

# Building the Foundation: A Constitutional Framework for Decentralised Autonomous Organisations

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## Abstract

Decentralised Autonomous Organisations (DAOs) are organisations whose operations are written down in smart contracts and blockchain technology. DAOs can use a constitution to codify the fundamental principles on which they operate. Despite their increasing prevalence, the contents of DAO constitutions and their role in governing these organisations remain relatively unexplored. This study aims to fill this gap by investigating the contents of existing DAO constitutions. To investigate the content of constitutions, we collected a sample of 27 constitutional documents from active DAOs. These documents were systematically coded using a grounded theory approach, resulting in a framework of unified concepts that populate DAO constitutions.

Our findings reveal several thematic areas in DAO constitutions, including technology, governance, finance, and community. After its creation, expert interviews validated the framework, confirming its relevance and suggesting refinements. This research contributes to a deeper understanding of the governance mechanisms within DAOs and provides a foundational framework for future studies in this area.

**Keywords:** *Decentralised Autonomous Organisations, DAO Governance, DAO Constitutions, Blockchain Technology, On-Chain Governance*

**JEL Classifications:** *D02, D03, L22, O33, L86*

## 1. Introduction

Decentralised Autonomous Organisations (DAOs) are co-operatives of stakeholders that operate on decentralised blockchain infrastructure [1]. A DAO can be defined as *mediated by a set of self-executing rules deployed on a public blockchain* [2]. Although the term DAO is relatively new and there is limited academic literature on this topic, Rikken et al.'s empirical findings reveal that, at the start of 2023, there were over 1,800 active DAOs with more than 26,000 members [3]. Furthermore, these authors estimate double that number are in preparation for launch.

A DAO is a complex entity consisting of diverse elements. This complexity necessitates the governance of these different elements. Kondova and Barba describe DAO governance as an effective decision-making process [4], whereas Beck et al. refer to blockchain governance as *the framework for decision rights and accountabilities to encourage desirable behaviour in the use of IT* [5].

Any form of democratic governance faces two threats: anarchy and tyranny [6]. Anarchy arises when the freedom and equality of individuals that characterise democracy are pushed to the

boundary, where they refuse to accept order and governance. Tyranny of the majority occurs in a democracy when the majority votes and governs in a manner that threatens minorities.<sup>1</sup>

Creating a constitution allows a DAO to codify its governance principles and thereby shift power away from initial founders and reduce dependence on individual participants. These constitutions frequently contain passages defining the division of power and, in the words of Ziolkowski et al., *how regulations are agreed upon before being enforced* [7].

The constitution can become the essential governance document protecting against the two threats to democratic government. Clarifying the role of constitutions for DAOs can therefore lead to better defences against anarchy and tyranny, resulting in more stable projects. This is particularly necessary as the current generation of DAOs remains unstable; more than 80% show no activity one year after their launch [8].

<sup>1</sup> These remarks about the nature of democracy, derived from the book of Kinneking, originate in the Greek philosophical tradition of Plato, Aristotle, and Xenophon. They received renewed interest with the discovery of America in the works of the founding fathers.

Likewise, tyranny is an ever-looming threat in DAOs. In the Steemit takeover, centralised control was achieved through token dominance, effectively overriding community governance [9]. In the Aragon forum incident, dissenting voices were censored, and important governance processes were executed without community consultation.<sup>2</sup>

Furthermore, while the definitions of Kondova and Barba and Beck et al. clarify the technical complexities that come with distributed systems, they do not include the intricacies of the software elements of governance, such as community management. Is that justified? A review of existing DAO constitutions shows that, in practice, DAOs are deeply concerned with forms of soft governance, such as community management, leadership, and member interaction [10]. Not all of this can be codified in smart contracts.

Although DAO governance is still an evolving concept for both practitioners and scholars, some heuristics have emerged. Rikken et al., after conducting a statistical evaluation of 220 active DAOs, found that a democratic governance model, in which decisions are made by majority vote, enhances long-term viability. Similarly, non-weighted voting systems, where each account holds one vote (as opposed to models where one token equals one vote), also contribute to the sustained longevity of DAOs [8].

Decisions at the technical level affect the community and vice versa. For example, token-based governance tends to disincentivise grassroots holders in the decision-making process [11].

One of the recent trends in DAOs is the formulation of governance principles in constitutions. Determining whether a DAO is merely a technical artefact with predictable executions or a complex community consisting of technical, communal, and governance elements becomes clear upon examining these governance documents. The documents address more than just technical aspects, demonstrating that a comprehensive approach that includes soft governance is better suited to tackle the challenges faced by existing DAOs.

Although constitutions play an important role in defining the governance of DAOs and can contribute to preventing anarchy and tyranny, their contents have not yet been investigated by scholars. While Tan et al. have provided descriptive analyses of the constitutions of DAOs [12], we aim for an analysis of their contents. This contributes to a better understanding of the role of the constitution in creating off-chain governance, DAO governance, and technology governance in general.

The first step in investigating the potential of DAO constitutions is to understand the current state and content of DAO constitutions. That is the goal of this article. We enquire what rules DAOs set in their constitutions and which topics

they address. We therefore propose the following research question: *How can a framework be developed that structures the contents of DAO constitutions?*

To answer this question, we first investigate the foundation of decentralised technology and how it has led to the currently existing decentralised communities and constitutions (Section 2). Afterwards, in Section 3, we describe our research setup to systematically analyse the content of constitutions. In Section 4, we present our findings, categorised into groups. We discuss these findings in Section 5 and set out lines for further research. We conclude this research in Section 6.

## 2. Background

DAOs are a method of flexible self-organisation where the rules are codified on blockchain infrastructure. They combine traditional corporate governance aspects with the scale and flexibility often found in informal online groups [13]. Consensus and trust are two aspects that are easier to achieve in a DAO compared to traditional organisations, as a DAO operates based on rules defined by all stakeholders. Other benefits of DAOs include increasing both organisational and industry efficiency through the use of smart contracts [14]. These can reduce transaction costs and the time needed for decision-making. Moreover, DAOs promote community building by distributing power and decision-making.

DAOs are guided by smart contracts that are coded on the blockchain. These contracts provide technical structures that describe how the DAO operates. Wright and Da Filippi named this *Lex Cryptographia*, freely translated as Law of Code, implying that anything coded on-chain should be deterministically executed and seen as truth [15]. Furthermore, this concept assumes that decisions can be made on the basis of smart contracts, thereby eliminating the need for organisational hierarchy.

Van Vulpen et al. argue that encoding organisational rules in smart contracts helps to enforce the objectivity of DAO activities, but this alone is not sufficient; having a list of executing software programmes does not suffice [1]. DAO governance calls for more than what can be coded in smart contracts. This becomes clear when investigating the contents of DAO constitutions.

### 2.1 DAO Constitutions

Tan et al. define a digital constitution as a text *that articulates political rights, governance norms, and limitations on the exercise of power within an online community* [16]. Constitutions often contain passages that define the division of power and *how regulations are agreed upon before being enforced* [7]. DAO constitutions are characterised by (1) often governing more resources than previously observed online communities and (2) often being associated with smart contracts [16, 17]. Governance documents of DAOs take different forms. The type of document varies, as does the structure, language, and goal [16].

<sup>2</sup> Aragon DAO faces governance crisis

It is unclear which DAO constitution was the first. Although TheDAO was the first DAO, it relied on a model of human behaviour and social conventions, rather than a constitution [18].

