need for human oversight or influence.

It should be emphasized that current legislation does not specify which dimension or degree of decentralization the legislator had in mind in Recital 22 of MiCA. EU law has not yet established criteria to determine when a particular model can be considered "decentralized", and no legal act decisively clarifies under what circumstances a model may lose this characteristic. Some guidance on this matter has been provided in the recently published European Banking Authority[26] (EBA) guidelines, which state that "decentralised" means the application "(...) is

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[24] Veas, C. DeFi and MiCA: How much decentralisation is enough?, https://www.lexology.com/library/detail.aspx?g=ada74ccc-c1aa-4dfd-bdbc-93fcda62bdb2 (access: 10.11.2025).

[25] See more in: CFTC's Technology Advisory Committee. Decentralized Finance Report, p. 20-25, https://www.cftc.gov/About/AdvisoryCommittees/TAC (access: 10.11.2025).

[26] Guidelines amending Guidelines EBA/2021/02 on customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions ('The ML/TF Risk Factors Guidelines') under Articles 17 and 18(4) of Directive (EU) 2015/849, 16 January 2024, EBA/GL/2024/01, https://www.eba.europa.eu/sites/default/files/2024-01/a3e89f4f-fbf3-4bd6-9e07-35f3243555b3/Final%20Amending%20%20Guidelines%20on%20MLTF%20Risk%20Factors.pdf (access: 05.12.2025).

not controlled or influenced by a legal or natural person"[27]. In this understanding, for a DAO to be recognized as "decentralized" and thus excluded from the scope of MiCA, no natural or legal person may exercise exclusive control over it. Authorities responsible for implementing MiCA will, however, need to determine the extent to which human influence is permissible for a DAO to still be considered "fully decentralized"[28].

5.4. "Partial Decentralization" as a Criterion for the Application of MiCA

The exclusion of transactions in which the service provision model meets the criterion of "full decentralization" results in MiCA effectively covering only centralized or hybrid models (also referred to as "partially decentralized"), i.e. those combining centralized and decentralized elements. This is confirmed by the first sentence of Recital 22, which states that MiCA also applies where only part of the "(...) activities or services is performed in a decentralized manner".Accordingly, these are models in which decentralized components merely complement a centralized activity. This is particularly the case where traditional "(...) undertakings carry out, provide or control, directly or indirectly (...)" a given activity (see Recital 22). An example of a "partially decentralized" model is a situation in which a legal entity (the centralized element) exercises control over a decentralized cryptocurrency exchange (the decentralized element).As with the earlier discussion concerning the criterion of "full decentralization," EU (and national) authorities responsible under the Regulation for the supervision of the crypto-asset market have not yet had the opportunity to clarify how such "control" should be understood. Such clarification would undoubtedly help determine when a service provision model qualifies as "partially decentralized".

Certain sources of inspiration in this respect can be found in U.S. law, in particular in orders issued by the Commodity Futures Trading Commission (CFTC). In one such order, it was held, for example, that Deridex Inc. "(...) retained substantial control over the Deridex Protocol (...)", which was manifested in its "(...) ability to update relevant smart contract code to adjust how the smart contracts operated in order to, among other things, suspend trading or prevent users

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[27] See ibidem point 21.3 d) iii (p. 21).

[28] At the same time, it is worth noting the consultation paper issued by the European Securities and Markets Authority in connection with the MiCA legislative process, which recognizes that there are various degrees and variants of decentralization, see: European Securities and Markets Authority. Technical Standards specifying certain requirements of Markets in Crypto Assets Regulation (MiCA) - second consultation paper, 5 October 2023, ESMA75-453128700-438, point 98 (p. 27). https://www.esma.europa.eu/sites/default/files/2023-10/ESMA75-453128700-438_MiCA_Consultation_Paper_2nd_package.pdf (access: 05.12.2025).

from depositing collateral"[29]. Moreover, Polish legal doctrine has expressed the view that, when making such an assessment, significance may be attached to the entity responsible for supplying the platform's software, namely whether it is a legal person (such as a company or a foundation), or whether the platform operates as open-source software developed and maintained by a community[30].

5.5. DAOs Using a Legal Wrapper and the Criterion of "Partial Decentralization"

Within the phenomenon of "partial decentralization," DAOs operating through a legal wrapper may also be identified. Such arrangements combine two elements with distinct characteristics: the legal wrapper (the centralized element) and the DAO (the decentralized element). The literature frequently argues that the use of legal wrappers leads to a limitation or even a loss of the decentralized nature of DAOs. As aptly observed by V. Villanueva Collao, legal wrappers invariably create some form of hierarchy and control and, moreover, introduce into the decentralized environment of DAOs various legal institutions, such as "fiduciary responsibility, beneficiary rights, and regulatory oversight mutate (...)"[31] and which, "(...) when introduced into the decentralized logic of DAOs and blockchain organizations, forcing DAOs to adapt in ways that could conflict with their founding ideals and culture"[32].

