



**SafeToken**  
Factory

“In dollars raised, the next five years will make the first wave of ICOs look like kids stuff.” Tapscott says the STO will not just be a connection to the blockchain representing some off-chain asset, but instead be a native digital asset that can be traded peer-to-peer without custodians, clearinghouses, brokers, exchanges, and banks. “ICOs have already upended venture capital [and] Wall Street could be next [...] These offspring of ICOs, Security Token Offerings (STOs), will become ubiquitous in venture capital and financial services more generally.”

Alex Tapscott, co-author of *Blockchain Revolution: How the Technology Behind Bitcoin is Changing Money, Business, and the World*

# Introduction

In a very brief recent period, Initial Coin Offerings (ICOs) have introduced the financial world to a new method of distributing capital using blockchain technology and asset tokenization. This new method has introduced more than 4,000 projects to investors worldwide and has attracted more than \$13 billion in investment.<sup>1</sup> The time has now come to combine the practical benefits of this new technology with the rich traditions of securitized transactions that have served as the infrastructure for the wealth of nations over the past 600 years.

The ICO have led to an obvious lack of integrity by token holders, but the technology remained. The opportunity is to propose valuable tokens (security tokens), giving rights to financial titles or property titles, on the blockchain. This brings more auditability, easier track records keeping, new primary market introduction mechanisms.

**SafeToken is developing a comprehensive financing solution for entrepreneurs and businesses seeking to combine conventional equity relationships with the efficiencies offered by blockchain technology. Our STO Platform is providing a unique liquidity providing algorithm on the blockchain, that will enable a business of any size to custom-emit a Security Token, with pricing automatically adapting to demand volume.**

**SafeToken performs the investor relations services that customarily follow on a securities offering.**

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# What are STO (Security Token Offering)

## 1. Definition

A Security Token is a digital asset whose value is tied to real-world economic drivers, similar to a traditional debt or equity security. With the introduction of the STO, entrepreneurs with many levels of sophistication and even modest networks of business relationships will be able to engage in new business opportunities through the tokenization of hard assets such as real estate, art, intellectual property, and high-end collectibles, as well as financial assets such as corporate equity, profit participations, debt relationships, etc. Security Tokens can be designed with almost infinite flexibility to represent fractionalized interests in such assets.

The development of the STO, along with the emergence of Security Token exchanges, will provide a broad range of businesses the kind of access to a global pool of investors that today is reserved for a restricted club of large cap equities, investment companies, and hedge funds. At the same time, processing the investment transactions through encrypted communications on the blockchain will give even the smallest issuer a level of enhanced security and transparency that is not available today to even that restricted club.

## 2. Comparing STOs with past ICO and traditional IPO

STO	ICO	IPO
<ul style="list-style-type: none"> <li>Specific regulatory framework (securities regulation), with options for light touch regulation or exemptions</li> </ul>	<ul style="list-style-type: none"> <li>Unregulated outside the regulatory framework of securities regulation</li> </ul>	<ul style="list-style-type: none"> <li>Specific and well-defined regulatory framework</li> </ul>
<ul style="list-style-type: none"> <li>Company can be early stage company or a mature enterprise</li> </ul>	<ul style="list-style-type: none"> <li>Company can be early stage company or a mature enterprise</li> </ul>	<ul style="list-style-type: none"> <li>Company needs minimum track record</li> </ul>

