

The Permissionless Instrument

Why tree-backed tokens require no landowner consent, no government approval, and no legal enforcement — and why that’s the only design that works.

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Abstract

Conservation mechanisms that depend on legal enforcement inherit the fragility of the legal systems that sustain them. Regulations reverse. Governments fall. Treaties lapse. This paper presents the design rationale for a tree-backed token that operates as a permissionless financial instrument—a digital reference to an observable physical reality—requiring no property rights interface, no jurisdictional authority, and no ongoing institutional support. We argue that this constraint is not a limitation but the core design requirement for any conservation mechanism intended to operate across centuries.

1. The Problem with Permission

Every conservation mechanism currently in operation requires permission from someone. National parks require legislative authorization. Conservation easements require landowner consent. Carbon credits require government-recognized registries. International protections require treaty ratification. Each of these mechanisms works—until the entity granting permission changes its mind.

The historical record is unambiguous. The United States has reversed Endangered Species Act protections. Brazil has relaxed enforcement of Amazon deforestation laws. Indonesia has reclassified protected forest as available for palm oil concessions. These are not failures of intent; they are the predictable consequences of mechanisms that depend on political will, which is inherently temporary.

A 250-year-old tree has already survived longer than any existing government. A conservation mechanism designed to protect it must be engineered to survive at least as long. This rules out any design that requires ongoing permission from any centralized authority.

Design Axiom: Any mechanism that requires permission from an institution will not outlive that institution. Old-growth trees outlive institutions. Therefore, the mechanism must be permissionless.

2. The Index Card Model

Arboreal Capital tokens do not represent ownership of a tree. They do not confer rights to the land the tree occupies. They do not create obligations for landowners, governments, or indigenous communities. The token is a financial instrument that references an observable physical reality—the existence of a living tree at a specific set of geographic coordinates.

Consider a thought experiment. Take a 3x5 index card and write down the latitude and longitude of The Hague. You now own the card. You do not own The Hague. The card confers no property right, no legal claim, and no authority over the place it references. It is a physical object that contains a reference to a geographic location. Nobody needs to authorize you to write those numbers down. No government needs to approve the card. The Hague does not know or care that your card exists.

An Arboreal Capital token is a digital version of this index card. It contains a reference to a set of geographic coordinates where a living old-growth tree has been verified to exist. The token's value derives from the verifiable continued existence of that tree, the finite supply of eligible trees, and market demand. The token issuer does not need the landowner's permission

because the token does not encumber the land or the tree in any way—just as writing coordinates on an index card does not encumber the place those coordinates describe.

The difference between the index card and the token is that the token has a conditional state. While the tree lives, the token is transferable. When the tree dies, the token freezes. This conditional state is what transforms a simple geographic reference into a conservation mechanism: it creates a financial interest in the continued survival of the referenced tree, distributed across every holder of that token.

2.1 What the Token Holder Owns

The token holder owns a verifiable digital asset that says: *this tree existed when this token was minted, and it is still alive as of the most recent verification*. Nothing more. The holder cannot prevent the tree from being cut down. The holder cannot sue the landowner. The holder cannot petition a court for an injunction. If the landowner decides to cut the tree for firewood, the token holder's only recourse is to watch their token freeze and their investment evaporate.

This sounds like a weakness. It is the entire point.

If the token conferred legal rights over the tree, it would need to interface with property law. Property law is jurisdictional. An instrument that works under Norwegian property law may not work under Brazilian property law, or Congolese property law, or Indonesian property law. The moment the mechanism requires legal enforcement, it becomes limited to jurisdictions where that enforcement is available—which excludes precisely the places where old-growth trees are most at risk.

By conferring no legal rights, the token operates everywhere. A tree in Siberia, a tree in the Amazon, a tree in California, and a tree in the Congo are all equally eligible. No government needs to approve the listing. No landowner needs to be consulted. The token exists because the tree exists, and it stops being tradeable when the tree stops existing.

