



SwissAssetDAO - a real-world association for real-world asset investing

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Introduction

Crossing, merging, and combining Digital Assets (DA) and Real-World Assets (RWA) has been the aspiration and goal of Distributed Ledger Technology (DLT) since the emergence of smart contracts, but the transition has been limited by legal and regulatory challenges.

The promise of diversification for investors of both DA and RWA drives the ongoing ambition to build a pathway to safe, reliable, and efficient transactions.

SwissAssetDAO, located in the vibrant, innovative birthplace of DA, Switzerland's 'Crypto Valley' in the canton of Zug, was formed to provide the bridge to facilitate DA and RWA transactions.

The crypto world is currently fragmented into individual entities or communities, sometimes working at cross purposes, who will benefit from the bridge SwissAssetDAO is building.

Background & Challenges

RWA to DA: In almost a decade of tokenizing RWA, stylized challenges can be summarized as follows:

- The pure promise of process optimization through DLT alone (settlement, fractionalization, transparency, distributed registry, liquidity, auditability) has not enticed traditional investors to move to digital solutions.
- Convincing DA holders to invest in a specific RWA using a bespoke utility-based tokenomics requires building up an entirely new community of investors.
- As laws and regulations emerged, tokens to be distributed to a wider investor base require upfront token classification, a regulatory process spanning across months, sometimes years.



DA to RWA: DAOs and lending protocols have ventured beyond the realm of DA and started to diversify into RWA. In an analogy, a foreign person without passport standing at the border of a country with suitcases full of cash, is looking to buy a house:

- DAOs are not recognized as legal entities in most jurisdiction, and hence cannot be counterparty to legal contracts (e.g., investments, transactions), or don't have access to courts, making legal enforcement or recovery of failed investments in the real world extremely challenging.
- In absence of legal anchoring in a jurisdiction of investments, a DAO can be classified by lawmakers as a collective investment scheme or alike, with heavy regulatory obligations and fines, or banned altogether.
- DAOs investing into RWA rely again on centralized intermediaries and specialists, e.g., banks, to act as asset manager and custodians of investments. Proof of funds then faces the typical real-world plumbing challenges, including reliance on a centralized party.
- Besides catering to complex regulations around specific RWA (e.g., property in most countries), restricted ownership of assets, proof of source of funds/AML/CTF and taxes imposed, the accountability for distribution to end-investors remains with the DAO.



Proposed Solution

The SwissAssetDAO aims to deliver a solution to bridge RWA and DA with legal clarity and financial efficiency.

Starting out with the legal anchor in a stable jurisdiction, the project establishes an actual real-world association (“Verein”) in Zug, Switzerland. An association is a legal entity under the laws of Switzerland, with formal decentralized governance (articles of association, president, general assembly, audit, membership, etc.), and proven a very popular (decentralized) setup to organize activities. Registration in the commercial registry is voluntary but recommended, especially to establish transparency and trust.

The real-world setup and governance outlined can be completely digitized and operated with smart contracts on DLT. A template of a “decentralized autonomous association” (DAA¹) has even been built and made freely available by MME, a preeminent DLT law firm in Zug, Switzerland, as early as back in 2018.

The template for the DAA has to the project team’s knowledge never been used (at scale), apparently for lack of demand for legal certainty around DAOs in the earlier days of DLT.

With emergence of interest in investing in RWA, the need for exactly such a DAA with legal anchoring becomes obvious. The fundamental purpose and scope of the DAA to be established shall thus specifically evolve around RWA investing.

This not only clarifies the DAA’s USP, but also allows to partner with other DAOs and lending protocols, to act as sub-DAO for e.g., MakerDAO, or specialist delegates for RWA investments. The DAA is not operating in isolation, in contrary, it aspires to partner with other communities around the world from DeFi and TradFi.

An association lives and succeeds with community participation, which in turn adds value to the community, reinforcing participation. The DAA fosters safe and efficient RWA markets to facilitate effective risk management for all participants:

- Inform and educate the public on all aspects RWA.