Tan et al. found in their empirical research that DAO constitutions describe goals, values, and rights. They found that the goals could be divided into three subcategories: (1) creating technology, (2) spreading technology, and (3) creating community [16]. Tan et al. argue that smart contracts are a poor medium for capturing values or goals. However, they can be used for governing rights, as rights directly shape behaviour by allowing or disallowing certain actions. The researchers note that in DAO constitutions, rights are more precisely defined than values and goals. This is attributed to the fact that rights can address actions more specifically than the other two categories [16]. The method for capturing values and goals, however, is not discussed.

Not only do the rules that guide DAOs differ in subject, but they also differ in hierarchy. Rajagopalan categorises rules into constitutional and ordinary rules, with constitutional rules defined as *rules for rulemaking* [19].

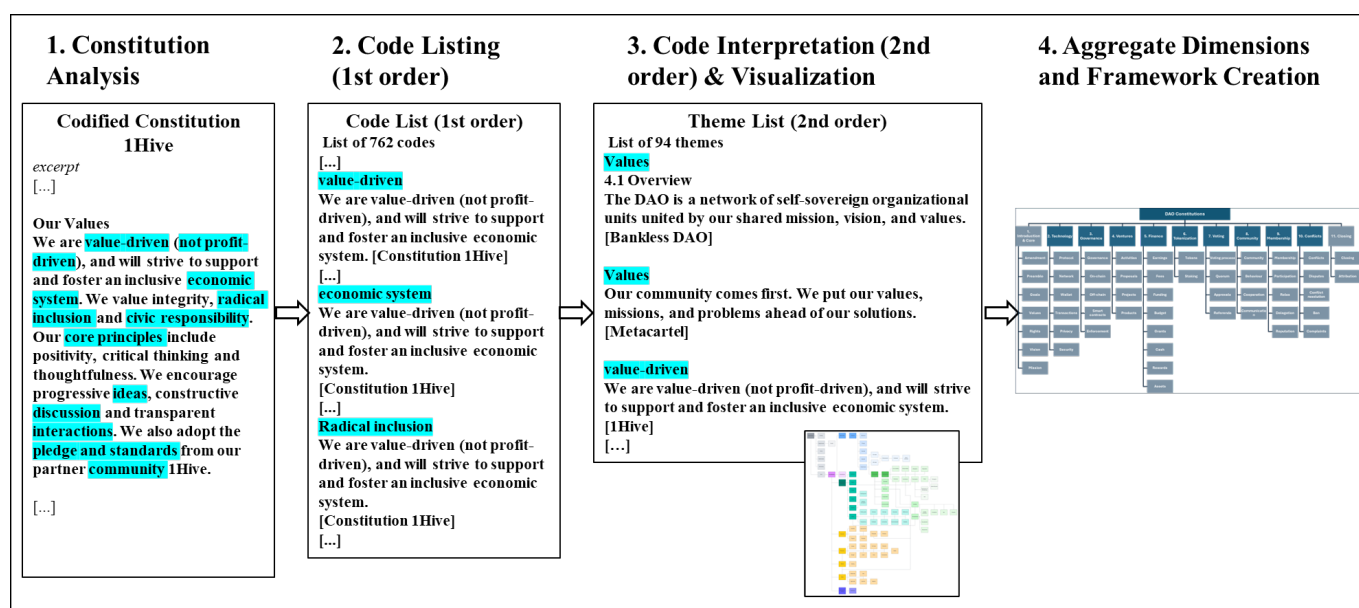
While this distinction reveals the underlying nature of constitutional rules, it does not clarify who should draft or have the authority to amend the constitution. Berg et al. advocate for near-unanimous agreement on constitutional terms during a pre-constitutional phase, as this enhances agreement and stability [20]. However, there is no standard for adjusting constitutions to accommodate changing preferences, and each DAO approaches this differently.

Finally, Tan et al. investigated several DAO constitutions and made two observations [12]. After conducting a descriptive analysis of DAO constitutions, the authors argue that their contents remain largely unknown, and research into the creation and use of DAO constitutions is still in its infancy [16]. In a related article, the authors call for an investigation into what framework designers and DAO leaders have considered necessary and desirable for implementation in blockchain governance [12, 21]. We aim to answer this call by structuring the content of constitutions.

### 3. Methodology and Framework Creation

This research is a structured approach to clarify the contents of DAO constitutions. Even though DAOs use their constitutions as the foundation from which they build their governance structure and processes, existing research has devoted limited attention to clarifying the content of these constitutions. Categorising the content of these constitutions can contribute to better DAO governance. Therefore, this article intends to develop a new theory regarding the content of DAO constitutions.

Aside from Tan et al., there has been no investigation of DAO constitutions. The precise contents have not been clarified. Furthermore, the work of Tan is not a systematic investigation but was survey-based [12]. The lack of scholarly attention and the potential impact of well-designed DAO constitutions warrant further research. We apply a grounded theory approach to avoid introducing bias from existing theories, capture implicit and unstructured documents from various sources, and integrate the high variability of the constitutional documents.



**Figure 1:** Overview of the data coding process in DAO constitutions. The process consists of four steps: (1) loading all constitutions in NVivo and creating a code for each noun that contains the entire sentence, (2) listing the codes together, (3) grouping and structuring the codes into themes (as shown in Appendix I), and (4) higher level thematization to create a single framework.

A grounded theory approach allows concepts to emerge organically, which can ensure that the analysis is based on what DAO communities actually codify in their constitutions rather than forcing an external theoretical lens onto them. Furthermore, grounded theory's iterative approach allowed the researchers to continuously refine concepts as DAOs evolve, rather than applying a rigid, static theory.

The objects of this study are the constitutional documents of DAOs. We chose to directly investigate these documents as they are the direct object that integrates all governance decisions of DAOs. A grounded theory approach that derives elements from existing constitutions enables a systematic identification and organisation of the key components that define DAO constitutions. The final framework is complemented with expert validation.

The final framework is designed to capture the common elements of DAO constitutions rather than extreme cases. Given the wide variety of DAOs and governance models, it is challenging to create a framework that accounts for every specific detail. Since this field is still emerging, our goal is to establish a general framework that provides a structured foundation while remaining adaptable to future developments. To answer the research goal, we applied a design science approach based on the work of Wieringa [22]. We must first (1) select an adequate sample of DAO constitutions. Afterwards, (2) we code the content of these documents in a grounded theory approach. Finally, we create (3) a framework based on the codes and (4) validate the framework with experts. These four steps are explained in this methodology. This approach, and the structure of this method section, follows the structure of Gioia et al. [23].

In this study, we use the term "constitution" broadly to refer to governance documents that outline the fundamental principles, rules, and processes of a DAO. However, we also include documents labelled as "manifestos", "codes of conduct", and "covenants", as these often serve the same purposes. A manifesto typically articulates the DAO's vision and values, while a code of conduct focuses on behavioural guidelines for members. Covenants often represent binding agreements or commitments within the community. By including these documents, we aim to capture a wider range of governance practices, even if they are not explicitly labelled as constitutions. For all these document types, it must be remarked that the various DAOs are not strict in terminology. They use the terms interchangeably. For example, both MolochDAO and LexDAO describe a set of governance principles, which the former calls a "manifesto" and the latter a "constitution".

### 3.1 Data Collection: Selecting DAO Constitutions

To select relevant constitutions, we first created a list of DAO potentials. For this, we used the dataset listed in the work of Rikken et al. [3]. This source was used as it is the most comprehensive collection of DAOs currently existing in the field, and it draws on various sources that include DeepDAO

and Etherscan. The authors identified 1,859 DAOs, although they also point out that a large share, approximately 80%, of these DAOs are inactive. About 220 DAOs showed activity in the past 6 months. These DAOs have been scanned for the presence of a constitutional document, or any document that describes the DAO's governance.

