



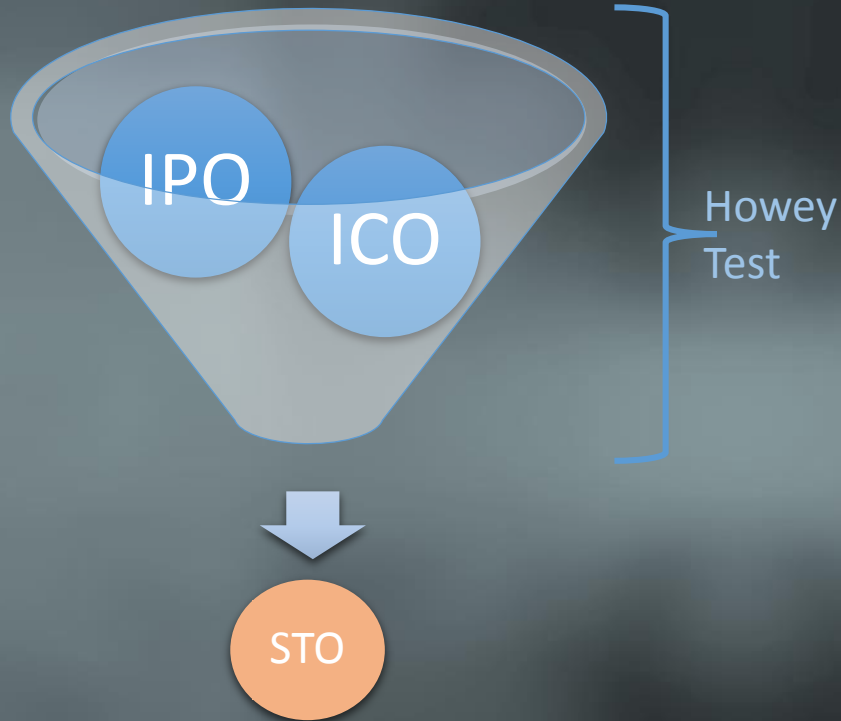
Design a Framework of Security Token Offer (STO) Tokenize Platform Under Local Legislation

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Security token offering (STO) is a type of fundraising that is performed with a company offering investment product/service via blockchain technology and tokenized securities.

STOs would be a process to traditional assets to blockchain
When ICOs are conducted with cryptocurrencies and IPOs with securities, STO is a combination of both.

A tool of combining block-chain and crypto currency technology



ICO : Initial coin offering
IPO : Initial public offering

Howey Test :

1. An investment of money
2. With the expectation of profits
3. In a so-called “common enterprise”
4. Any profits come from the efforts of a promoter or third party

ICO

- Crypto pay
- Share product/token
- No regulation
- Short process
- Low cost

IPO

- Money pay
- Ownership
- Share profit
- Strict regulation
- Long process
- High cost

STO

- Money&Crypto pay
- Ownership
- Token/product promotion
- Share profit
- Regulation ?
- Short process
- Low cost

Crowd Fund

- Money pay
- Regulation
- Share product
- Low cost

- Managing of ownership
- Transfer restrictions
- Providing transparency to token holders on how different subsets of their token balance
- Transfer restrictions, rights and obligations.

- ERC-1594: Core Security Token Standard
- ERC-1410: Partially Fungible Tokens
- ERC-1643: Document Management Standard
- ERC-1644: Controller Token Operation Standard

Major Reasons to Make Business Case for STO to exist

- Elimination to 3rd party services
- Cost reduction
- Liquidity
- 24/7 markets
- Programmable
- Fractional ownership
- Stability
- Larger investor base
- Global assets
- Transparency
- Compliance automation
- Preferential treatment
- Compliant with securities and KYC/AML regulations

- USA Regulations
 - U.S. Securities and Exchange Commission (SEC) issued a report on ICOs and "token sales" used to raise capital for investments in projects and stated the conditions for when tokens offered in these ICOs were securities and therefore subject to the federal securities laws.
 - The SEC noted that not all tokens are securities and applied its three-part Howey Test to define an investment contract.
 - Reg S, Reg D (Rule 506(B), Rule 506(C), Rule 504)
- EU Regulations
 - According to European Securities and Markets Authority (ESMA) token is considered to be a security token if it is classified as a "transferable security" according to Markets in Financial Instruments Directive (MiFID II) Article 4 (1)
 - New Prospectus Regulation (Regulation 2017/1129) stipulates that each Member State has a right to apply national law for public offerings where raised amount is in range of EUR 1M and EUR 8M during period of 12 months.
- TR Regulations
 - Crowd funding :

STO Tokenize Process

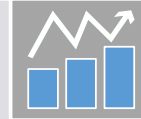
Project Definition

- Firm profile
- Risk
- Min investment size
- Rights
- Limits
- Supported documents
- Legal disclaimer



Marketing

- Milestones
- Return on investment ratio
- Net profit
- Market analysis
- Government grant
- Bank credit
- Promotions



Securities

- KYC/AML
- Accredited investors
- Qualified investors
- Howey Test



Token Issuance

- Fund raising
- Smart contract



STO Tokenize Process

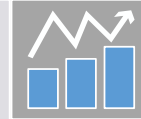
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BC Network

Token Issuance

- Fund rising
- Smart contract



Improved STO Tokenize Process

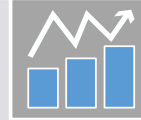
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Marketing

- Milestones
- Return on investment ratio
- Net profit
- Market analysis
- Government grant
- Bank credit
- Promotions



Securities

- KYC/AML/MASAK
- Accredited investors
- Qualified investors
- Howey Test
- SPK Regulation



