

H.7843: Rhode Island Decentralized Autonomous Organization Act

Legislative analysis, section-by-section review, comparative state precedents, and recommended amendments

Rhode Island Bitcoin Policy Initiative | June 2026

Bill	H.7843 (LC005609)
Title	Relating to Corporations, Associations, and Partnerships — Rhode Island Decentralized Autonomous Organization Act
Sponsor	Representative Stephen M. Casey
Introduced	February 27, 2026
Committee	House Corporations
Status (Jun 6, 2026)	Heard April 2, 2026; held for further study
RIBPI Stance	Support with Amendments

EXECUTIVE SUMMARY

H.7843 would add a new Chapter 17 to Title 7 of the Rhode Island General Laws, establishing a legal framework for Decentralized Autonomous Organizations (DAOs) to operate as limited liability companies in Rhode Island. The bill provides for DAO formation, governance through smart contracts, limited liability protections, annual reporting to the Department of Business Regulation (DBR), a regulatory sandbox for pilot projects, and capital formation through federally compliant private placements.

RIBPI supports the intent and direction of this legislation. Rep. Casey's bill positions Rhode Island to compete for blockchain talent and investment alongside the four states — Wyoming, Tennessee, Vermont, and Utah — that have already enacted DAO-specific frameworks. The bill's emphasis on federal compliance, AML/KYC obligations, cybersecurity standards, and DBR oversight reflects a responsible approach to emerging technology.

However, the bill as introduced contains several drafting gaps that should be addressed before passage to ensure the framework is functional, enforceable, and attractive to legitimate operators. RIBPI recommends a series of targeted amendments and offers to assist in their development.

1. BILL STRUCTURE — SECTION-BY-SECTION

§ 7-17-1. Purpose and Recognition

Declares the economic development intent and establishes that a DAO may be recognized as an LLC when it satisfies the chapter's governance and reporting requirements.

§ 7-17-2. Articles of Organization

Requires DAO LLCs to include in their articles: (1) a declaration of DAO LLC status, (2) the address of the on-chain governance contract or protocol, (3) a registered agent in Rhode Island for service of process, and (4) provisions specifying members' rights, voting thresholds, and amendment procedures.

§ 7-17-3. Governance and Liability

Permits governance through smart contracts or digital consensus mechanisms. Limits member liability to the amount of each member's financial contribution, with exceptions for fraud or willful misconduct. Grants DAO LLCs standing to sue and be sued.

§ 7-17-4. Reporting and Oversight

Requires annual reporting to DBR disclosing governance status and technical modifications. Directs DBR to issue guidance on filing procedures and cybersecurity standards consistent with Rhode Island financial institutions cybersecurity law.

§ 7-17-5. Regulatory Sandbox

Directs the state to establish a limited-term regulatory sandbox for DAO entities to pilot public and private projects, including infrastructure and financing initiatives, under DBR oversight. Requires participants to maintain AML, KYC, and FinCEN compliance.

§ 7-17-6. Dissolution and Conversion

Permits DAO LLCs to convert to traditional LLCs or dissolve through on-chain member vote or written consent filed with the Secretary of State.

§ 7-17-7. Capital Formation and Project Finance

Authorizes capital formation through private placements of membership interests or governance tokens compliant with federal securities laws (including Regulation D), and financing of infrastructure projects and public-private partnerships through on-chain mechanisms.

§ 7-17-7. Rules and Regulations (duplicate numbering — see Concerns)

Directs DBR to promulgate rules and regulations for implementation and enforcement.

2. STATE PRECEDENT COMPARISON

Rhode Island would become the fifth state to enact a DAO-specific legal framework, following:

State	Year	Structure	Key Features
Vermont	2018	Blockchain-Based LLC (BLLC)	First mover; requires disclosure of decentralization level and member/management rights
Wyoming	2021 (updated 2022, 2024)	DAO LLC + DUNA (2024)	Most comprehensive framework; many subsequent digital-asset laws; automatic dissolution after 1 year of inactivity; 2024 DUNA law adds nonprofit DAO structure
Tennessee	2022	DAO LLC	Requires choice between "member-managed" and "smart contract-managed" structures
Utah	2023	Limited Liability DAO (LLD)	Requires organizer identification (with redaction option); members liable only for on-chain contributions; proportional liability for non-compliance
Rhode Island (proposed)	2026	DAO LLC (H.7843)	Regulatory sandbox, cybersecurity standards, capital formation provisions, DBR oversight

Rhode Island's bill is notable for its inclusion of a regulatory sandbox and its explicit capital formation provisions — neither of which appear in the Wyoming, Tennessee, or Utah frameworks. Those states' laws include significantly more definitional precision and procedural detail than

H.7843

currently

provides.