¹ [Decentralized Autonomous Association \(DAA\) \(mme.ch\)](https://mme.ch)



- Establish and promote best-practice framework and legal setup for RWA investing and risk management among members.
- Build open-source templates for transaction processing and risk management, where applicable.
- Provide and govern access to RWA investment opportunities to members.
- Partner with and add value to other investment communities globally.
- Provide the preeminent platform to collaborate on RWA matters.



Organizational Details

a) DAO as a legal entity

The SwissAssetDAO is incorporated in Zug, Switzerland as an association, upon completion of its design, securing funding and approval by the project team. An association under Swiss laws must fulfill a list of basic requirements:

a.1) Purpose

The purpose of an association is clearly articulated in the articles of association. The SwissAssetDAO's purpose is to share and promote best practices and risk management of investing in real-world assets among its members.

a.2) Articles of association

The articles of association define the purpose and processes of the association. Members are entitled to put up proposals for voting by the members, for changes to the articles of association.

a.3) Members

For board's approval, a member's identity, nationality and residency are verified, and compared with international sanctions. Membership can be renewed with payment of an annual membership fee to the association's treasury.

Membership also entitles the members to vote with one vote each. The founding members' membership fee is waived for the first 3 years.

Members can be appointed by the board to act as finders (fundraisers) for the SwissAssetDAO. To be eligible as a finder, a member must adhere to strict ethical standards and requirements, as detailed in a dedicated policy.



Exhibit 1: SwissAssetDAO fundraising mechanics and incentives.



Members are given the opportunity to participate in the delivery of SwissAssetDAO’s services to clients. The SwissAssetDAO participates with 30% in the revenue, to cover associated costs for coordination and organization, and the remainder of 70% is distributed, gross of applicable taxes, to the dedicated project team.



Exhibit 2: Mechanics and incentives of service delivery.

a.4) Governance and voting

Member voting is a vital means for a functioning governance. Various types of votes and elections are performed scheduled or ad hoc. Nevertheless, sustainable governance allows for operational decisions to be delegated to the board, as will be detailed in an operational policy.

The table below illustrates the types of votes, their initiation, and requirements for acceptance:

Type	Initiation % token	Acceptance % token	Comment
Annual assembly quorum	50%	50%	
Ad hoc assembly	10% or president	50%	
Election/dismissal of president and board members	50%	50%	
Election/dismissal of Chair of Legislative Committee	50% or president	50%	
Election/dismissal of Chair of Executive Committee	50% or president	50%	
Election/dismissal of Chair of Judicial Committee	50% or president	50%	
Discharge of president and board	50%	50%	
Expelling of members	25% or president	50%	
Acceptance of financial statement	50%	50%	



Acceptance of audit of accounts	50%	50%	
Appointment/dismissal of auditor	50%	50%	
Changes to articles of association	25% or president	67%	
Dissolving the association	50%	67%	
Proposals for...			
Proposals for...			

a.4) Assembly

An assembly of members is held on an annual basis or whenever called upon by the delegate. A formal standard agenda with elections, discharge, membership fees, and compensation, is complemented by proposals. Voting on all matters is performed asynchronously during a specified time window. During this window, a virtual/hybrid assembly meeting allows for real-time exchange and debate, questions, and answers.

a.5) President and board

The president and the board are accountable for the administration of the association, according to the articles of association. The president and board members are elected for a term of one year at the annual assembly. The board can bring forward proposals for members' voting. Operational aspects can be decided and implemented by the board directly, with authorities outlined in an operational policy, approved by the assembly of members. As a pre-requisite, the president and board members must be registered as financial advisors as per the Federal Financial Services Act and the Financial Institutions Act (FinSA and FinIA)².

a.6) Treasury, accounting, and taxes

The president and the board are accountable for the integrity of accounts and the overall treasury. In this capacity, the president can assign the responsibility of treasury operations for accounting and taxes, unless automated or outsourced, to a member of the association.