BC Network

Digital ID

- Attribute#1
- Attribute#2
-

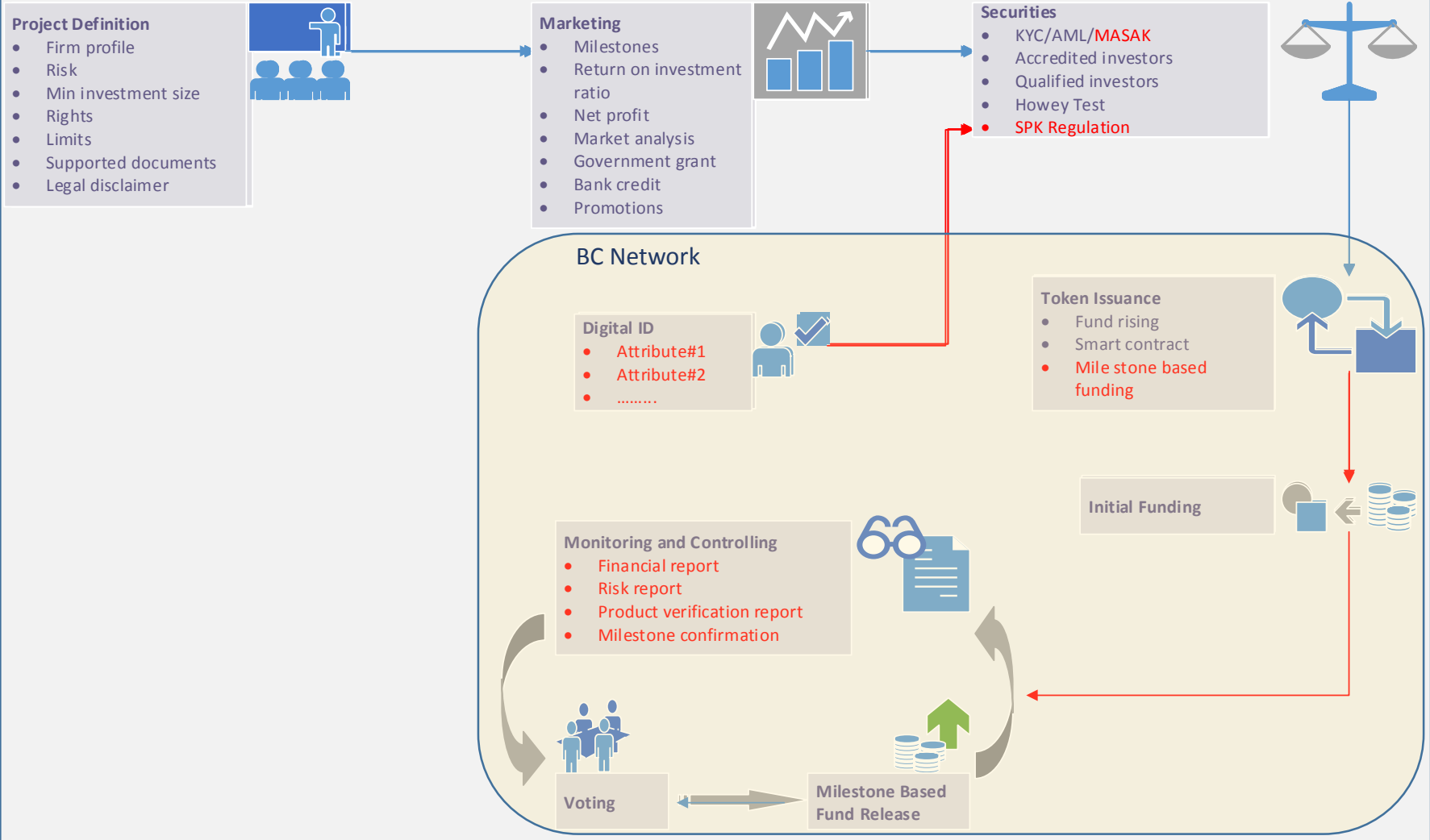


Token Issuance

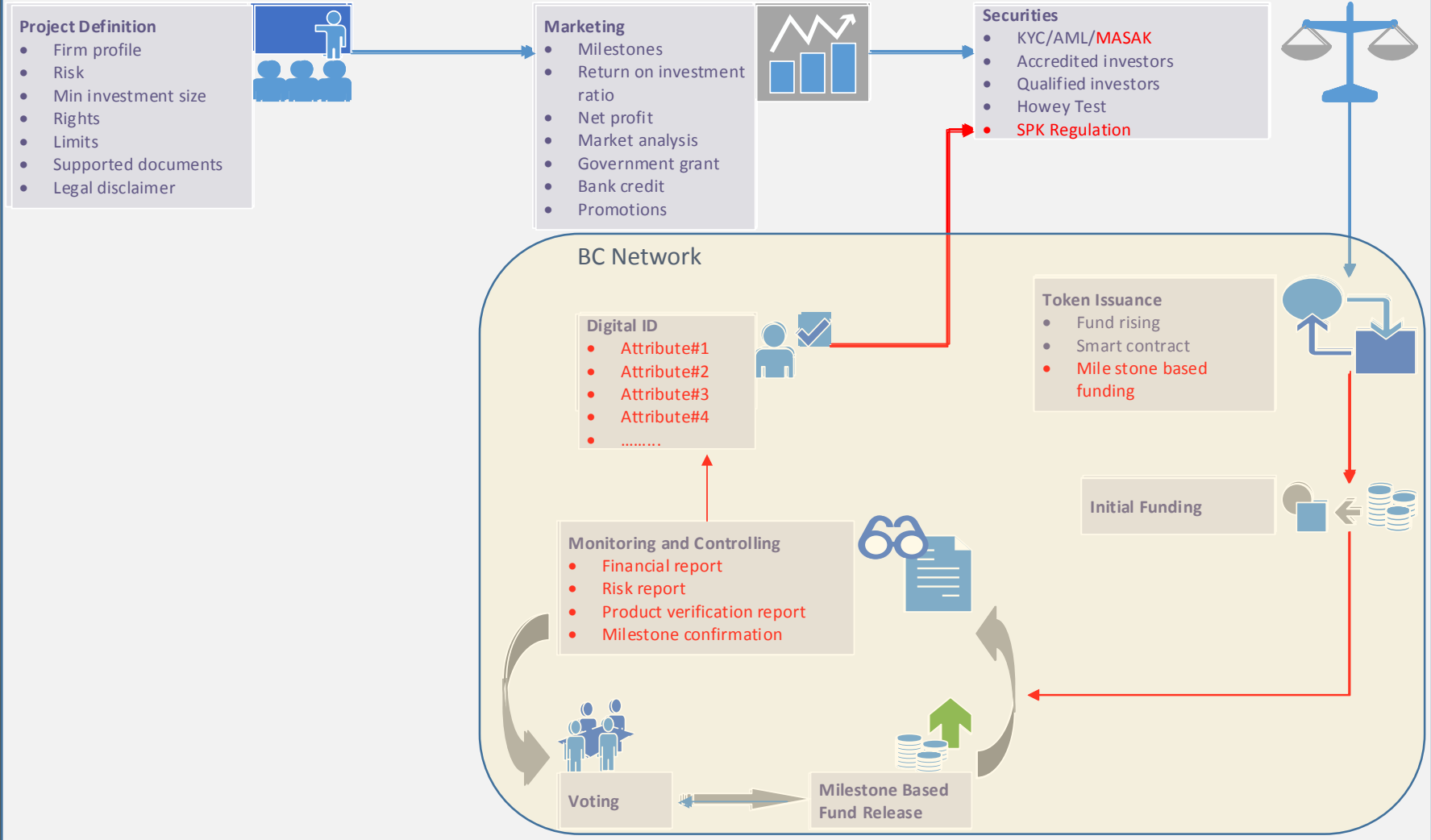
- Fund rising
- Smart contract
- Mile stone based funding