3. STRENGTHS

1. **Economic competitiveness signal.** Rhode Island ranks 40th on the Tax Foundation 2026 State Tax Competitiveness Index and 46th on CNBC's 2025 America's Top States for Business (tied with Louisiana). A DAO LLC framework signals the state is open to emerging technology — a message the state needs to send.
2. **Rep. Casey's leadership.** Rep. Casey has emerged as a champion for blockchain policy in Rhode Island, also sponsoring H.7956 (Blockchain Study Commission) and H.7957 (Private Key Protection). H.7843 reflects a coherent legislative strategy.
3. **Responsible guardrails.** The bill does not create a regulatory free-for-all. It requires registered agents (accountability), annual DBR reporting (oversight), AML/KYC/FinCEN compliance (federal alignment), and cybersecurity standards consistent with existing financial institution requirements.
4. **Regulatory sandbox.** The sandbox concept is forward-thinking and could position Rhode Island as a testbed for DAO-based infrastructure and public-private partnerships — a differentiator no other state DAO framework offers.
5. **Capital formation clarity.** Explicit authorization for Regulation D private placements and on-chain financing mechanisms provides a legal pathway for DAO-based fundraising that other state frameworks leave ambiguous.
6. **Federal compliance emphasis.** The bill repeatedly references federal obligations (securities laws, FinCEN, AML/KYC), reducing the risk of creating a framework that conflicts with federal regulations.

4. CONCERNS AND RECOMMENDED AMENDMENTS

4.1 No definition of "Decentralized Autonomous Organization"

Issue: The bill never defines what a DAO actually is. Without a statutory definition, it is unclear what entities qualify for this framework — and what entities do not. This creates ambiguity for both operators and regulators.

Recommendation: Add a definitions section (§ 7-17-1.1 or expand § 7-17-1) defining "decentralized autonomous organization," "smart contract," "governance token," "on-chain," and "digital consensus mechanism." Wyoming, Tennessee, and Utah all include definitions sections. Utah's definition — an organization "governed, in whole or in part, by software" operating on a blockchain — is a useful starting point.

4.2 Duplicate section numbering

Issue: The bill contains two sections numbered § 7-17-7. The first covers "Capital formation and project finance" and the second covers "Rules and Regulations." This is a drafting error that should be corrected.

Recommendation: Renumber the Rules and Regulations section as § 7-17-8.

4.3 Relationship to existing LLC law undefined

Issue: The bill creates DAO LLCs as a new entity type but does not specify how Chapter 17 interacts with Rhode Island's existing LLC statute (Chapter 16 of Title 7). Are DAO LLCs subject to all existing LLC requirements unless specifically modified? Or does Chapter 17 operate independently?

Recommendation: Add a provision stating that DAO LLCs are governed by Chapter 16 except where Chapter 17 specifically provides otherwise — similar to Wyoming's "supplement" approach, which layers DAO-specific rules on top of existing LLC law.

4.4 Regulatory sandbox lacks parameters

Issue: Section 7-17-5 directs the state to "establish a limited-term regulatory sandbox" but provides no parameters: application process, duration, participant limits, reporting requirements, consumer protection standards, or criteria for graduation from the sandbox.

Recommendation: Either (a) specify minimum parameters in statute, or (b) explicitly delegate parameter-setting to DBR with a deadline for promulgating rules (e.g., 180 days after passage). The current language is likely too vague to be implemented.

4.5 No implementation runway

Issue: The bill takes effect "upon passage," but the framework depends on DBR promulgating rules and guidance (§ 7-17-4, § 7-17-7 [renumbered to § 7-17-8]). Effective-upon-passage with no implementation timeline creates a gap where the law exists but cannot be operationalized.