<ul style="list-style-type: none"> <li>Funds can be raised for a specific purpose or long term development</li> </ul>	<ul style="list-style-type: none"> <li>Funds can be raised for a specific purpose or long term development</li> </ul>	<ul style="list-style-type: none"> <li>Funds raised for company's long term development</li> </ul>
<ul style="list-style-type: none"> <li>High level of flexibility, limited rights may be given to token holders</li> </ul>	<ul style="list-style-type: none"> <li>High level of flexibility, limited rights may be given to token holders</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders have welldefined rights</li> </ul>
<ul style="list-style-type: none"> <li>Target audience of high net worth or institutional investors</li> </ul>	<ul style="list-style-type: none"> <li>Target audience usually retail market</li> </ul>	<ul style="list-style-type: none"> <li>Target audience often institutional investors</li> </ul>
<ul style="list-style-type: none"> <li>Direct economic exposure to Issuer is possible</li> </ul>	<ul style="list-style-type: none"> <li>No direct economic exposure to company, financial returns from tokens only through speculation on the secondary market (token exchanges)</li> </ul>	<ul style="list-style-type: none"> <li>Direct economic exposure to company</li> </ul>
<ul style="list-style-type: none"> <li>Varied and flexible levels of transparency</li> </ul>	<ul style="list-style-type: none"> <li>Low transparency</li> </ul>	<ul style="list-style-type: none"> <li>Transparency levels and levels of reporting prescribed by listing rules</li> </ul>
<ul style="list-style-type: none"> <li>Flexibility with regards to disclosure levels (formal prospectus or private information memorandum depending on regulatory status of the token)</li> </ul>	<ul style="list-style-type: none"> <li>No prescribed market standard for offering documentation</li> </ul>	<ul style="list-style-type: none"> <li>Complies with a market standard for offering memoranda</li> </ul>

# SafeToken offering

List of documents and services offered in the SafeToken “Token emission process”.

## DOCUMENTS

### 1. Token Subscription Agreement

During an STO, the investor will subscribe to security tokens by means of a token subscription agreement. This agreement will govern the terms and conditions pursuant to which the investment is made, and will incorporate by reference the terms of the information memorandum or formal prospectus.

**SafeToken is customizing the token subscription agreement.** It is **legally binding token documentation**, linked to the token primary introduction.

### 2. Pre-Sale Agreements, Private Sale Agreements and SAFTs (optional)

Pre-Sale Agreements, Private Sale Agreements or Simple Agreements for Future Tokens (SAFTs) are instruments for Issuers to run a limited token sale before the official STO. The fundraising targets for a Pre-Sale are usually lower as compared to that of the main STO. Tokens are usually sold at a discount to certain classes of potential investors (e.g. friends and family, selected investors). In addition to raising a certain amount of funds, a Pre-Sale also allows the Issuer to test for investor interest ahead of the actual main STO. Pre-Sale token sales volumes are usually limited in order not to dilute the potential of the actual STO.

Some Issuers decide to offer its counterparties to enter into an escrow agreement whereby the law firm, acting as escrow agent, will hold fiat money or cryptocurrency on escrow for the benefit of the investor. Subject to the terms of the escrow agreement and certain trigger events occurring, the monies will be released to the Issuer, usually in return for security tokens transferred to the investor by the Issuer. FX brokerage services are available internationally to convert cryptocurrency raised during an STO to fiat money.

**SafeToken is providing legally binding presales token agreements.** It is **legally binding token documentation**, linked to the token primary introduction.

### 3. Anti-Money Laundering Compliance Manual

The Issuer should have a comprehensive compliance manual in place, which will describe its general compliance framework, as well as more specific policies and procedures in respect of regulatory compliance requirements in respect of anti-money laundering, corruption and anti-bribery, record keeping and personal data protection. A robust compliance manual will help to protect the Issuer and its directors against the legal, criminal, financial and reputational risk associated with allegations of money laundering or terrorism financing.

The compliance manual may be requested by potential investors or token exchanges doing their own due diligence on the Issuer and the token issued by means of the STO as a precondition of investing into the respective token or listing it on a token exchange.

**SafeToken is providing the anti-money laundering compliance manual with detailed technical proofs linked to investors operations and KYC.**

## SERVICES

### 1. Configuration and deployment of the solution, consisting of Token & Multi-Sig Wallets development, deployment and if necessary - procurement of an independent Audit

The SafeToken STO Framework is capable of auto-building Security Tokens based on our proprietary framework. With a library of dozens of customizable smart contracts, the STO Framework will generate for each client-issuer a token embedded with the issuer's customized smart contract as well as applications that will assist the issuer in complying with the regulations.

An auction mechanism will then start when the token emission will start, to provide maximum liquidity to the issuing company.

### 2. Operational manuals for the Issuer, Controller and Token Holders

### 3. Training for the Issuer and Controller

4. **Technical Support**
5. **“Secondary Market” one to one operations**