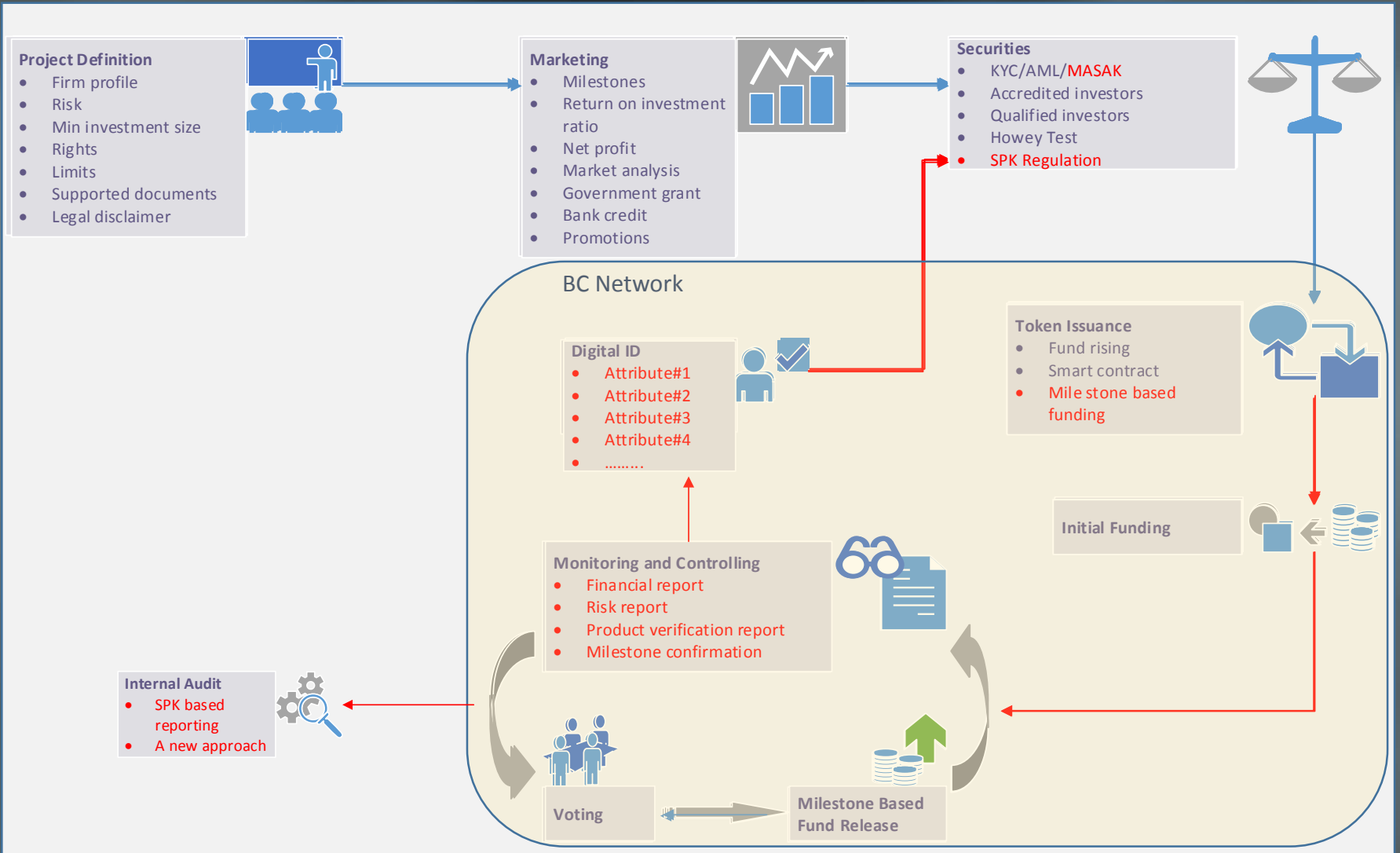
Improved STO Tokenize Process



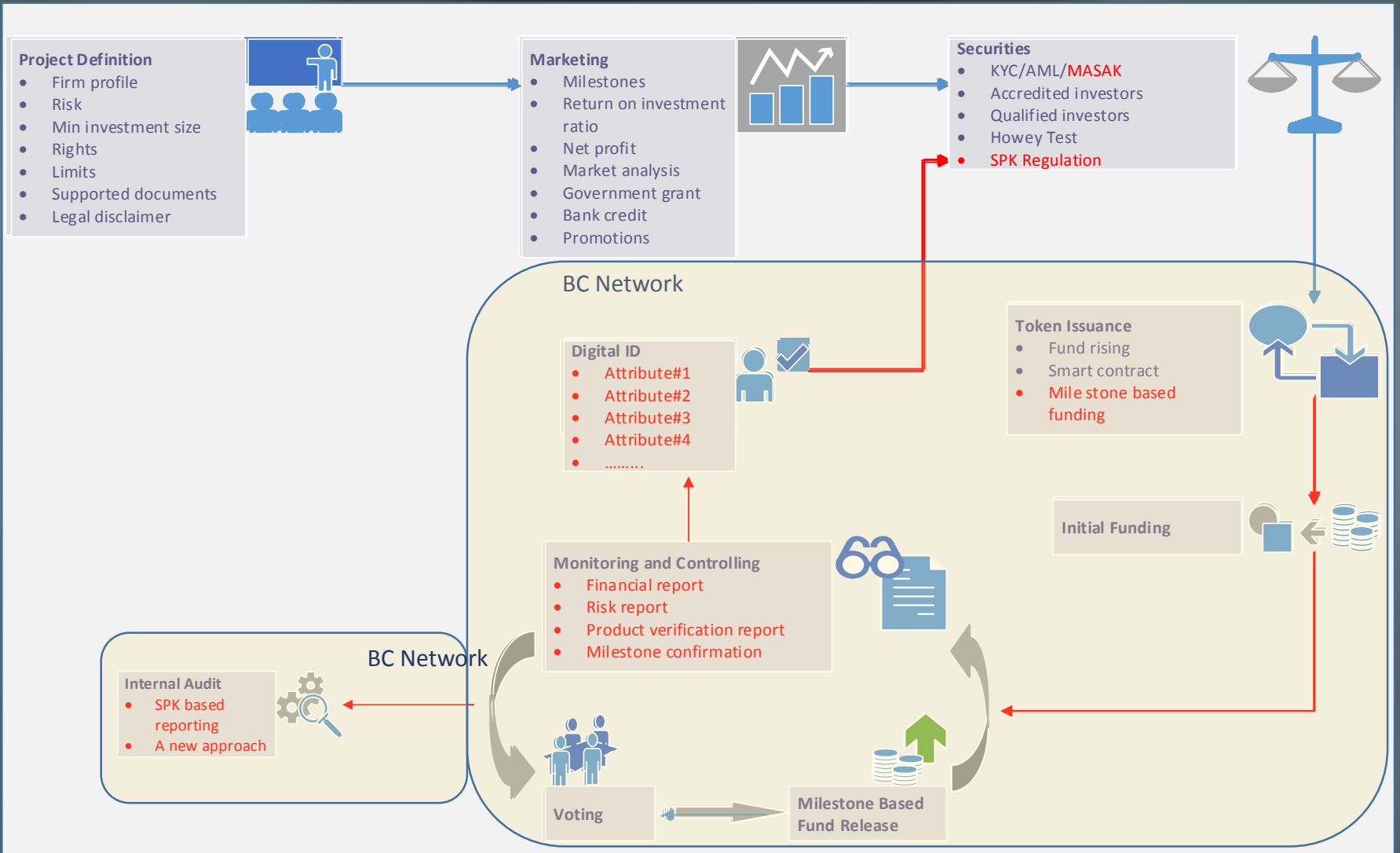