Out of the 220 active DAOs, 157 did not have any governance documents, while 63 DAOs did have some form of governance documents. At this stage, we excluded DAOs that only have introductory texts, thereby removing 41 DAOs. This created a list of 22 DAOs with a constitutional document: a constitution, white paper, code of conduct, covenant, or manifesto.<sup>3</sup>

To verify the completeness of the dataset, we also conducted a manual search engine exploration using Google search for DAOs absent in Rikken's dataset. Rikken's dataset ends in 2022 and therefore may not contain more recently launched DAOs. This provided a list of five additional constitutional documents, for a total of 27 documents. This list is provided in Table 1.

**Table 1:** Overview of the constitutional documents in scope, together with their name, tone, and length.

#	Name	Document name	Tone	Words	Link
1	<b>BanklessDAO</b>	Constitution	Formal	3,058	1
2	<b>BrightID</b>	Constitution	Formal	433	2
3	<b>D5</b>	Constitution	Formal	1,789	3
4	<b>Decred</b>	Constitution	Formal	1,129	4
5	<b>EffectDAO</b>	Constitution	Formal	4,343	5
6	<b>ENSDAO</b>	Constitution	Formal	564	6
7	<b>JUNO</b>	Constitution	Formal	283	7
8	<b>LexDAO</b>	Constitution	Formal	2,309	8
9	<b>OpiumDAO</b>	Constitution	Formal	406	9
10	<b>Pooltogether</b>	Constitution	Formal	383	10
11	<b>Aira</b>	Manifesto	Formal	79	11
12	<b>FestDAO</b>	Manifesto	Informal	339	12
13	<b>MetaCartel</b>	Manifesto	Informal	333	13
14	<b>Metagame</b>	Manifesto	Formal	632	14
15	<b>Moloch</b>	Manifesto	Informal	252	15
16	<b>EffectDAO</b>	Governance document	Formal	370	16
17	<b>Collab</b>	Governance document	Formal	374	17
18	<b>Dash</b>	Governance document	Formal	5,221	18
19	<b>KoalaDAO</b>	Governance document	Informal	616	19
20	<b>NestDAO</b>	Governance document	Formal	1,340	20
21	<b>Polkadot</b>	Governance document	Formal	1,924	21
22	<b>1Hive</b>	Covenant	Formal	676	22
23	<b>BrightDAO</b>	Covenant	Formal	652	23
24	<b>Elimu AI</b>	Code of Conduct	Formal	695	24
25	<b>ETHGlobal</b>	Code of Conduct	Formal	2,330	25
26	<b>NAVcoin</b>	Code of Conduct	Formal	695	26
27	<b>RaidGuild</b>	Code of Conduct	Informal	266	27

For both the DAOs in the Rikken et al. dataset and the manually identified DAOs, we investigated the presence of a constitution. The procedure for document collection included looking up the website, online documents, and the forum, in search for one of the keywords. If we discovered a constitutional document, we would save it and list the DAO as having a constitution. If we could not find such a document, we excluded the DAO from further analysis. We identified

<sup>3</sup> The overview of the Rikken dataset and this research operations on the dataset can be found in this overview.

documents explicitly called *constitution*, but also included documents called *governance documents*, *covenants*, *manifestos*, and *codes of conduct*. This approach allowed us to capture a wider range of governance documents, even if they were not explicitly labelled as constitutions.

### 3.2 Data Analysis: Standardising DAO Constitution Content

In the data analysis, we systematically extract data from the constitutions and then standardise it. The process is described in Figure 1.

The collected constitutional documents were coded using the grounded theory approach of Glaser and Strauss [24]. This approach was selected because it is particularly suited for exploratory studies that aim to identify patterns and build frameworks in unstructured or under-researched domains [25]. The topic of DAO constitutions is such a domain. We adopted the steps presented by Chun et al. [26]: purposive sampling, generating data, initial coding, intermediate coding, and advanced coding. The approach allowed us to capture the overarching themes based on the existing constitutions in a rigorous and repeatable manner [27].

We began the data analysis by loading all constitutions into NVivo. We systematically coded each sentence by assigning every noun within it as a code, which created codes for every noun as first-order coding [23]. Figure 1 visualises this process. We chose to use each noun as a single code, which caused most sentences to fall under multiple codes. We opted against a topic modelling method because the documents use highly varied vocabulary, which diminishes the effectiveness of this method. In total, 762 unique first-order codes were created.<sup>4</sup> Throughout this process, we intended to preserve the original context of the data. An example of how the first-order codes culminate into the ultimate framework is provided in Appendix II.

### 3.3 Grounded Theory Articulation and Framework Creation

From the first-order codes, we created second-order theory-centric themes. We grouped sets of first-order codes into a single theme. For example, “Grant”, “Grant Allocation”, and “Grant Proposals” were all grouped under “Grants”. This created a total of 94 themes. These themes are visible in a visualisation that also shows their relations in Appendix I.

To create a framework from the identified codes, we put the created unified concepts into a table. To avoid a framework that overfits the individual documents, we would add unified concepts only when they appeared in at least three constitutional documents. The unified concepts are grouped based on their contextual proximity, and we added a description based on the data sources. We also added a

MoSCoW prioritisation for every concept, which was drafted in this phase based on the documents and validated in the expert interviews.

### 3.4 Framework Validation by Experts

To validate the quality and content of the framework and avoid overlooking essential components of constitutions, we conducted framework validations with experts from the field. An expert was determined as someone who is a known scholar with an academic track record or has five years of professional experience with DAOs. We identified seven experts by reaching out to the researcher’s network and ensured both candidates with academic expertise and practitioners with field experience. Since the experts overlapped in their assessment of the framework, a suspected theoretical saturation was reached after seven interviews, and no more interviews were conducted. The expert descriptions are in Table 2.

The interview approach was semi-structured, based on the first version of the framework. Prior to the interview, the expert would receive the framework with an introduction, a research description, and a consent form.<sup>5</sup> The interview followed a protocol, which consisted of (1) interviewee background and expertise, (2) framework validity, (3) framework usefulness and operational feasibility, (4) amendments, and (5) final thoughts. Protocol parts two and three consisted of a line-by-line assessment of the framework to ensure the experts would review every element of the framework. In parts 4 and 5, we questioned their perceived advantages and drawbacks, discussed how they experienced constitutional adjustments, and ended by asking if they had any other feedback. At every stage of the interview, the researchers could ask follow-up questions to add more depth to the answers of the interviewee, in the manner proposed by Kallio et al. [28].

The interviews were recorded, transcribed, and analysed. The transcriptions were coded based on the interviewee’s feedback. We grouped similar codes within the transcriptions to create a list of interviewee remarks.

**Table 2:** Validation interviewee overview. We note the interviewee roles, Web3 experience, and specific expertise

ID	Role	Web3 Exp.	Expertise
11	DAO founder	9	Constitution creation; DAO governance challenges
12	Web3 expert	6	Governance frameworks; blockchain infrastructure
13	DAO scholar	7	Constitution creation; governance in live DAOs
14	DAO scholar	7	DAO governance; ISO blockchain standards
15	DAO scholar	10	Legal frameworks for DAOs; public sector governance
16	DAO scholar	7	Decentralized ecosystems; Supply chain governance
17	DAO owner	8	Web3 Constitutions; DAO governance tailoring

<sup>4</sup> The 1st order codes are available upon request.

<sup>5</sup> This interview package with the interview protocol is available online.

We adapted the framework based on the experts' remarks. The outcome of the interviews is shown in the results section and reflected upon in Section 5.

#### 4. Results

In this section, we first present descriptives of the document set. Afterwards, we present the framework, and we end with listing the expert validation and adaptation.