a.7) Financial statement and audit

² [FINMA adopts regulation implementing FinSA and FinIA | FINMA](https://www.sif.admin.ch/sif/en/home/finanzmarktpolitik/financial-market-regulation/regulatory-projects/federal-financial-services-act-finsa-financial-institutions-act-finia.html) and/or <https://www.sif.admin.ch/sif/en/home/finanzmarktpolitik/financial-market-regulation/regulatory-projects/federal-financial-services-act-finsa-financial-institutions-act-finia.html>



Financial statements are produced and submitted to the annual assembly together with an independent audit of accounts.

a.8) Legal, regulatory and compliance

The president and board are accountable for all aspects of legal, regulatory, and compliance of the association. For example, the registry in Zug needs to be kept updated with signatories. Legal support is appointed, ideally to a member of the association, to monitor developments in the legal, regulatory, and compliance domains. Modifications to processes, e.g., pertaining to AML-compliance of members, are drafted, and proposed for member voting. The association, in line with its purpose, aims to be a thought leader in these domains and promote best practices.

a.9) Members, marketing, communications, and partnerships

An association serves and interacts with its members and stakeholders, to stay relevant. The president and board are accountable for and formally represent the administration of the association, however, appoint members with responsibilities in the areas of stakeholder engagement.

a.10) Technology and security

Technology operations, security, and development are part of the association's administration and thus a responsibility of the president and board.

As a best practice, the association maintains regular audits, bounty programs, and penetration tests of its infrastructure.

Technological developments, assignment of contracts above a threshold to be defined, and alike are subject to approval by the assembly.

a.11) Chair of the Legislative Committee

To establish best-practice governance, separation of powers is required within the administration of the association. A chair of the legislative committee is appointed by the annual assembly of members. The committee is tasked with crafting and proposing adjustments to the articles of association, and any process pertaining to real-world investing as laid out in the purpose of the association. The chair is empowered to build a committee consisting of members not participating in other committees, nor the president, and must appropriately document all meetings, debates, and decisions.



a.12) Chair of the Executive Committee

To establish best-practice governance, separation of powers is required within the administration of the association. A chair of the executive committee is appointed by the annual assembly of members. The committee is tasked with the (non-administrative) execution of the association's purpose and processes (real-world investing). The chair is empowered to build a committee consisting of members not participating in other committees, nor the president, and must appropriately document all meetings, debates, and decisions.

a.13) Chair of the Judicial Committee

To establish best-practice governance, separation of powers is required within the administration of the association. A chair of the judicial committee is appointed by the annual assembly of members. The committee is tasked with resolving any internal and external disputes, complaints and investigations pertaining to conflicts of the association's purpose and processes (real-world investing). The chair is empowered to build a committee consisting of members not participating in other committees, nor the president, and must appropriately document all meetings, debates, and decisions.



b) DAO in its technical implementation

The SwissAssetDAO is implemented on distributed ledger technology (DLT), to the extent it is deemed efficient, upon finalization of the design and securing funding. Technical components are directly derived from governance bodies and processes defined in the articles of associations:

b.1) Membership/governance

Upon payment of the first membership fee, any eligible individual or entity becomes a member of SwissAssetDAO and receives a token with a fixed expiration date. Once membership has been renewed with payment of the annual membership fee to the association's treasury, the token is reactivated for another year. The token is used by the members to vote and serves as the sole means of voting.

b.2) RWA investments

The DAO enables third parties to access RWA by means of structured lending (total return loans with full legal recourse to pledged assets), at a later stage possibly under loan programs, subject to registration of the loan program prospectus with the reviewing body for prospectuses³. Loans are rebased daily to the net asset value pledged. This is best reflected with a rewards-based liquid staking token (LST). Lending parties need to pass third-party KYC/KYB/AML/sanctions checks whenever interacting with the DAO.