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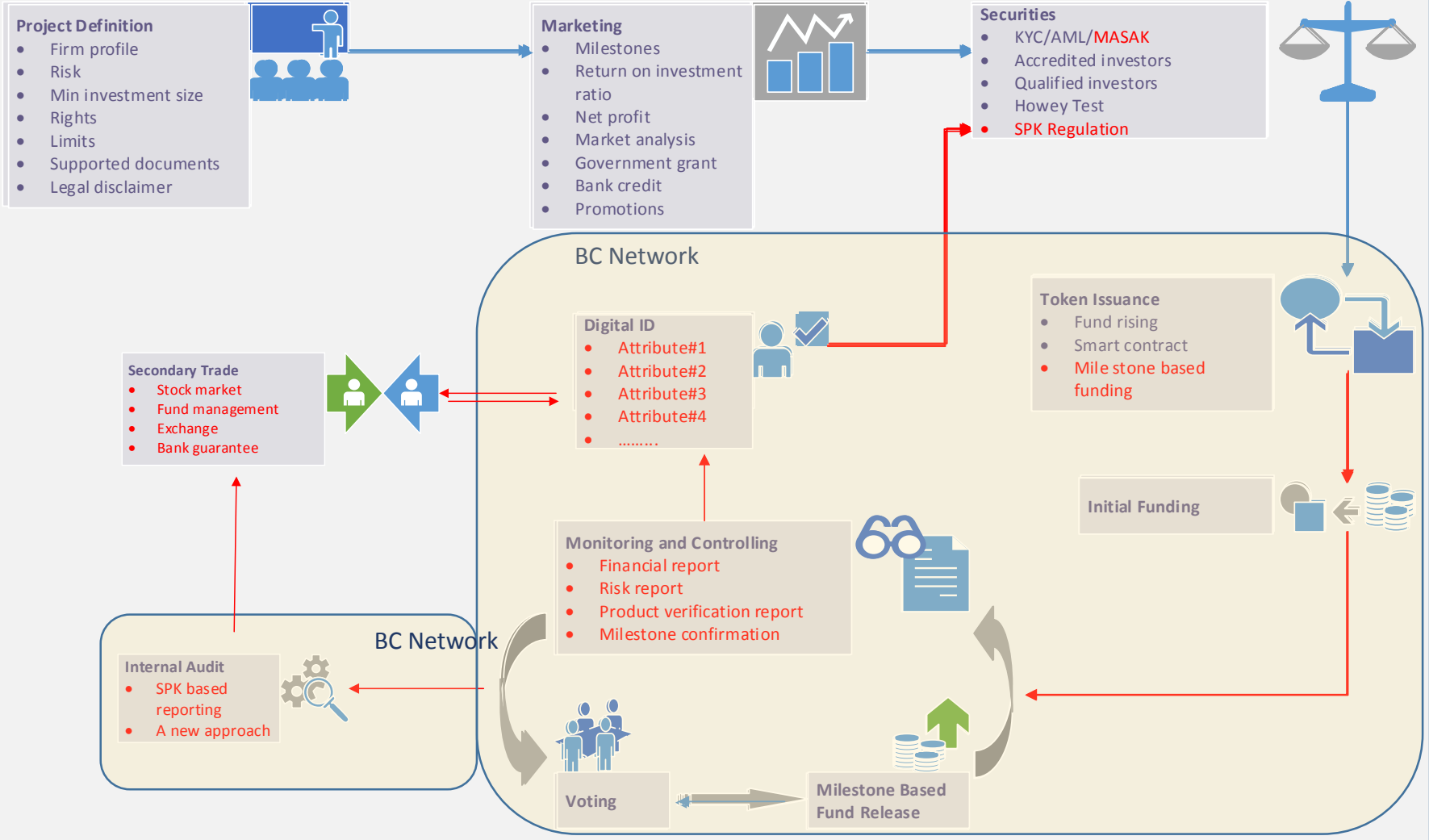
Improved STO Tokenize Process