3. Securities Analysis

Whether a tree-backed token constitutes a security is a question that must be addressed directly. In the United States, the foundational test is *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946), which defines an investment contract as: (1) an investment of money, (2) in a common enterprise, (3) with the expectation of profit, (4) derived primarily from the efforts of others. All four prongs must be satisfied.

3.1 Application to Arboreal Capital Tokens

Prong 1 (Investment of money): Likely satisfied. Purchasing a token requires payment.

Prong 2 (Common enterprise): Unlikely satisfied. Each token references a specific, independent tree. There is no pooling of funds, no shared revenue, and no common treasury. The fate of one token is independent of every other token. This is distinguishable from cases like *Friel v. Dapper Labs, Inc.* (S.D.N.Y. 2023), where NBA Top Shot Moments were found to potentially constitute securities in part because Dapper Labs controlled the marketplace, charged fees on all transactions, and restricted withdrawals—creating horizontal commonality across the token ecosystem. Arboreal Capital operates no marketplace, charges no transaction fees, and exercises no control over secondary trading.

Prong 3 (Expectation of profit): Ambiguous. If a purchaser expects the token to appreciate, that expectation is driven by the natural survival of the tree and external market forces—not by promises from the issuer. The Supreme Court held in *United Housing Foundation, Inc. v. Forman*, 421 U.S. 837 (1975), that when a purchaser is motivated by a desire to use or consume the item purchased, the securities laws do not apply. A token purchased for its conservation function, its collectible value, or its connection to a specific tree falls closer to this consumptive use than to a speculative investment contract.

Prong 4 (Efforts of others): Unlikely satisfied. This is the strongest prong in our favor. No management team is improving the tree. No company is optimizing its growth or generating returns. The tree simply exists or it does not. Any appreciation in token value results from external factors—market demand, scarcity of surviving old-growth, and the biological reality of the tree’s continued life. SEC Commissioners Hester Peirce and Mark Uyeda, dissenting in *SEC v. Impact Theory, LLC* (2023), argued that NFTs should not automatically be treated as securities and compared them to “watches, paintings, or collectibles” where value is driven by market factors outside the control of any one party.

3.2 The Impact Theory Distinction

In August 2023, the SEC brought its first NFT enforcement action against Impact Theory, LLC, which raised approximately \$30 million through NFT sales. The critical facts: Impact Theory explicitly marketed its tokens as investments in its business, stated it was “trying to build the next Disney,” promised to deliver “tremendous value” to purchasers through its managerial efforts, and collected a 10% royalty on all secondary sales. The SEC settlement required \$6.1 million in disgorgement and penalties.

Arboreal Capital differs on every operative fact. We do not market tokens as investments in our business. We make no promises about token appreciation. We do not collect resale royalties. We do not control a marketplace. The token’s value proposition is explicitly tied to the physical survival of a tree—a biological fact that no management team controls—not to the efforts or success of Arboreal Capital as a company.

3.3 Honest Caveat

This analysis represents our good-faith assessment of how existing case law applies to the Arboreal Capital token design. It is not a legal opinion. The regulatory landscape for NFTs remains unsettled—the SEC has proceeded by enforcement action rather than formal rulemaking, and no court has issued a definitive ruling on whether standalone NFTs with no issuer-controlled marketplace constitute securities. We intend to obtain formal legal counsel to confirm this analysis prior to mainnet deployment. The token’s design has been deliberately structured to fall outside the Howey framework, but we acknowledge that regulatory certainty does not yet exist in this space.

The design choice to avoid securities classification is not merely a compliance exercise. It is a structural requirement: securities require regulatory approval, and regulatory approval is a form of permission that can be revoked. A conservation mechanism that depends on the continued goodwill of a securities regulator has the same fragility as one that depends on any other institution. The permissionless design demands that the token not be a security.

4. The Self-Interest Engine

If the token confers no legal rights, what prevents landowners from cutting every tokenized tree with impunity? Nothing. And that is, counterintuitively, how the mechanism generates conservation pressure.