##### 4.1 Constitutional Document Descriptives

The 27 constitutional documents are shown in Table 1. The documents' length and content vary, possibly due to their different purposes. For example, codes of conduct are mainly based on the behaviour of members within a community, while constitutions have a broader scope. The general governance documents have the highest average number of words (1,640). The constitutions have the second-highest average number of words (1,470), while the manifestos have the fewest number of words on average (327). There were documents that were clear copies of others. This was the case for Elumi AI and NavCoin.



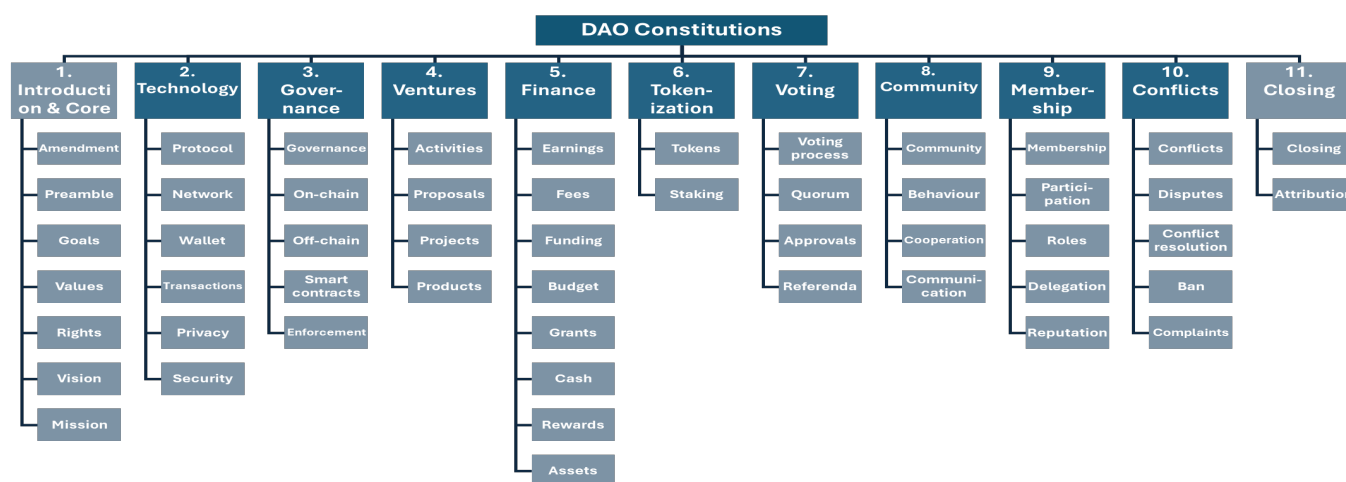
**Figure 2:** Word cloud of key terms related to DAO constitutions, highlighting themes of governance, community, proposals, and member-driven participation.

The tone and style of the documents also vary. Most analysed documents (22/27) have a formal tone and style. Examples of these differences are the LexDAO constitution and the MolochDAO Manifesto. The LexDAO is a DAO for legal engineering professionals, while MolochDAO is based on funding and developing the public infrastructure related to Ethereum 2.0. That may cause LexDAO to write a formal constitution, while MolochDAO uses an informal documentation style with terms such as “Punk as fuck” when describing the DAO. The type of document and its purpose determine the formality of documents. All documents called constitutions and covenants used a formal tone and style, while the other types included informal documents.

The word cloud in Figure 2 highlights themes central to DAO constitutions, with the terms “community”, “governance”, “proposal”, and “members” underscoring the importance of collective participation and member-driven decision-making. The frequent appearance of the words “constitution”, “council”, “voting”, “referendum”, and “network” reflects the emphasis on formalised governance frameworks, democratic processes, and decentralised organisational structures within DAOs. Additionally, the inclusion of terms such as “tokens”, “code”, and “protocol” signals the integration of blockchain technology, token-based voting systems, and smart contracts to enable transparent and enforceable governance rules.

##### 4.2 The Contents of the DAO Constitution Framework

Coding the 27 constitutional documents resulted in 762 coding instances. Appendix I shows how these were aggregated in 94 groups, along with their relationships. These 94 groups were further integrated with the observed themes. The final model aggregated the themes in 52 concepts that together make the DAO Constitution Framework. The resulting framework is shown in Figure 3 and detailed in Appendix III. We have added a number, name, description, and example. After the expert validation, we added prioritisation as well. The final



**Figure 3:** Framework for DAO constitutions: the elements present in existing DAO constitutions.

framework has two layers: the elements and the concepts. Elements refer to specific sections of the constitutions that can take a single or multiple articles. Within an element, specific concepts are listed. For example, the element membership includes the concepts of the membership itself, its participation, differentiation of roles, delegation, and reputation.

All constitutions have an introduction (1) and a closing (11), as shown in table 3. Every DAO also lists the three basic elements of DAO governance: technology (2), governance (3), and community (8). Falling under governance, we observe ventures (4), finance (5), tokenisation (6), and voting (7). The community also includes articles regarding membership (9) and conflicts (10).

### 4.3 Validation of the DAO Constitution Framework

The seven interviews served to validate the framework. We followed the interview protocol described in the methodology.

The interviewees' remarks have been aggregated in Table 4. We numbered the remarks, listed their source, and noted any subsequent actions the researchers undertook. The remarks are listed according to their frequency.

All interviewees were positive about the completeness, comprehensibility, and usefulness of the framework. The interviewees also remarked that (4) there should be multiple ways to change the constitution. Therefore, a DAO should have different quora, voting methods, voting windows, or required approval.

Furthermore, three interviewees remarked (5) the need for participation in constitutional amendments. Future research should reveal how this input can be collected. It could help in reaching (9) adoption among members.

Regarding the constitution content, the interviewees remarked that the constitution should be (6) concise, (10) a balance between rigidity and flexibility, and (13) mitigations against destabilising events. It should also include the (14) asset types, (15) end-of-life scenarios, and (16) the legal structure.

Two remarks address the management of the document. A DAO constitution should be (17) stable and (8) logging should be in place. One remark concerned the framework design. I2 suggested moving the wallet and transaction to the technology group, and we did so accordingly. The other remarks will be addressed in the discussion.

## 5. Discussion

In this article, we investigated the content of DAO constitutions. We used a structured approach to collect and analyse a large share of the available constitutional documents, which we merged into a single framework, which was ultimately validated by experts. In this section, we discuss our

contributions, threats to validity and reliability, and future work.

**Table 3:** Overview of DAO constitution elements. The *Presence* column indicates the frequency of each element across DAO constitutions, where “All” means present in all constitutions, “Most” means present in a majority, and “Some” indicates presence in less than half the constitutions

#	Element	Description	Presence
1	<b>Introduction &amp; core</b>	Establishes the foundational principles, goals, and values that guide the DAO's governance structure and its purpose	All
2	<b>Technology</b>	Covers the technical infrastructure, including protocols, networks, and systems, that enable the DAO's operations and governance mechanisms	All
3	<b>Governance</b>	Describes the processes, rules, and tools for decision-making, enforcement, and participation in DAO governance	All
4	<b>Ventures</b>	Focuses on the DAO's activities, projects, and initiatives that contribute to achieving its objectives and creating value for its members	Most
5	<b>Finance</b>	Funding, budgets, and incentives to support DAO governance and sustainability	Most
6	<b>Tokenization</b>	Explores the role of tokens as governance tools for voting, staking, and rewarding participation within the DAO	Most
7	<b>Voting</b>	Defines the procedures and mechanisms through which members participate in decision-making and the establishment of governance outcomes	Most
8	<b>Community</b>	Highlights the role of the DAO's members, their behaviour, and interactions, which shape the governance culture and collective participation	All
9	<b>Membership</b>	Outlines the criteria, roles, and responsibilities of members, ensuring accountability and alignment with the DAO's governance goals	Most
10	<b>Conflicts</b>	Details processes for identifying, managing, and resolving conflicts to maintain trust and effective governance within the DAO	Some
11	<b>Closing</b>	Provides final statements and credits, ensuring transparency and acknowledgment within the DAO's governance framework	All

### 5.1 Research Contributions

DAOs are nascent, and their governance is maturing. This research formalises their attempt to codify their governance in a single constitutional document. By doing so, we provide three contributions:

- I. Formalisation enables scholar investigation into the content of frameworks. We provide a framework for classifying the various contents of DAO constitutions.
- II. We unified the state of the art of DAO constitutions and thereby provided an overview of where the field stands. The expert remarks in Table 4 highlight the questions that the field is facing regarding DAO governance.
- III. The framework is a practical tool in creating DAO constitutions for practitioners. It provides a general overview of all the disputes that should be addressed within a constitution.