Loan funding is accepted in various fiat currencies, and assets, but also in eligible stablecoins, such as CHF⁴, DAI⁵, USDC⁶, TUSD⁷, USDT⁸, and others, subject to approval by the board. Lenders receive a token linked to their loan on the smart contract. At the same time as a lender sells the loan, the token changes the wallet to the new lender. The new wallet address specifies the address of the new lender on record for the specific loan linked to the token, and the loan is reassigned to the new lender.

³ [Reviewing body for prospectuses | FINMA](#)

⁴ [Swiss Stablecoin AG | Digitalfranken für die ganze Schweiz](#)

⁵ [MakerDAO | An Unbiased Global Financial System](#)

⁶ [USD Coin | Always-on dollars, internet speed | Circle](#)

⁷ [Home | TrueUSD \(tUSD.io\)](#)

⁸ [Just a moment... \(tether.to\)](#)



b.3) RWA investments by the treasury and vaults

The treasury and vaults (segregated accounts, bankruptcy-remote) issue loans (total return loans with full legal recourse to pledged assets) under the loan program in different series and reinvest the loan proceeds into RWA. Loans are rebased daily to the net asset value pledged. This is best reflected with a rewards-based liquid staking token (LST). After a stipulated duration, the loans will be rolled into new loans, including interest in kind. All such vaults are approved by the board.



Exhibit 3: Direct RWA investments by the SwissAssetDAO treasury.



Exhibit 4: RWA investment for third parties facilitated by the SwissAssetDAO.

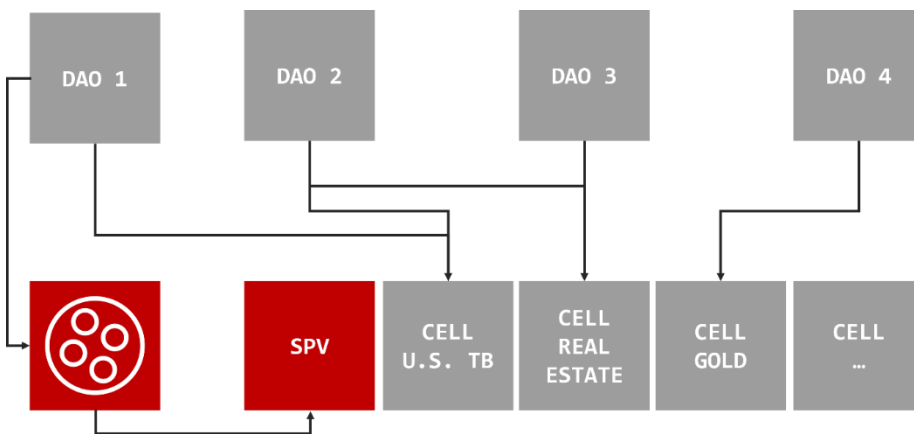


Exhibit 5: Entire RWA investment framework.



b.4) FATF AML compliance, KYC/KYB

Only verified wallets, passing third-party compliance checks, are accepted as members of the association. A certificate in the form of an NFT must be always maintained in the member's or lender's wallet, otherwise, interaction with the DAO's smart contracts (voting, lending) are not possible.

b.5) Governance and voting

Voting through the smart contract allows for transparent administration of governance. A smart contract can be parametrized to process voting according to the list of types of voting under a.4).

b.6) Assembly

The assembly is entirely decentralized and programmed into a smart contract, i.e., agenda proposals, voting, and determination of results are all processed on DLT.

b.7) Treasury, accounts

The treasury is operating on DLT wallets, with private keys held by the treasurer on a ledger, for maximum transparency and security.

The treasury can mint tokens to members' verified wallets, representing IOUs and loans to the treasury.

Implementation

The implementation of the RWA DAA requires collaboration between various stakeholders, including RWA issuers, DLT developers, and legal and regulatory experts. The association will be established as a legal entity, with a clear governance structure and a set of rules and regulations that enable compliance with relevant laws and regulations in Switzerland. Digitization on DLT itself requires coordination and governance by the DAO itself. To fund efforts, membership/governance NFTs are launched, sold, and issued to participants (without any financial incentives, no limitations on supply or floating).

Case Studies

Conclusion

References

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