# Article VI - v0.3.0 Draft EOS.IO Constitution - 10% Ownership Cap[[1]](#footnote-1)

# Purpose

As discussed under [Article V](https://forums.eosgo.io/discussion/646/article-iv-v0-3-0-draft-eos-io-constitution-no-buying-or-selling-of-votes) of this Draft Constitution, the EOSIO Software must not have a fiduciary. To prevent this, as well as to prevent whale control of the chain, the Constitution caps ownership by any one "Member or Beneficial Interest" at a maximum of 10% of all issued tokens.

# Text of Article

No Member nor any Beneficial Interest shall own more than 10% of issued tokens.

# Discussion

Several reasons exist to cap token ownership as a percent of the whole.

* Token ownership above a certain size has historically been a stepping stone to abusive behavior that has harmed other blockchains.
* Many governments and regulatory bodies have an ownership threshold, above which different and more exacting rules apply. The figure 10% is often used. The SEC requires "shareholders who own more than 10% of a class of the company's equity securities" to file as "insiders" just like a firm's directors and officers do.
* Once a person becomes a large enough token holder, they can start to act like a fiduciary out of normal self-interest; this can lead to a legitimate utility token (i.e. a non-security) becoming an implicit security, through the behavior of a large token holder and the creation of expectations.

# References

[SEC: Officers, Directors and 10% Shareholders](https://www.sec.gov/smallbusiness/goingpublic/officersanddirectors)  
[Definition of Beneficial Interest](https://www.investopedia.com/terms/b/beneficial-interest.asp)

## History of Changes

19-Apr-2018: changed "shareholder" to "token holder" in third bullet of **Discussion** section  
25-Apr-2018: changed "proposes capping" to "caps" in the **Purpose** section. Reason: clarifies the impact.

1. https://forums.eosgo.io/discussion/651/article-vi-v0-3-0-draft-eos-io-constitution-10-ownership-cap [↑](#footnote-ref-1)