**Table 4:** The summarised interview results. The findings are ordered by the frequency of mentions

#	Interviewee Remark	Source	Action
1	The Framework is complete.	All	None.
2	The framework is understandable.	All	None.
3	The framework is useful.	All	None.
4	A DAO should have multiple ways to change the constitution, with different procedures, such as bills and amendments.	I1, I2, I4, I6	None, the DAOs should outline multiple procedures to amend their rules.
5	DAO members should be involved in amending the constitution, or (I5), all members should be involved in amendments, or (I4) delegated members should be involved.	I3, I5, I6	None, although all DAOs require community involvement, DAOs should determine for themselves how their community can be integrated in formulating and adapting the constitution.
6	A constitution should be concise, and the DAO should prevent bloating.	I2, I7	None, DAOs should list essential principles in their constitution and lower-level rules in other documents.
7	When creating a constitution, more specific knowledge is required than the framework provides.	I4, I7	None, this framework is an overview, and DAOs should use supplemental documentation when drafting their constitution.
8	Logging of constitutional changes should take place.	I6, I7	None, DAOs should use logs for their constitution.
9	Difficulty to make members adopt constitution.	I1	Addressed in discussion.
10	Find a balance between rigidity and flexibility.	I1	Addressed in discussion.
11	Wallet and transaction are not financial aspects but dependent on technology.	I2	Moved concepts to technology group.
12	MoSCoW is difficult to measure for DAO constitution elements.	I2	Addressed in discussion.
13	There should be mitigations in place for events that undermine or delegitimise the constitution.	I2	None, the DAOs should set up procedures to mitigate destabilisation.
14	The framework should describe the asset types that the DAO owns.	I5	Added to the framework.
15	The constitution should describe end-of-life scenarios for the DAO.	I5	None, none observed in practice and therefore deemed out of scope.
16	The constitution should explain the DAOs legal structure (chamber of commerce, bank details, taxation).	I5	Addressed in discussion.
17	The constitution should be stable, and should not change often.	I6	None, when both individual DAOs and the field mature, constitution stability should increase.

These contributions allow us to make more general observations about the field, which we provide now.

**1. We observe little effort in building constitutional measures against both anarchy and tyranny.**

One may think that there exists a contiguous line from anarchic to tyrannical governances. That is not true. A single government can be anarchic and tyrannical at the same time. Likewise for DAO constitutions. They should have safeguards from anarchy and tyranny. Anarchy, too little centralisation of governance and power, manifests itself in low voter participation, lack of accountability, or lack of decision-making. This is evident in the DAO field, as 80% of DAOs do not show any activity after one year. The integration of the constitution and enforcement of these articles can reduce anarchy. A clear governance structure is needed, together with incentive mechanisms and delegation.

Likewise, tyranny arises when power becomes overly concentrated, which enables dominant participants, developers, early stakeholders, or large token holders to impose their will on the DAO, to the detriment of minority participants. It manifests itself in voting power centralisation and authoritarian decision-making without consultation. Such centralisation trends have been empirically observed in DAOs, where token concentration and uniformity in language, voting strategies, platform adoption, and even storage mechanisms compromise decentralisation [29]. To minimise this risk, constitutions can include:

- Mechanisms to reduce the disproportionate influence of large token holders while amplifying smaller but engaged participants.

- Checks and Balances in separate bodies or councils with limited, well-defined powers to oversee critical processes.
- Public reporting of proposals, votes, and decisions to ensure all members are aware of governance activities.

What would be demanded from a constitution to bring forth thriving DAOs? A thriving DAO constitution must accommodate both. It must be resilient to power imbalances and prevent governance stagnation. Safeguards against both anarchy and tyranny can provide DAOs with stability and adaptability which can contribute to long-term DAO prosperity.

**2. The lack of legal formalisation characterises the current generation of DAOs, which hinders their legitimacy and constitutional adoption.**

Of the entire set of investigated constitutions, only one DAO mentions legal representation.<sup>6</sup> How DAOs should be represented legally is a topic of ongoing enquiry [30]. Nevertheless, almost all observed DAOs lack a form of legal representation in their constitution.<sup>7</sup> This also hinders the perceived legitimacy and adoption of the constitution, which was remarked in the literature review of Yu et al. [31].

One of the ways the lack of legal formalisation hinders DAOs is in legal liability. Without legal incorporation, DAO members, token holders, and contributors risk being considered part of an unregistered partnership under the jurisdiction of, for example, the United States. This exposes

<sup>6</sup> Lexdao mentions their status as unincorporated nonprofit association in its constitution.

<sup>7</sup> Since 2024, DAOs can apply for an LLC classification as a DAO in the state of Wyoming: Wyoming LLC as a DAO Legal Wrapper.

participants to unlimited personal liability for the actions and debts of the DAO, as highlighted by the case of the Ooki DAO.<sup>8</sup> A constitution could be the legal document that allows DAOs to give its members limited liability.

Second, the lack of legal formalisation complicates regulatory compliance, particularly with financial regulations such as anti-money laundering and know-your-customer requirements. None of the DAOs incorporated KYC and AML practices in their constitutions. However, DAOs that manage treasuries or issue governance tokens often overlap with regulated financial activities. However, constitutions rarely address how such compliance is managed or delegated, which leaves DAOs and their members vulnerable to regulatory scrutiny. This was also the case in the Ooki DAO.

Lastly, a legally grounded constitution can improve trust and adoption among community members and external stakeholders. At the moment, there is nothing that legally binds members to adhere to a constitution. A DAO constitution that integrates legal provisions, such as enforceable dispute resolution mechanisms, asset management, and liability safeguards, could enhance its credibility as a governance tool.

While the incorporation of legal formalisation presents challenges, it also offers an opportunity to align DAO constitutions with emerging legal standards and improve their resilience against both internal and external threats. Future work should explore hybrid governance models that integrate blockchain-based automation with legal enforceability to strengthen the legitimacy and sustainability of DAO governance.

### 3. Constitutions can bring stability in the midst of rapid development.

The rapid democratic and technocratic evolution of DAOs requires stable frameworks to provide predictability for community members. Without such stability, DAOs risk governance paralysis or exploitation by bad actors. For example, during *rug-pulls*,<sup>9</sup> unchecked power and sudden actions can destabilise the ecosystem. DAOs can codify elements in their constitution which address these risks, such as vesting schedules for token holders and multi-signature wallets for treasury withdrawals.

