

What Delaware's Historic Blockchain Law* Means To You

Why might a corporation want to consider registering issuances and transfers of shares in blockchain form? Most companies that do so will experience:



COST SAVINGS



ACCURATE
OWNERSHIP
RECORDS



AUTOMATION OF
ADMINISTRATIVE
TASKS

Blockchain could provide additional benefits to different types of registrants:

If you're a private company:

- ✓ Enhances accuracy and eases management of capitalization table
- ✓ Facilitates direct communications with investors
- ✓ Enables option grants to remain in sync with authorized shares
- ✓ Increases transparency of shareholder voting process
- ✓ Automates annual report and franchise tax filing process in Delaware (if registrant utilizes the Division of Corporations' integrated blockchain, powered by Symbiont, which is expected in the near future as part of the Delaware Blockchain Initiative)
- ✓ Prevents certain "foot faults" common to administering private companies
- ✓ Reduces likelihood of disputes

If you're a publicly-traded company:

- ✓ Allows for accuracy of beneficial ownership records in real-time
- ✓ Enables direct ownership of securities because owner of record = beneficial owner
- ✓ Facilitates direct communication between an issuer and investors
- ✓ Addresses challenge of providing a rep in M&A transactions regarding accuracy of ownership records
- ✓ Solves particular IT issues related to corporate actions, such as M&A, special dividends, tender/exchange offers
- ✓ Reduces possibility of naked short selling
- ✓ Enables accuracy of proxy voting
- ✓ Simplifies administration and compliance for stock plans



Effectiveness of the corporation law amendments on August 1 would accomplish one aspect of the Delaware Blockchain Initiative launched last year. The Initiative also contemplates the State's utilization of blockchain technology. Once the State's Division of Corporations integrates with Symbion's blockchain and smart instrument platform, other benefits would become available:

If you're a bank or secured lender:

- ✓ Reduces risk of errors on UCC-1 financing statements
- ✓ Minimizes latency in UCC-1 filing process, avoiding gaps in perfection of lender's security interest
- ✓ Automates renewals and terminations of UCC-1 financing statements
- ✓ Automates transmission of notices to debtors and secured parties for name/address changes, changes in collateral description, continuations, addition of secured parties, terminations, or debtor's reincorporation or other removal to new jurisdiction
- ✓ Makes possible integration with banks' collateral management platforms, thereby enabling automation of margin calls/releases tied to value of collateral

If your business is funded via securitization:

- ✓ Enables issuance of digital certificates of SPV as a blockchain-registered Delaware statutory trust
- ✓ Facilitates straight-through processing of asset servicing, thereby providing investors with a real-time window into SPV cash flows
- ✓ Enables trustees to demonstrate compliance with the investor communication requirements of Reg AB II by providing clarity of ownership
- ✓ Allows for accuracy of beneficial ownership records in real-time

If you're a service provider:

- ✓ Enables new value-added services for your customers for all types of filing procedures (e.g., smart UCC filings, immutable storage of LLC operating agreements on blockchain to prevent disputes)
- ✓ Allows additional level of internal automation, which can save costs

If you're a regulator:

- ✓ Facilitates real-time view into on-blockchain securities transactions from your desktop
- ✓ Enhances assurance that securities issued by publicly-traded Delaware companies were legally available for issuance

*Delaware's "blockchain amendments" have passed the state legislature and await Governor Carney's signature. If he signs the bill, they take effect as of August 1, 2017.

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