In light of the above, it may be argued that a DAO operating through a legal wrapper can be regarded as a "partially decentralized" organization within the meaning of Recital 22 of MiCA. The use of a legal wrapper creates a structure capable of bearing legal liability, which cannot be considered "fully decentralized." It should be emphasized, however, that the DAO itself does not thereby acquire the status of a legal person; as a rule, any liability for breaches of MiCA is borne by the legal form associated with the DAO (e.g. an LLC).

Conversely, where a DAO provides crypto-asset services without the use of a legal wrapper, it may be argued that the application of MiCA should be excluded on the grounds that such services are provided "(...) in a fully decentralized manner without intermediaries (...)".

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[29] Order, In re Deridex, Inc., CFTC No. 23-42, at 4–5, (Sept. 7, 2023), p. 4.
[30] Srokosz, W. Stosowanie rozporządzenia MiCA do DAO, https://www.witoldsrokosz.pl/pl/blog/-stosowanie-rozporzadzenia-mica-do-dao (access: 10.12.2025).
[31] Villanueva Collao, V. Decentralized(?), But Far From Disorganized: A Comparative Analysis of Legal Wrappers and the Evolving Structure of DAOs (February 18, 2025). Available at SSRN: https://ssrn.com/abstract=5143035 or http://dx.doi.org/10.2139/ssrn.5143035, p. 35.
[32] Ibidem.

6. An Attempt to Reconstruct the Legal Status of DAOs in the Republic of Armenia on the Basis of the Law on Crypto-Assets

6.1. Introductory Remarks

The most recent cryptocurrency regulations in force in Armenia share many similarities with the EU's MiCA Regulation, both in terms of their personal and material scope. Like the EU legislator, the Armenian legislator focuses on regulating crypto-asset services provided in a centralized manner. The Armenian legislator does not directly address the issue of service provision by decentralized "entities," thereby giving rise to uncertainties regarding the permissibility and the scope of regulation of this segment of the market. What is significant, however, is that the Armenian legislator has not introduced an explicit statutory exclusion for "decentralized" or "partially decentralized" models (see Art. 1.2–10 of the Law on Crypto-Assets). The absence of any references to DAOs or DeFi applications raises legitimate questions concerning the legal status of DAOs under Armenian law.

The legal definition of a "crypto-asset service provider" covers domestic legal persons, such as joint-stock companies or limited liability companies (Art. 17.2), and, in specific circumstances, also investment companies, investment fund managers, regulated market operators, payment and settlement organizations, and others (see Art. 18). In this part of the Act, the legislator clearly expresses an intention to regulate centralized transactions, specifically those involving the provision of services by legal persons, which may potentially exclude any decentralized elements from the scope of regulation. However, pursuant to Art. 22.2, the legislator provides for the possibility that services may be offered by foreign companies that have obtained a license, authorization, or registration to conduct business in their country of origin. This raises the question of whether the notion of a foreign company referred to in Art. 22.2 also encompasses entities that, in their home jurisdiction, provide services in a "partially decentralized" manner on the basis of regulatory approval, or that function as legal wrappers for DAOs (e.g. Wyoming DAO LLC). It therefore remains an open question whether the Armenian authorities will permit such service models, despite the legislature's silence regarding their existence.

6.2. The Law on Crypto-Assets and Its Approach to Decentralized Transactions

The Act under discussion regulates the provision of crypto-asset services through traditional means, namely by entities such as commercial companies (centralized transactions). This legislative intent is indicated in Art. 17.2, which recognizes capital companies as the preferred legal form for crypto-asset service providers. However, the Act does not specify its position – using the conceptual framework derived from Recital 22 of the MiCA Regulation – towards the provision of services in a "partially decentralized" or "fully decentralized" manner. Certain insights may nevertheless be obtained through an interpretation of the personal scope provisions of the Act, as well as by observing regulatory practices based on law enforcement and supervisory activities in other jurisdictions. It may be assumed that, in most cases, entities required to comply with the statutory requirements (e.g. licensing obligations) will be capital companies (in particular LLCs), as these are most commonly used as vehicles for conducting business in the crypto-asset sector. This assumption is supported by the aforementioned Art. 17.2, which explicitly specifies joint-stock companies and LLCs as entities eligible to act as crypto-asset service providers. Given that the Act focuses on regulating corporate activity, it may be inferred that "fully decentralized" transactions fall outside its scope of application, in a manner similar to the solution adopted in the MiCA Regulation (no entity, no liability). It should be noted, however, that under Armenian law this exclusion is implicit and results from an *a contrario* interpretation. Since the Act regulates centralized transactions and remains silent on decentralized ones, it must be assumed that such transactions do not fall within the scope of its regulatory concern.