There also appears to be a tension between what the DAO should be able to do autonomously and what is coded in the

<sup>8</sup> The Ooki DAO case involved the federal trade commission charging the DAO as an unincorporated association for violating US commodity laws, including unlawful off-exchange transactions and failure to implement KYC/AML procedures. The court ruled that the DAO itself is a “person” under the law, which therefore may expose individual token holders who voted on governance decisions to personal liability: <https://www.fintechanddigitalassets.com/2023/07/whats-next-for-daos-in-the-wake-of-the-ooki-decision/>

<sup>9</sup> A rug-pull is the sudden and rapid exit of large token holders or the original founder, which then results in a plummeting of token value [32]. In the SushiSwap event, the original developer, “Chef Nomi,” abruptly left and sold his SUSHI tokens, causing a 73% price crash and therefore investor losses – an example of the tyranny in DAOs.

constitution. The more power a DAO has to autonomously execute on-chain transactions, the bigger the impact in case of an attack [33]. Therefore, there might be situations in which it is safer to engrain a certain right in the constitution than to code it on-chain.

While stability is essential, constitutions must also allow for adaptability. Structured amendment procedures, such as super-majority votes, phased implementations, and periodic updating of the constitution, enable constitutions to evolve without compromising stability. By codifying inclusive governance and risk mitigation, constitutions can become the stable backbone necessary for DAOs to thrive in dynamic environments. This matches recent improvements in DAO smart contract upgradeability and flexibility [34].

## 5.2 Addressing Validity and Reliability Concerns

The framework bases itself on the 27 constitutional documents that were used for its creation. We chose to create the framework like this to bring objectivity to the framework. However, it comes with the downside that any elements not present in the original 27 documents will also be absent in the framework. However, the expert interviews mitigated this threat. Their expertise could look beyond the content of the framework and add elements not present in the original documents. Based on expert recommendation, we added a single element: 5.7 Assets. Although additional interviews with a larger pool of interviewees might have improved the overall validity of the framework, the systemic agreement between the interviewees suggests that all important aspects are incorporated into the framework. We therefore settled with seven interviews for framework validation.

Throughout the process, we carried out steps to mitigate threats to research validity. Every step was always undertaken by two researchers, or if not possible undertaken by one and validated by another. We attempted to ensure framework validity by reviewing its contents with the experts.

First, our reliance on specific keywords such as constitution, manifesto, and code of conduct may have excluded governance documents that use different terminology or formats. While we expanded our search to include additional terms, it is possible that some relevant documents were overlooked.

This study mitigates threats to reliability by utilising a structured approach and by employing standardised research methods. Sourcing the literature was conducted as broadly as possible by utilising the DAO set of Rikken et al. To mitigate DAOs not found by these authors, we complemented their list with an extensive Google search. Together, these methods ensured a list of relevant documents.

While grounded theory allowed for standardisation in exploratory studies, it inherently involves a degree of subjective interpretation during the coding process. To

mitigate this, all coding steps were conducted or validated by multiple researchers to ensure consistency and reliability. Future studies could explore complementing grounded theory with automated or computational text analysis methods to reduce potential biases and increase objectivity.

Finally, while our framework provides an overview of the contents of DAO constitutions, we acknowledge that it cannot fully capture all the diversity of DAOs in terms of purpose, technology, and governance needs. DAOs vary widely, from those focused on DeFi protocols to those addressing social impact or gaming. This diversity implies that the governance structures of some DAOs may not fully align with the framework proposed in this study. For example, DAOs with highly specialised or unique governance needs may require tailored structures that go beyond the elements identified in our framework. Throughout the model creation, we struck a balance between the general contents of constitutions (at the risk of a bland framework) and accommodating the uniqueness of every constitutional document (at the risk of overfitting the framework). The expert validation helped to make this balance. Future research could explore how the framework might be adapted to accommodate the variations and create particular constitutions for a DAO type.

### 5.3 Future Work Proposals

The DAO research field is an attempt to decentralise governance using technology. Academia can support this path in several ways. In this section, we make three proposals.

- 1) The governance of DAOs is still maturing. It can move from volatile to inactive. We propose academia investigate what factors can contribute to a more sustainable governance form for DAOs.
- 2) The field of DAO governance touches on several other research fields. For example, van Vulpen and Jansen mutually investigated DAO governance and commons governance [1]. Investigating how governance elements from political philosophy, economics, or management science would contribute to DAOs can strengthen their governance.
- 3) While this research investigated DAO constitutions, nascent projects were largely excluded from analysis. Understanding the development of constitutional frameworks is more important in early-stage DAOs as that is the time when foundational governance structures are crafted. Therefore, further research can conduct longitudinal studies that track the evolution of constitutions in live DAOs from an early stage. This would provide empirical insights into how constitutional elements develop, adapt, and influence governance outcomes over time.
- 4) Creating clarity and distilling adequate constitutional elements necessitate more research. It concerns both interpreting the role of the constitution in the governance of DAOs and their content. This article is a description of the

contents of DAO constitutions. We aim to publish prescriptive work soon as well.

## 6. Conclusion

In this article, we posed the research question: *How can a framework be developed that structures the contents of DAO constitutions* and answered it with the DAO Constitution Framework. This study advances the understanding of DAO constitutions by moving beyond descriptive analysis to a systematic framework-based approach. By applying a grounded theory method to a dataset of 27 constitutions and validating the findings through expert interviews, we identified and structured the key components that define DAO governance.

The framework classifies the contents of DAO constitutions and offers a structured perspective on their role in decentralisation, governance stability, and community participation. Our findings highlight how DAOs attempt to balance decentralised decision-making with governance constraints, while we also reveal urgent DAO governance challenges that include the absence of legal formalisation, the challenges of constitutional adoption, and the need for safeguards against both anarchy and tyranny.

Beyond its theoretical contributions, this study provides practical insights for DAO designers and stakeholders seeking to enhance governance structures. The framework serves as a blueprint for constructing and evaluating DAO constitutions, which helps organisations design governance mechanisms that foster transparency, resilience, and long-term stability. By exposing the limitations and inconsistencies in existing constitutional models, our research lays the groundwork for future studies to explore more adaptive governance structures, legal frameworks, and mechanisms for sustaining community engagement. As DAOs continue to evolve, further research should examine how constitutional frameworks can be iteratively improved to address the emerging challenges in decentralised governance.

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#### Author's contribution:

*PrV coordinated this research and prepared the manuscript in entirety. MrD designed and executed the research plan and reviewed the manuscript. SJ supervised the research, reviewed the manuscript, and supported in the writing.*