Consider a tree tokenized at a market value of \$50,000. One thousand token holders each hold \$50 worth of that tree. The landowner announces plans to clear the land. What happens?

One thousand people who stand to lose money now have a financial incentive to prevent that outcome. Some may offer to buy the land. Some may lobby local government for protective zoning. Some may fund controlled burns to reduce fire risk and thereby protect their investment. Some may organize media campaigns. The specific action is unpredictable, but the direction of the incentive is not: every token holder wants the tree to survive, because their money depends on it.

This is the mechanism in its purest form. It does not fight human self-interest; it redirects it. Traditional conservation says *don’t cut the tree because it’s morally wrong*. Arboreal Capital says *don’t cut the tree because a thousand strangers will make your life difficult if you do, and some of them have lawyers*.

No enforcement body is required. No regulatory agency monitors compliance. The distributed self-interest of thousands of token holders creates emergent conservation pressure that is more resilient than any single institution—because it requires no institution at all.

Key Insight: *The mechanism does not protect trees. It makes trees expensive enough that other people protect them to avoid losing money.*

5. Edge Cases and Objections

5.1 Government Seizure of Land

If a government seizes land and clears trees, token holders lose their investment. This is correct, and it is identical to what happens to any conservation mechanism when a government decides to override it. The difference is that the Arboreal Capital mechanism generates distributed political pressure against seizure, because every token holder in that jurisdiction now has a personal financial reason to oppose it.

5.2 Indigenous Land Rights

The token has no relationship to land rights of any kind. It does not encumber land. It does not interface with property law. It references geographic coordinates. The coordinates exist whether the token does or not.

5.3 Natural Disasters

A wildfire, hurricane, or volcanic eruption can destroy a tokenized tree regardless of the economic incentive to protect it. The token freezes. The value is lost. This is by design—the token is explicitly tied to the physical survival of the tree, not to an abstract financial construct. This creates the correct incentive: token holders benefit from funding fire prevention, supporting prescribed burns, and lobbying for disaster preparedness, because their investment depends on it.

5.4 Moral Hazard of Commodifying Nature

The objection that nature should not be commodified is philosophically coherent but practically irrelevant to the survival of old-growth trees. We have spent thirty-five years arguing that forests have intrinsic value. During those thirty-five years, an estimated 489 million hectares of forest have been lost through deforestation (FAO, *Global Forest Resources Assessment 2025*). The moral argument is correct and insufficient. If attaching economic value to trees saves more trees than moral suasion alone, the pragmatic case overwhelms the philosophical objection.

6. Time Horizon

The distinguishing feature of this design is its time horizon. Most financial instruments operate on scales of months to decades. Most conservation programs operate on scales of years to generations. Arboreal Capital is designed to operate on the scale of centuries.

This is possible because the mechanism has no moving parts that require institutional maintenance. The smart contract executes on a public blockchain. The verification system is decentralized. The incentive structure is self-reinforcing. If Arboreal Capital the company ceases to exist tomorrow, the tokens remain on-chain, the trees remain in the ground, and the economic incentive to protect them remains operative. The mechanism was designed to be abandoned and still function.

This is not idealism. It is the minimum design requirement for a system that intends to protect trees that are already older than the nation-states in which they grow.

Design Constraint: *The mechanism must survive the disappearance of its creator. If it cannot operate without Arboreal Capital the company, it cannot operate on the timescale required to protect old-growth trees.*

7. Conclusion

The permissionless design of Arboreal Capital tokens is not a compromise or a shortcut. It is the logical consequence of three constraints: the mechanism must work across all jurisdictions, it must survive all governments, and it must outlive its creators. Any design that requires permission from any entity fails at least one of these constraints.

The result is an instrument that looks unusual by the standards of both finance and conservation. It confers no legal rights. It offers no legal recourse. It makes no promises. It simply creates a financial reality in which millions of distributed actors have a personal economic interest in the continued survival of specific, identifiable trees. History suggests that self-interest, once properly aligned, is the most durable conservation force available.

References

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