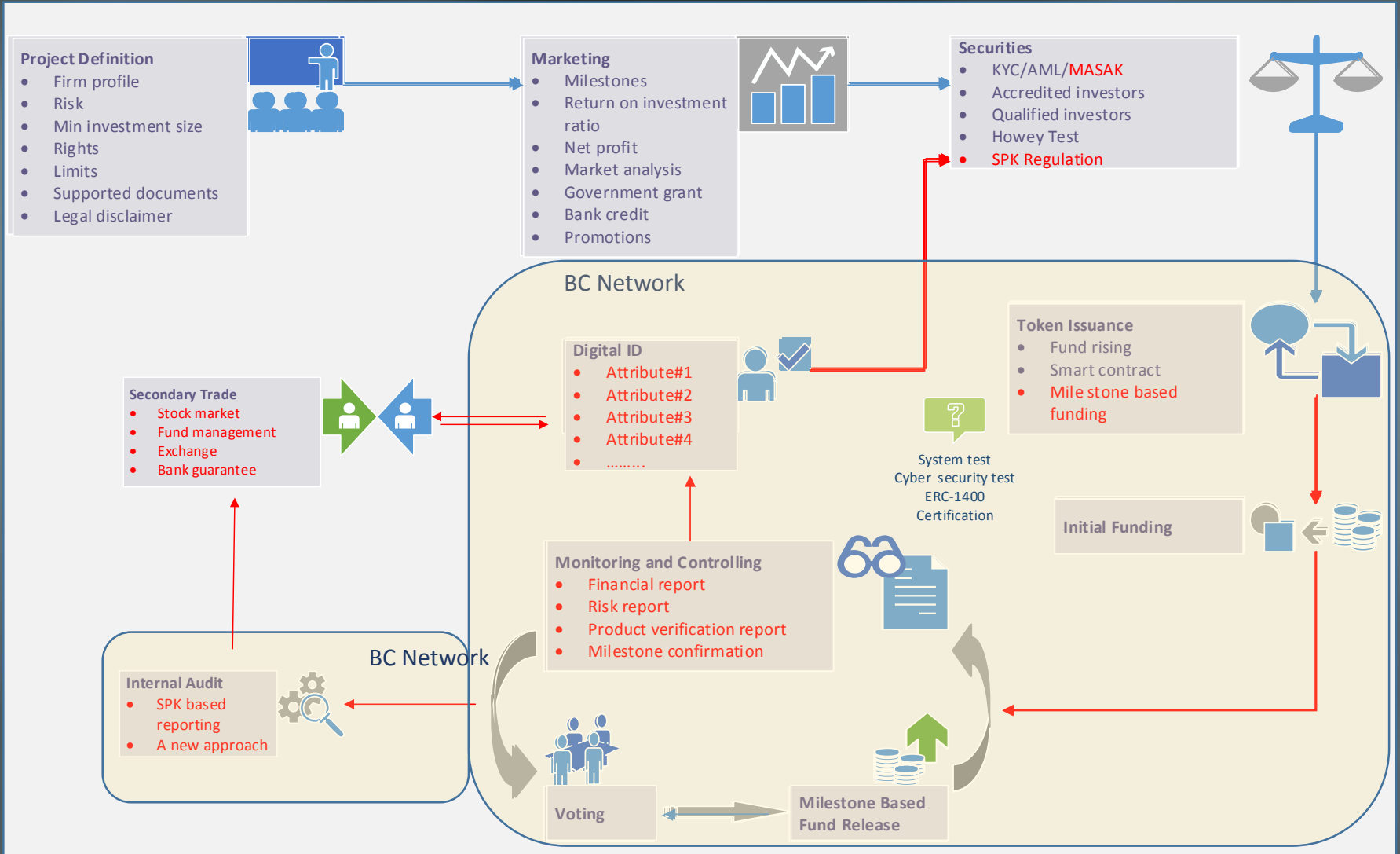
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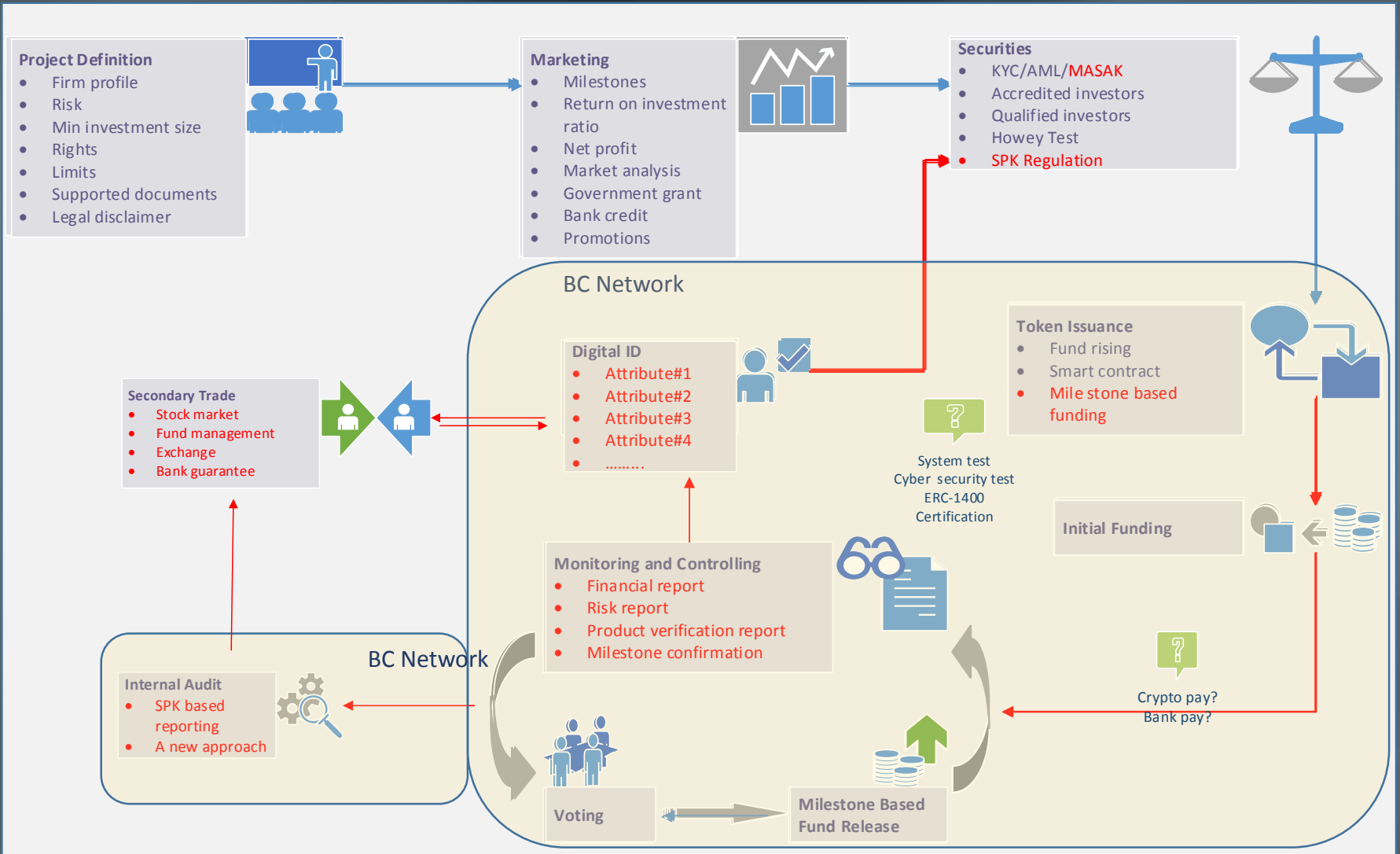
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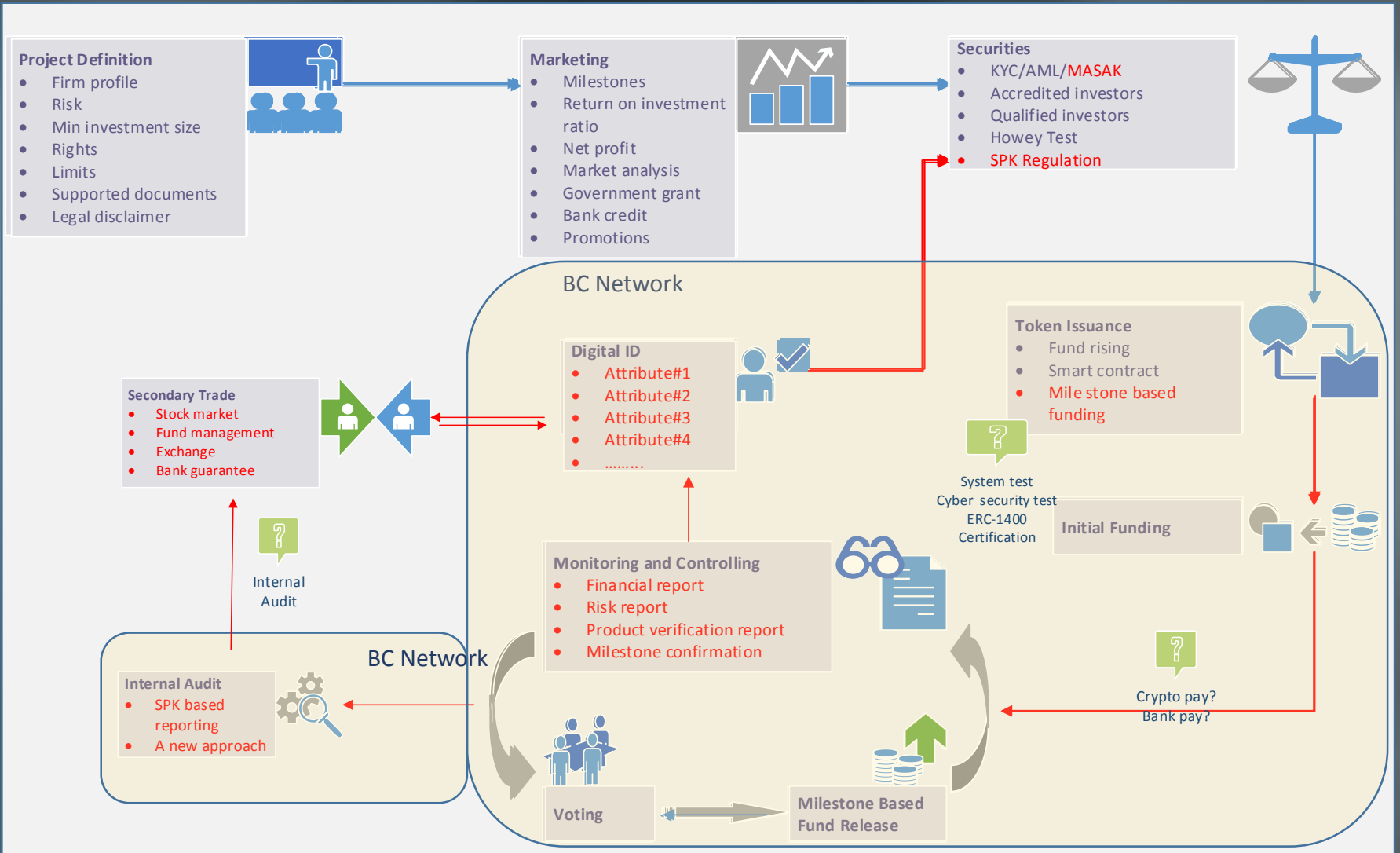
Improved STO Tokenize Process