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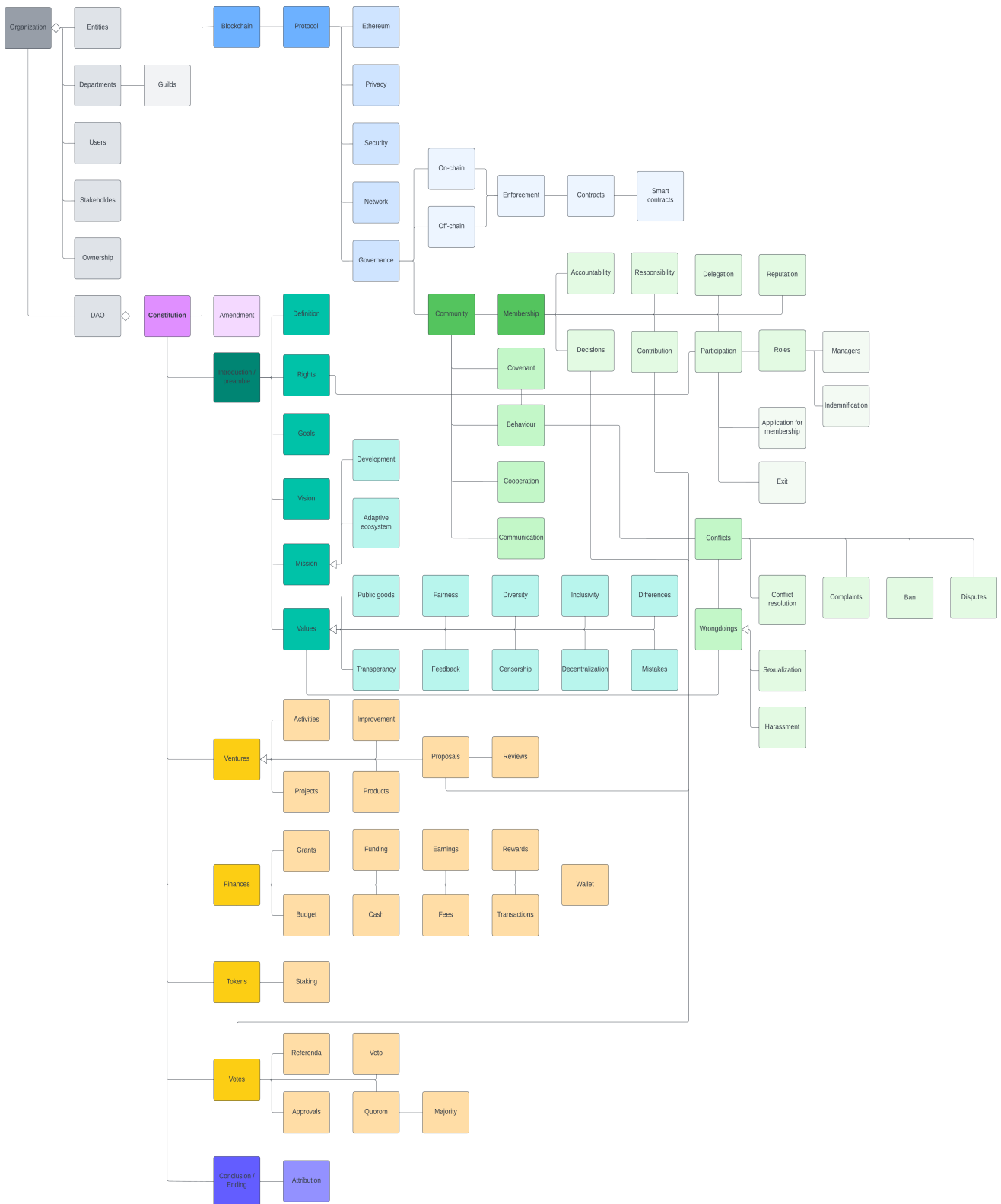
*None.*

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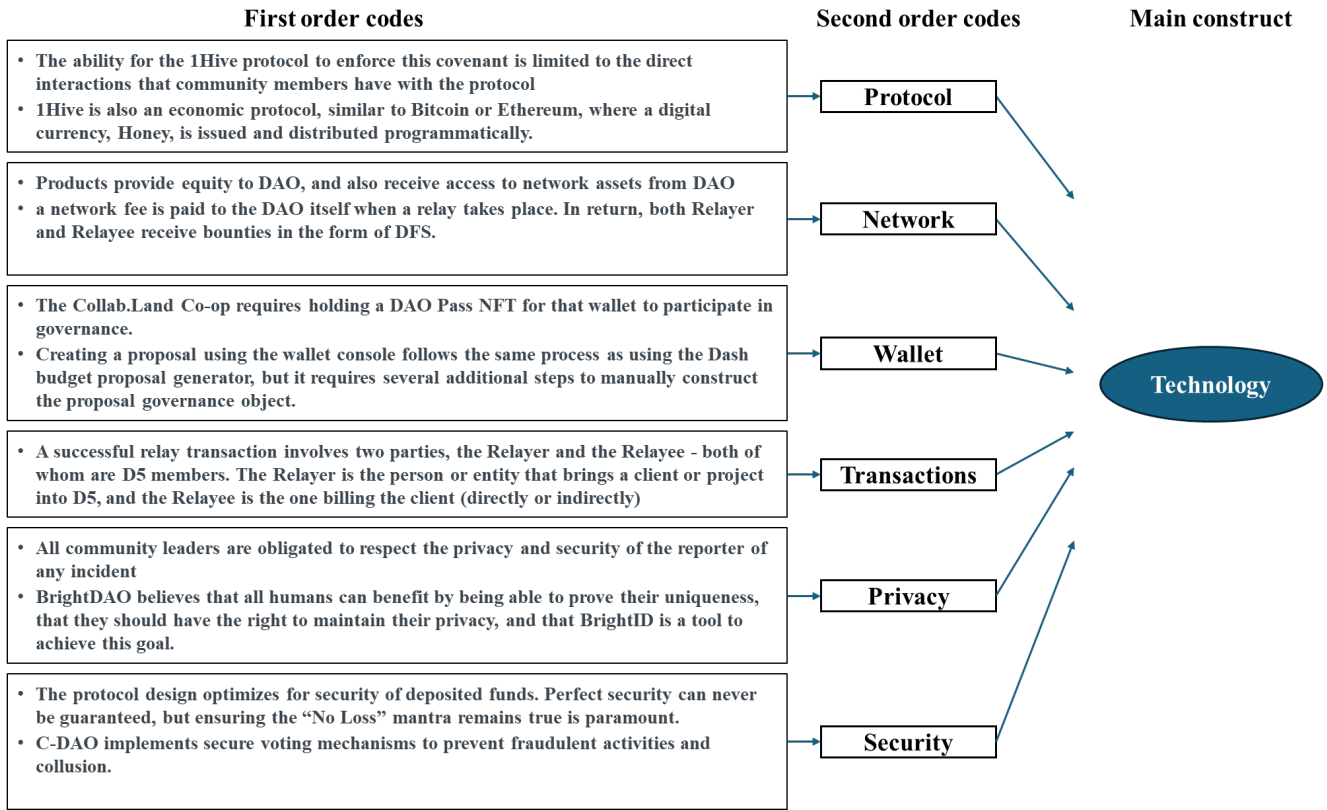
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**Appendix I:** Second-order themes in DAO constitutions. The 27 constitutions had a total of 962 codes which were aggregated in the here visible 94 themes.



**Appendix II:** Data structure for the Technology main construct. The others are available upon request. The terminology is based on Gioia et al. [23]



**Appendix III:** The DAO constitution framework. The observed contents have been distributed in 11 constitution elements. Every concept has been given a description, and we added observed examples. The prio column indicates the MoSCoW rating with **M** for must have, **S** for should have, **C** for could have. The source indicates the constitutions that are exemplary for the element. Some concepts have been added based on interviewee remarks, which is noted in the source column.

