

28 February 2023

Committee Secretariat
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Submitted via the Parliament of Australia website and by email: economics.sen@aph.gov.au

Dear Committee Secretariat,

Inquiry into international digital platforms operated by Big Tech companies

Thank you for the opportunity to provide a submission to the Senate Economics References Committee inquiry into international digital platforms operated by Big Tech companies.

With appropriate legal and policy settings for DAO (decentralised autonomous organisation) innovation, the autonomous protocols/algorithms that are launched and governed by DAOs could be safer, more reliable, more composable and more transparent than is currently the experience for consumers and governments interacting with Big Tech companies. Composability (i.e. the ability for standardised tokens to be used in multiple different protocols, and for separate protocols to be strung together or used in different ways) is a natural defence to the Big Tech vertical integration issues and self-preferencing of first-party applications that leads to societal loss.

Shared ownership and equitable governance present an effective solution to some of the key issues associated with Big Tech and monopolies, and organisations like cooperatives and DAOs better enable shared ownership and equitable governance. However, the lack of clarity in legal and tax treatment of DAOs, aggressive enforcement actions and emerging global policy environment are each inhibiting the growth of these natural competitors to Big Tech companies. This could quickly change with clear legal and policy settings for DAO innovation.

Metaverse worlds in particular lend themselves naturally to decentralised models of governance (i.e. governance by the community of people visiting and enjoying the metaverse world and its features, aka DAO based governance). However, due to the legal uncertainties surrounding the DAO structure, as well as the legal and tax treatment of tokens and token activities, metaverses are being created and governed by centralised companies that mirror the structures of Big Tech Companies that are not sufficiently incentivised to adopt models of governance that include token activities and rewards that contribute to social cohesion. Social cohesion has been proven to help an organisation grow while reducing the likelihood that harmful practices could eventuate and embedding a culture of identifying and addressing harmful practices quickly. Methods of enhancing social cohesion are exactly the sorts of innovation occurring within DAO structures and should be incentivised by friendly legal and policy settings.

A key example of healthy blockchain-based innovation taking on Big Tech companies and their overcollection of data is the privacy-preserving Brave browser and search engine, powered by blockchain technology and BAT (basic attention tokens). BAT is used to incentivise and reward attention without the need to collect and sell personal information but continues to be shrouded in legal uncertainty as to its treatment as a security or other financial product or a mere consumer and platform feature.

Central bank digital currencies (CBDCs) and privately issued fiat-pegged stablecoins may assist with regulating payment related innovation and inhibiting Big Tech companies from monopolising this aspect of online commerce. However, the tokenisation paradigm extends to non-financial things and increasingly blockchain infrastructure will be used for trusted non-financial online transactions (such as social media posts, online advertisements, emails, messaging) where financial services laws and

frameworks are simply insufficient. This Inquiry provides a critical reflection point for Australia to consider its defensive and strategic position to capture the economic growth possible from the anticipated mainstream transition from web2 (Big Tech and walled garden internet) to web3 (the open internet). A core part of that strategy should include DAO friendly policy settings, where reliability, trust and transparency are achieved through greater decentralisation such that decentralisation is the policy goal worth protecting.

Finally, the lack of a legislated privacy-preserving digital identity and/or verifiable credential framework is inhibiting blockchain-based innovation which continues to be stifled by outdated KYC requirements that are proven not to be effective in preventing, deterring and catching the majority of financial crime despite how much information is collected. Encouraging blockchain-based competition through clear and friendly policy settings will put pressure on Big Tech companies to alter their existing commercial models and potentially shift to more equitable and transparent public trusted digital infrastructure, at which point privacy-preserving digital identity verification and verifiable credentialing will be well overdue and critical.

I welcome the opportunity to discuss this submission and assist the Committee with their Inquiry.

Yours sincerely,

Signed by:

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Joni Pirovich
Principal
Blockchain & Digital Assets – Services + Law (BADAS*L)

A web3 focussed firm providing legal, strategic and policy services.