Moreover, the Armenian legislator's position with regard to the regulation of "partially decentralized" transactions – i.e. hybrid models in which a traditional legal entity (such as a company) can be held responsible for legal events (transactions) carried out through DeFi applications, including DAOs – also remains unclear. Resolving this issue is particularly important in light of the aforementioned Art. 22.2 of the Law on Crypto-Assets, which allows foreign companies to provide services within the territory of Armenia on the basis of prior authorization granted by the Central Bank of Armenia. The Armenian legal system must therefore be prepared for hypothetical scenarios in which an application for authorization is submitted by a foreign company providing its services in a "partially decentralized" model, that is, one which, in addition to its traditional legal form, relies on decentralized solutions such as exchanges or lending protocols, or simultaneously performs the function of a legal wrapper for a DAO.

At the present stage, the legal status of such "partially decentralized" structures remains uncertain under Armenian law. It cannot be assumed a priori that the legal system will refuse to recognize their existence, as these entities possess legal personality, unlike "fully decentralized" arrangements. What remains unclear, however, is the position of the Central Bank of Armenia regarding the admissibility of such service-provision models within its jurisdiction.

6.3. Law on Crypto-assets – Approach to Legal Wrappers

The Armenian legal system does not provide provisions that would dispel doubts regarding the legal status of DAOs. By observing the general approach to the use and recognition of legal wrappers in various jurisdictions, it is nevertheless possible to draw some general conclusions regarding the status of such organizations under Armenian law. First and foremost, if a DAO is linked to a legal person governed by Armenian law, thereby forming a kind of legal wrapper, such a DAO operating under a "partially decentralized" model should be subject to the provisions of the Law and, inter alia, comply with licensing requirements. In such a case, even if the DAO itself does not possess legal personality under Armenian law and therefore cannot be a bearer of rights and obligations, the legal wrapper (e.g. an Armenian LLC or joint-stock company) can undoubtedly bear liability.

With respect to such a legal structure – unlike a DAO characterized by "full decentralization" – it is possible to determine a registered seat and tax residence in Armenia. Consequently, compliance with the Law on Crypto-assets may be effectively enforced against the DAO's legal wrapper, which constitutes a legal person under Armenian law.

7. Conclusion

The subject matter of both the MiCA Regulation and the Law on Crypto-assets is the provision of crypto-asset services. Although a significant portion of daily trading volume takes place within decentralized markets, neither of these legal acts addresses this phenomenon in a satisfactory manner. MiCA merely signals the issue in Recital 22, which raises more questions than it provides answers, while the Armenian law omits this type of market activity altogether. This does not mean, however, that decentralized trading is prohibited under the discussed legal acts, nor that activities carried out through DAOs – or the broader phenomenon of DeFi – are considered criminal. Although both acts exclude decentralized trading from their regulatory scope, they do not prohibit it outright, instead leaving this sphere unregulated. Moreover, MiCA even introduces certain exceptions allowing services provided under a partially decentralized model to fall within its scope.

In this context, it is worth noting that there are sound legal arguments supporting the classification of DAOs that use a legal wrapper as "partially decentralized" models, and thus subject to the MiCA Regulation. Nevertheless, appropriate guidelines are needed to bring greater clarity for addressees of the law and, consequently, to facilitate legal qualification.

On the other hand, Armenian regulations – although aligned with MiCA in many respects – have been designed in a manner clearly oriented toward traditional, centralized models of service provision, such as the activities of capital companies. The Armenian law does not employ the concept of “decentralization,” nor does it distinguish between its degrees. It is therefore difficult to predict the ultimate approach of domestic authorities toward “partially decentralized” models. This issue is particularly relevant because Armenian law allows foreign companies to provide services, provided that they have obtained authorization to do so in their home jurisdiction. It remains uncertain, however, whether the Armenian regulator would admit a foreign company authorized in its home country to operate under a “partially decentralized” model. Similar doubts arise with respect to “Armenian” DAOs. Although the law does not explicitly prohibit them, there is no certainty that authorities applying the law will recognize structures based on a combination of a decentralized element (DAO) and a centralized element (legal wrapper) as full-fledged participants in economic transactions.

In conclusion, a de lege ferenda postulate should be formulated, according to which many of the identified doubts would not arise if the EU legislator, followed by the Armenian legislator, decided to explicitly recognize DAOs as legal persons through the adoption of an appropriate normative act. At the current stage, in order to facilitate the functioning of DeFi, it would be advisable to issue official guidelines specifying the circumstances in which a given project may be classified as “fully decentralized”, “partially decentralized”, or “centralized”, thereby ensuring legal certainty for developers and third parties alike.

Conflict of Interests

The authors declare no ethical issues or conflicts of interest in this research.

Ethical Standards

The authors affirm this research did not involve human subjects.

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