Element	#	Concept	Description	Example(s)	Prio	Source
<b>1: Introduction &amp; core</b>	1.0	<b>Amendment</b>	The version of the document so that readers are aware that there might be differences compared to the previous version of the document	Version of the document	<b>M</b>	8
	1.1	<b>Preamble</b>	Introductory text of the constitution which provides an overview of the document	Definitions used, scope, and purpose of the document	<b>S</b>	4, 7, 8
	1.2	<b>Goals</b>	Description of the objectives of the DAO	Financial objectives or community targets	<b>C</b>	[21], 22, 23
	1.3	<b>Values</b>	Core values of the DAO which guide the behaviour and decision-making in the DAO where users should adhere to	Values such as transparency, decentralisation, and inclusivity	<b>C</b>	[21], 1, 22
	1.4	<b>Rights</b>	Description of the rights within a DAO specified for users	The right to exit, the right to a harassment-free zone, the right to make proposals and the right to create disputes	<b>C</b>	[21], 1, 8
	1.5	<b>Vision</b>	Outline of the long-term aspirations of the DAO	Allowing widespread adoption of Web3 technologies	<b>C</b>	1, 10, 19
	1.6	<b>Mission</b>	Description of the fundamental purpose of the DAO and how it aims to achieve its objectives	Creating a community-driven economy	<b>C</b>	8, 10, 23
<b>2: Technology</b>	2.0	<b>Protocol</b>	Description of the blockchain protocols	Platform and accompanying mechanics	<b>M</b>	16, 19
	2.1	<b>Network</b>	Description of the network the DAO is based on	Ethereum and accompanying network fees	<b>S</b>	3
	2.2	<b>Wallet</b>	Overview of the wallet	Address, security measures, and other rules	<b>C</b>	17, 18
	2.3	<b>Transactions</b>	Description of how transactions can take place	Information on how transactions are initiated, confirmed and recorded on the blockchain, also transaction costs	<b>C</b>	1, 3
	2.4	<b>Privacy</b>	Description of how the protocol enhances privacy	Data handling, storing, and sharing	<b>C</b>	3, 23
	2.5	<b>Security</b>	Description of how the protocol enhances security	Resistance to hacks and other vulnerability attacks	<b>C</b>	8, 10, 16
<b>3: Governance</b>	3.0	<b>Governance</b>	Broad introduction on governance aspects	Overall governance process, voting process, decision-making, and participation. Can also include end-of-life mechanisms for the DAO	<b>M</b>	4, 17, 18
	3.1	<b>On-chain</b>	Description of the on-chain protocols	Activities which involve the execution of smart contracts, make use of the decentralised ledger or transactions recorded on the blockchain	<b>C</b>	4, 9, 22
	3.2	<b>Off-chain</b>	Off-chain activities and processes which occur outside the blockchain	Discussion on external platforms and interactions not recorded on the decentralised ledger	<b>C</b>	22
	3.3	<b>Smart contracts</b>	Description or overview of the smart contracts directly written in the code of the DAO	Smart contracts on transactions and proposals	<b>S</b>	2, 8
	3.4	<b>Enforcement</b>	Enforcement protocols and rules on how on-chain & off-chain governance can be enforced	Automatic execution of smart contracts and other measures that ensure that members adhere to the governance	<b>S</b>	24, 26
<b>4: Ventures</b>	4.0	<b>Activities</b>	Description of the actions, operations, or tasks which the DAO undertakes, which helps to explain the scope of the DAO and its' aims	Investment activities	<b>C</b>	2, 8
	4.1	<b>Proposals</b>	Description of the type of submissions from members of the DAO to suggest actions or decisions	Process for creating and submitting proposals.	<b>C</b>	1, 18, 20
	4.2	<b>Projects</b>	Undertakings which the DAO supports or funds, often resulting from proposals	Specifications of how projects work	<b>C</b>	1, 4
	4.3	<b>Products</b>	Outcomes resulting from project completion	Specifications of types and expectations of products	<b>C</b>	3
<b>5: Finance</b>	5.0	<b>Earnings</b>	Description of what earnings are; oftentimes income or returns generated through activities, proposals, projects, or products	What happens with earnings, such as profit-sharing or reinvestments	<b>C</b>	3
	5.1	<b>Fees</b>	Outline of fees associated with activities such as voting or the creation of proposals	Fees charged for services or transactions	<b>C</b>	3, 6, 8
	5.2	<b>Funding</b>	Outline of available financial resources for members and accompanying processes	Funding process, such as requesting funds for activities, projects, or proposals	<b>C</b>	1, 20, 23

Element	#	Concept	Description	Example(s)	Prio	Source
	5.3	<b>Budget</b>	Budgets explain the planned expenditures of the DAO	Establishing of the process for creating, approving and managing the budget	C	1, 18
	5.4	<b>Grants</b>	Financial awards or contributions to users	Rules and processes regarding grants	C	1, 20
	5.5	<b>Cash</b>	Overview of the liquid assets of the DAO	Outline of cash flow	C	3
	5.6	<b>Rewards</b>	Incentives or benefits for the members of the DAO	Outline of the types of rewards and the criteria for earning such rewards	C	3, 4, 18
	5.7	<b>Assets</b>	Description of all assets owned by the DAO	Offline assets such as an office	C	15
<b>6: Tok-enization</b>	6.0	<b>Tokens</b>	Description of the tokens used in voting	Voting power of the tokens and the creation and distribution of such tokens	C	16, 21, 23
	6.1	<b>Staking</b>	Outline of the staking process	Purposes of staking and the benefits of staking	C	22, 23, 25
<b>7: Voting</b>	7.0	<b>Voting process</b>	Description of the procedures and mechanisms regarding voting	Initiating votes, voting duration, and criteria for valid votes	M	2, 3, 16
	7.1	<b>Quorum</b>	The minimum number or percentage of eligible voters required to pass the vote	Definition of majority of votes or sub-majority of votes	M	1, 3, 8
	7.2	<b>Approvals</b>	Approvals for proposals after voting	Criteria for approving proposals such as majority	S	4, 21
	7.3	<b>Referenda</b>	Referenda are decisions that impact the fundamental performance of the DAO and therefore require bigger quorum and approval	How referendums are initiated, processed, and finalised	C	21
<b>8: Com-munity</b>	8.0	<b>Community</b>	Community refers to the collective members of the DAO with shared goals and participation	Outlining mechanisms for community growth and responsibilities of the community. Also highlighting possible subcommunities	S	[24], 22, 12, 13
	8.1	<b>Behaviour</b>	Refers to the actions, conduct, and ethical standards of members in the community	Code of conduct or guidelines that govern how members interact with each other and contribute to the DAOs objectives	S	[24], 22, 26
	8.2	<b>Cooperation</b>	Describes how members work together	Outlining shared resources and mechanisms	C	8
	8.3	<b>Communica-tion</b>	Communication within the community	Can describe channels of communication, such as forums.	C	4, 9, 20
<b>9: Mem-ber-ship</b>	9.0	<b>Membership</b>	Outlines of criteria for membership	Define criteria for membership, further explain rights of members, and responsibilities	S	[24], 8, 20
	9.1	<b>Participation</b>	Refers to the required level of involvement and engagement	Define criteria for engagement in activities, decision-making, and voting	C	[24], 6, 23
	9.2	<b>Roles</b>	Roles define different positions for members	Specification of roles and accompanying duties and responsibilities	C	[24], 2, 23
	9.3	<b>Delegation</b>	Delegation involves the transfer of authority to other members which be needed in decision-making or voting.	Mechanisms, conditions, and duration of delegations.	C	[24], 2, 23
	9.4	<b>Reputation</b>	Explanation of needed trustworthiness, reliability, and contributions of members	Description of the concept of reputation and its role within decision-making. Members with a positive reputation for example can have more voting power or more privileges.	C	[24], 2, 23
<b>10: Con-flicts</b>	10.0	<b>Conflicts</b>	Defines when a conflict occurs	When wrongdoings such as personal attacks occur, oftentimes in conflict with values	S	[24], 1
	10.1	<b>Disputes</b>	An escalation of a conflict	Can describe processes and mechanisms for raising disputes	S	[24], 4, 8
	10.2	<b>Conflict resolution</b>	Outlines processes and mechanisms for resolving disputes	Can describe processes and mechanisms, such as mediation	S	[24], 1, 24, 26
	10.3	<b>Ban</b>	Temporary or permanent removal of member, or their privileges, rights, or access	Specify conditions for bans, duration of bans, and the process for appeals	C	[24], 24, 26
	10.4	<b>Complaints</b>	Formal expressions of concerns raised by members	Outline procedures for submitting, handling, and resolving complaints in the DAO	C	24, 26
<b>11: Closing</b>	11.0	<b>Closing</b>	Closing words	Summary or a TL;DR	C	21
	11.1	<b>Attribution</b>	Assigning credit	If the constitution is based on other documents, it can be listed here	C	24