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## Anything that Can be Digitized: The SAFT Approach for Utility Tokens

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The [SAFT Project](#) is a positive development that could very well help to empower the next revolution in business that consists of digitally-native goods, services, and property -- and their supporting token-based, distributed software networks.

The SAFT structure creates a two-step process. A legally compliant, private investment is first made by sophisticated investors prior to the tokens having any functionality. Later, utility-tokens are sold to the public once they enable purchasers to use the underlying software network for any number of purposes including transaction processing, identity management, and secure messaging.

A key benefit of the SAFT is separating the potentially high-risk investment aspects of tokens from their non-financial, software-based functionality. This is achieved by permitting only legally qualified, accredited investors to purchase tokens when doing so is a bona fide investment. When the tokens' underlying software has yet to be developed, the tokens have no immediate use value and their sale would most likely qualify as a regulated securities transaction.

But when tokens provide actual functionality, their sale to the public is usually best viewed as an act of software-related commerce and not a financial activity (that would be subject to securities regulation). To be sure, because anything that can be digitized can be made highly tradable, it is no longer possible to completely separate investment and commerce. In a commoditized digital world, anything that can be consumed can also be used for purely speculative purposes. But the law already takes this into account. As the SAFT [whitepaper](#) notes, speculative motives are not sufficient to move a transaction from the realm of commerce into investment. This is especially the case when the secondary market price is driven primarily by broad-based market forces.

Although the SAFT structure leaves open several legal and policy questions, it is a worthwhile approach to bringing much-needed legal and technical standards to token sales of the type that myself and colleagues at the [Accord Project](#) are developing. The SAFT not only strikes a reasonable balance between innovation and investor protection, but it also takes into account the realities of a brave new digital marketplace.

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