Recommendation: Either (a) set an effective date 180–365 days after passage to give DBR time to build infrastructure, or (b) add a provision requiring DBR to promulgate initial rules within 180 days and allowing DAO LLC registration to begin upon rule adoption.

4.6 Smart contract malfunction and dispute resolution

Issue: The bill permits governance through smart contracts but provides no mechanism for what happens when a smart contract has a bug, is exploited, or produces unintended outcomes. This is not a theoretical risk — smart contract failures have caused billions of dollars in losses industry-wide.

Recommendation: Add a provision addressing dispute resolution, including authority for courts to issue equitable relief when smart contract execution produces results inconsistent with member intent or the organization's articles.

4.7 No member identification requirements

Issue: Unlike Utah (which requires organizer identification) and Vermont (which requires disclosure of decentralization levels), H.7843 has no requirement for identifying the natural persons behind a DAO LLC. While pseudonymity is a feature of blockchain technology, entities that receive LLC liability protections from the state should have some level of accountability beyond a registered agent.

Recommendation: Require at minimum the identification of one organizer or authorized representative as a natural person, consistent with Utah's approach (which allows public redaction while maintaining state records).

5. RIBPI STANCE: SUPPORT WITH AMENDMENTS

RIBPI supports H.7843 in concept and applauds Rep. Casey's continued leadership on blockchain policy in Rhode Island. The bill's intent — creating legal clarity for DAO-based entities, attracting blockchain investment, and establishing responsible oversight — aligns with RIBPI's mission and with the state's economic development needs.

However, the bill as introduced is a framework sketch that needs additional drafting work to become a functional statute. The seven issues identified above are addressable, and RIBPI recommends that the committee:

1. **Hold the bill for amendment** to address the drafting gaps identified above.
2. **Coordinate with the Blockchain Study Commission** proposed in H.7956 / S.2198 Sub A — a DAO framework is exactly the kind of policy a study commission should evaluate.
3. **Engage DBR early** to ensure the department has the resources and expertise to implement the regulatory sandbox and annual reporting requirements.

RIBPI stands ready to assist Rep. Casey and the committee in developing amendment language, providing technical review, and connecting the committee with subject matter experts.

Key facts for committee reference

States with DAO frameworks: Wyoming (2021, updated 2024), Tennessee (2022), Vermont (2018), Utah (2023). **Wyoming's result:** Kraken Financial received the first SPDI charter; multiple digital asset firms relocated. **RI competitiveness:** 40th on Tax Foundation 2026; 46th on CNBC 2025 (tied with Louisiana). **Federal landscape:** GENIUS Act (P.L. 119-27) signed July 18, 2025; CLARITY Act (H.R. 3633) passed House July 17, 2025 and advanced through Senate Banking June 1, 2026.

APPENDIX: SOURCES AND REFERENCES

Bill and Procedural Records

- H.7843 bill text (status.rilegislature.gov), verified June 6, 2026
- House Corporations Committee hearing record, April 2, 2026
- H.7843 Bill Status Report, status.rilegislature.gov

Comparable State DAO Frameworks

- Vermont Title 11, Chapter 25 (Blockchain-Based LLCs, 2018)
- Wyoming Decentralized Autonomous Organization Supplement (Wyo. Stat. §§ 17-31-101 et seq.), 2021; updated 2022 and 2024; DUNA (Decentralized Unincorporated Nonprofit Association) Act 2024
- Tennessee DAO LLC statute (Tenn. Code Ann. § 48-250-101 et seq.), 2022
- Utah Limited Liability Decentralized Autonomous Organization Act (Utah Code Title 48, Chapter 5), 2023

Federal Regulatory Context

- GENIUS Act, P.L. 119-27, signed July 18, 2025
- Digital Asset Market Clarity Act, H.R. 3633 (119th Congress)
- SEC Regulation D, Rules 504 and 506 (private placement framework)
- Financial Crimes Enforcement Network (FinCEN), virtual asset service provider guidance

Rhode Island Business Climate Context

- Tax Foundation, 2026 State Tax Competitiveness Index (RI ranked 40th)
- CNBC, America's Top States for Business 2025 (RI ranked 46th, tied with Louisiana)
- RIPEC, FY2027 budget outlook

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End of Report