

### **Proposed Securities Act Rule 195 –Network Maturity Safe Harbor.**

**(a) Exemption.** Any Open Network Token constituting or representing a security shall be deemed to no longer be a security within the meaning of Section 2(a)(1) of the Act if it satisfies the conditions in paragraph (b) of this section.

**(b) Conditions to be met.**

- (1) the Open Network has reached the point of Network Maturity as defined in paragraph (f) of this section;
- (2) the Initial Development Team has filed with the Commission a Token Offering Statement and otherwise complied in all material respects with the reporting requirements set forth in paragraph (c) of this section;
- (3) the Initial Development Team has filed with the Commission a Termination Statement certifying that the covenants set forth in the Open Network Token Offering Statement have been performed in all material respects (or, if applicable, waived by action of the holders of the Open Network Token);
- (4) the Open Network Token does not represent another security constituting the debt or equity of an entity within the meaning of Section 2(a)(1) of the Act; and
- (5) the Initial Development Team has not committed any uncured or continuing material violation of securities laws in connection with the Open Network Token.

**(c) Disclosure.** The Initial Development Team must provide the information described below on a freely accessible public website and file it with the Commission in electronic format by means of the Commission's Electronic Data Gathering, Analysis, and Retrieval System (EDGAR) in accordance with EDGAR rules set forth in Regulation S-T. Subsequent to the date of filing, any material changes to the information described below must be provided on the same freely accessible public website and filed with the Commission as soon as practicable and in any event within 4 business days after the date of the change:

- (1) Source Code. A text listing of commands to be compiled or assembled into an executable computer program used by network participants to access the network, amend the code, and confirm transactions.
- (2) Transaction History. A narrative description of the steps necessary to independently access, search, and verify the transaction history of the network.
- (3) Token Economics. A narrative description of the purpose of the network, the protocol, and its operation. At a minimum, such disclosures should include all of the following:
  - (i) Information explaining the launch and supply process, including the number of tokens to be issued in an initial allocation, the total number of tokens to be created, the release schedule for the tokens, and the total number of tokens outstanding;

(ii) Information detailing the method of generating or mining tokens, the process for burning tokens, the process for validating transactions, and the consensus mechanism;

(iii) An explanation of governance processes for implementing changes to the protocol or waiver or modification of the development covenants, which, in the latter case, must include a process for obtaining the consent (directly or through a duly appointed representative) of the holders of at least a majority of the Open Network Token (excluding the Initial Development Team); and

(4) Development Covenants. The Initial Development Team's covenants to research, develop and promote the Open Network and a timeline for the expected completion of such covenants.

(5) Prior Token Sales. The date of sale, number of tokens sold, any limitations or restrictions on the transferability of tokens sold, the amount raised, and the type of consideration received.

(6) Initial Development Team and Certain Token Holders. Furnish the following information:

(i) The names and relevant experience, qualifications, attributes, or skills of each person who is a member of the Initial Development Team;

(ii) The number of tokens or rights to tokens owned by each member of the Initial Development Team and a description of any limitations or restrictions on the transferability of tokens held by such persons; and

(iii) To the extent members of the Initial Development Team have a right to be rewarded tokens in the future in a manner that is distinct from how any third party could obtain tokens, describe how such tokens may be rewarded.

(7) Trading Platforms. Identify secondary trading platforms on which the token trades, to the extent known.

(8) Sales of Tokens by Initial Development Team. Each time a member of the Initial Development Team sells or acquires beneficial ownership of five percent or more of his or her tokens over any period of time, state the date(s) of the sale, the number of tokens sold, and the identity of the seller.

(9) Statement of Reliance. A statement confirming that the Initial Development Team is offering or selling tokens in reliance on Rule 195, which statement of reliance must include the date of the first token sold in reliance upon the safe harbor and an attestation by a person duly authorized by the Initial Development Team that the conditions of this section are satisfied:

**(d) Definition of Qualified Purchaser.** For purposes of Section 18(b)(3) of the Securities Act of 1933, a "qualified purchaser" means any person to whom Open Network Tokens are offered or sold pursuant to reliance on paragraph (a) of this section.

**(e) Disqualifications.** No exemption under this section shall be available for the Open Network Tokens of any Initial Development Team if it or its individual members would be subject to disqualification under Rule 506(d).

**(f) Definitions.**

(1) Open Network. An Open Network is a peer-to-peer network of free open-source software clients (which may include scripts or “smart contracts” deployed on another Open Network and having the functional role of clients) capable of validating and recording transactions of one or more tokens in accordance with consensus rules.

(2) Open Network Token. An Open Network Token is the primary digital unit of account on an Open Network, transactions in which are recorded on a distributed ledger maintained by the Open Network or utilized by the Open Network and maintained by another Open Network.

(3) Initial Development Team. The Initial Development Team consists of the issuer (as defined in section 2(a)(4) of the Act) of the investment contract, share or other security associated with or represented by an Open Network Token, as well as each affiliate of the issuer, each person who is directly or indirectly the beneficial owner of more than 10 percent of any class of any equity security of the issuer or any affiliate of the issuer, and each director, officer or manager of the issuer or any affiliate of the issuer.

(3) Network Maturity. An Open Network has achieved Network Maturity when:

(a) less than 10% of Open Network Tokens are directly or indirectly owned beneficially by the Initial Network Team, individually or in the aggregate;

(b) less than 10% of the means of determining consensus in accordance with the consensus rules on the Open Network are directly or indirectly owned beneficially by the Initial Network Team, individually or in the aggregate; and

(c) the development covenants undertaken by the Initial Development Team as disclosed in the Disclosure Statement have been performed in all material respects (except to the extent such performance has been waived or modified pursuant to the governance process disclosed in the Disclosure Statement).

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**Proposed Exchange Act Rule 12g5-1(a)(7)(iii) Amendment.**

(7) Other than when determining compliance with Rule 257(d)(2) of Regulation A (§ 230.257(d)(2) of this chapter), the definition of “held of record” shall not include securities issued in a Tier 2 offering pursuant to Regulation A by an issuer (or Initial Development Team, as defined in Rule 195 under the Securities Act) that:

[...]

(iii) Has engaged a transfer agent registered pursuant to Section 17A(c) of the Act to perform the function of a transfer agent with respect to such securities or, if such securities are Open Network Tokens as defined in Rule 195 under the Securities Act, utilizes the Open Network in lieu of such a transfer agent;