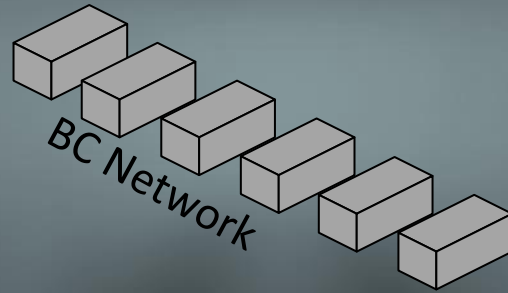


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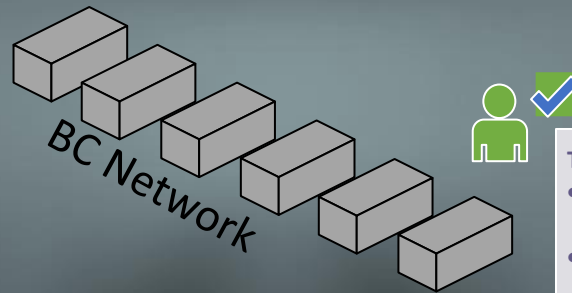


Improved STO Tokenize Process



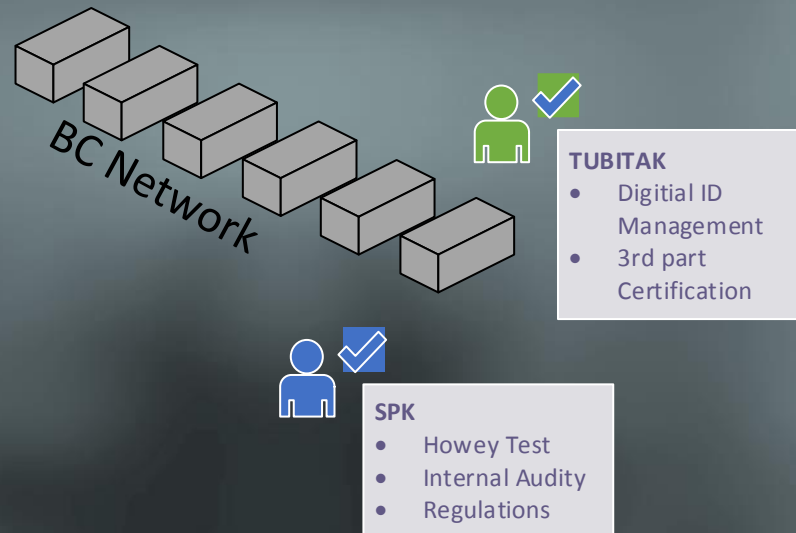


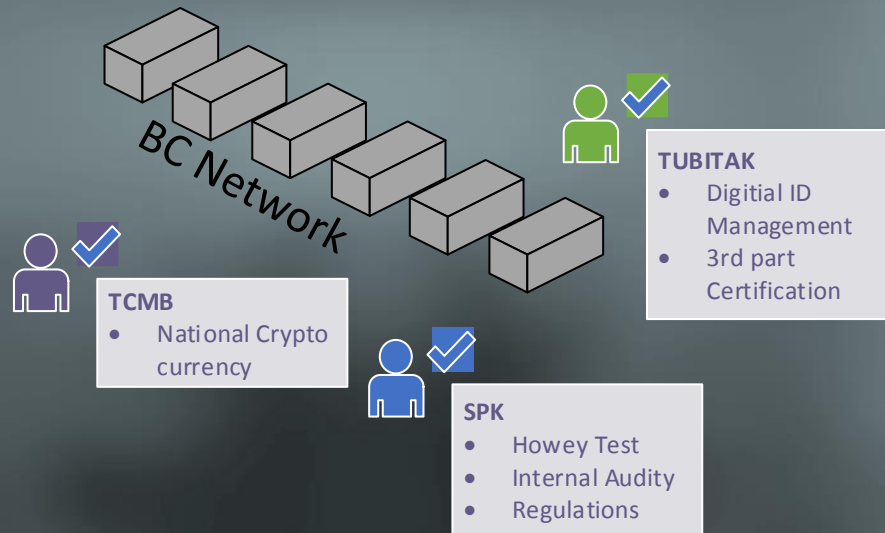
Stakeholders of BC Network



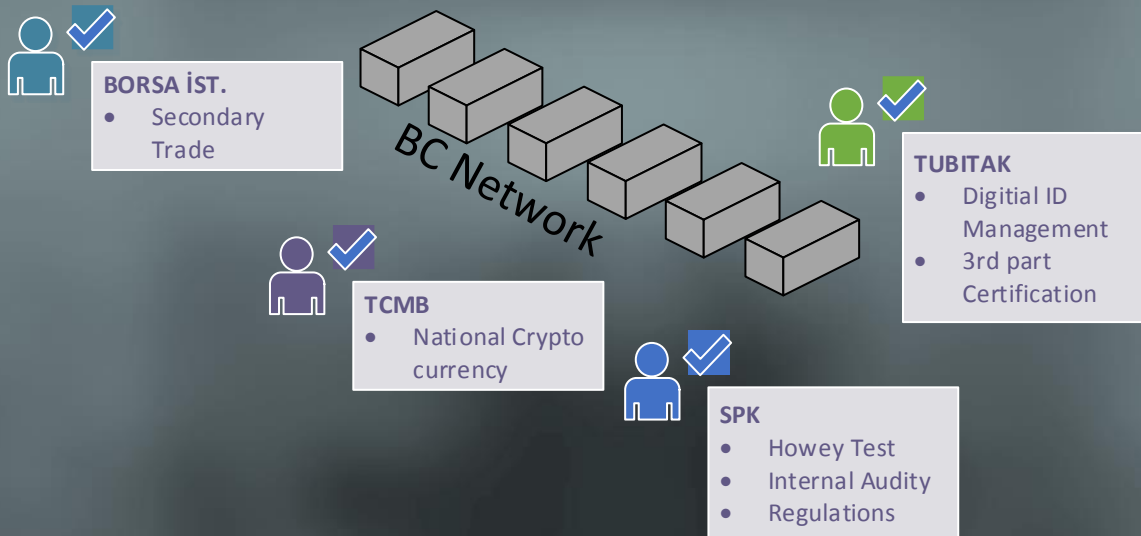
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- Digital ID Management
- 3rd part Certification

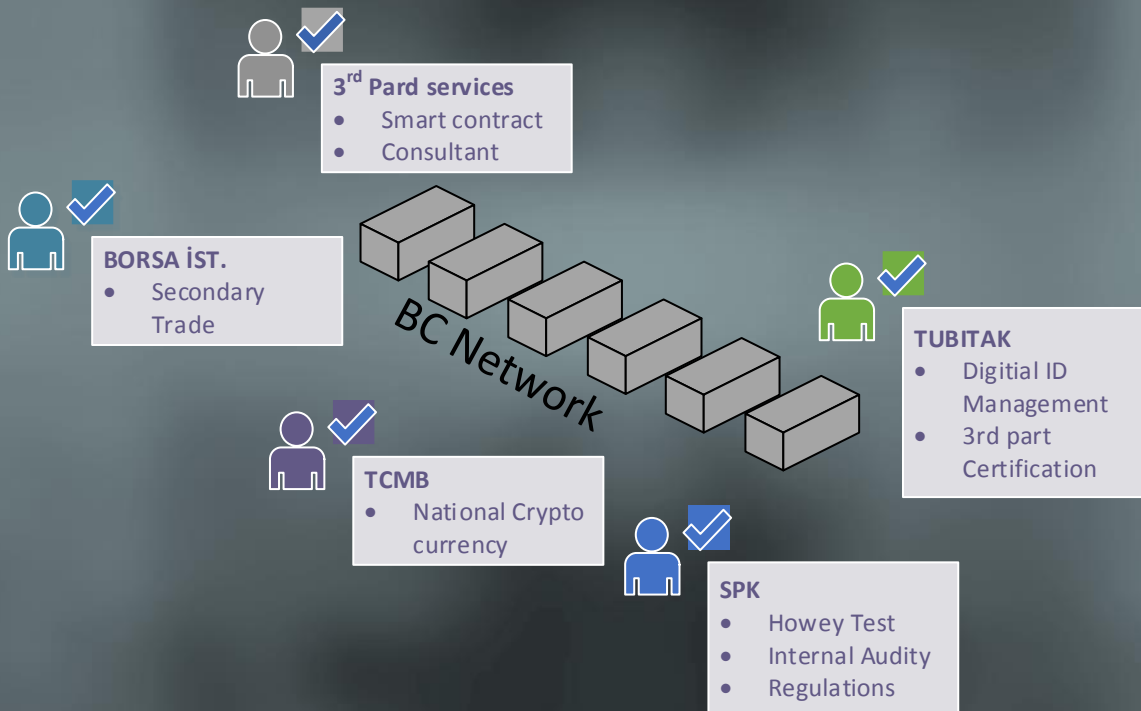


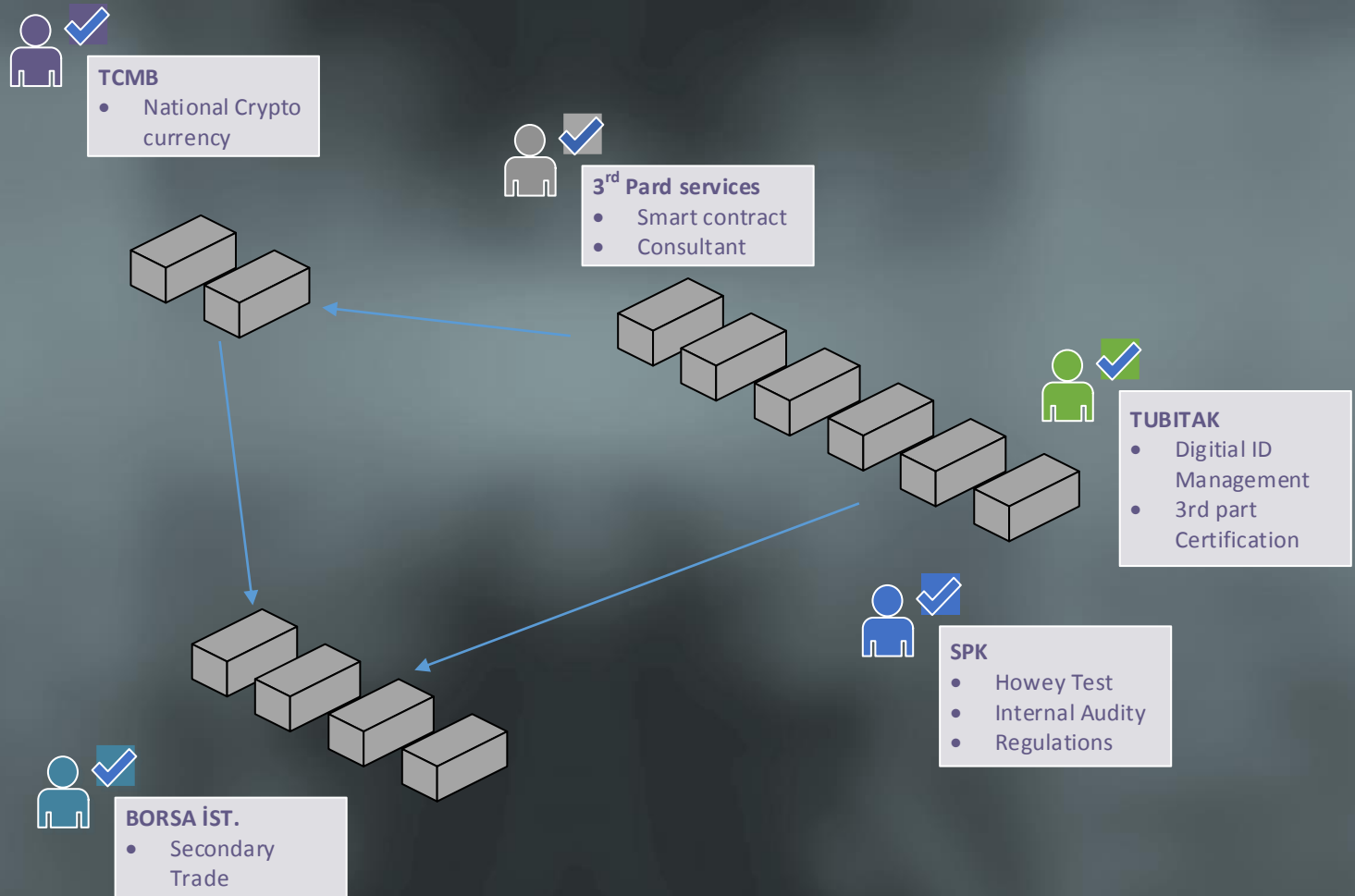


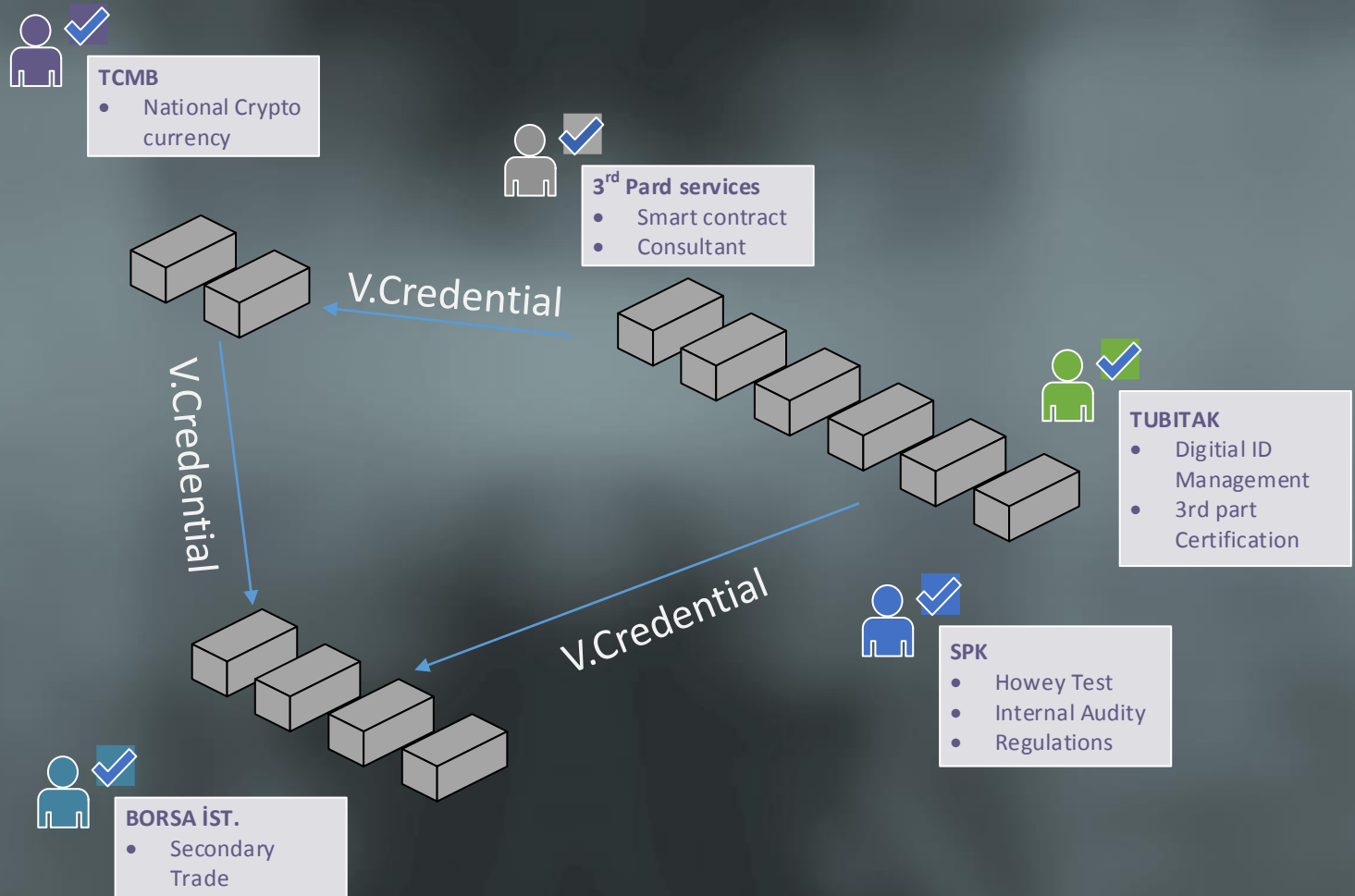
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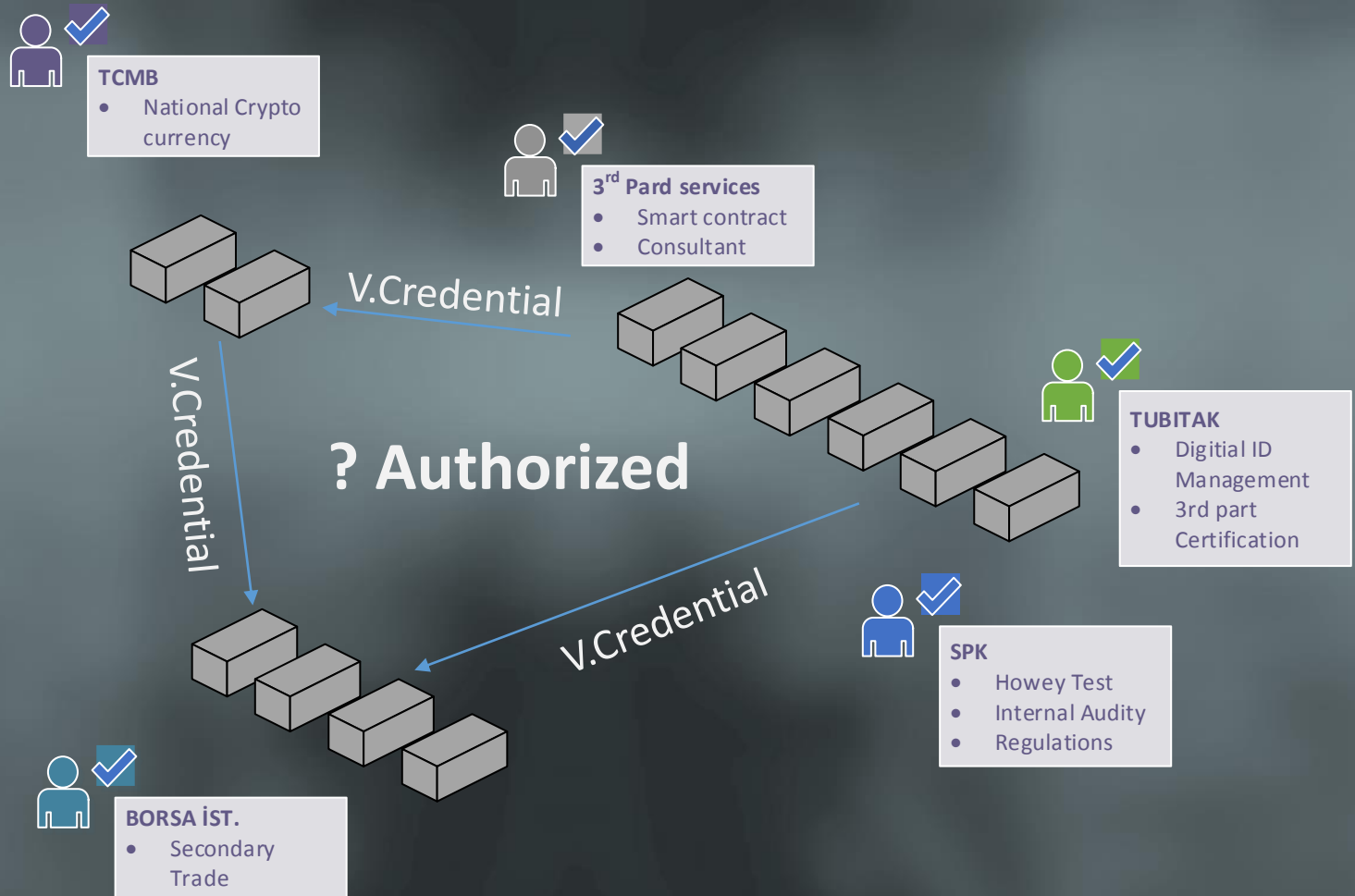


Stakeholders of BC Network









- Definition of real time internal audit process for block chain applications
- SPK regulations for STO
 - Investment size
 - Investor qualification
 - Investment duration
- Digital ID management system implementation
- Applicable crypto currencies
- Platform certification authority
- Stakeholders



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