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CoinList & the SAFT: The Imperative of Blockchain Token Compliance

This week is a watershed moment for the blockchain token ecosystem. The tokenization movement that gained substantial momentum with the proliferation of ethereum takes an important step towards the 'Polychain future of Web3'.

With the release of CoinList, the team at [Protocol Labs](#) together with [AngelList](#) have launched a KYC-enabled platform for investors to participate in token crowdfunds like the upcoming Filecoin sale, while providing flexibility and defensibility to blockchain projects and their founders. This is massive for a number of reasons:

- **Greater token compliance = greater adoption:** By giving accredited investors an easy onboarding platform to participate in the space we open up token crowdfunding to an important and large constituency who would otherwise not deploy capital into projects. This will lead towards greater mass adoption and accelerate corresponding network effects.
- **More clarity for entrepreneurs:** We see a number of projects loose considerable time and mind-share worrying over regulatory issues. While it must be very clear that *CoinList doesn't guarantee protection against yet-to-be-drafted laws and/or regulations*, CoinList does represent by far the best effort at taking reasonable and necessary steps to try to be compliant. That is a crucial distinction above most of the crowdfunded projects in the ecosystem.
- **Allowing for US investors and entrepreneurs to participate:** The United States is the largest economy and by far the largest pool of risk capital on the planet. It is important to have American participation in the blockchain token movement. However, we've seen a concerning trend over the last year in the space whereby token crowdfunds were planned to exclude US investors and many US-based teams have been setting up their official addresses in foreign jurisdictions. The fear for the ecosystem is that US regulators

could reference such trends to signal a more draconian stance with respect to tokens. I note that it has been an extremely noble and patriotic effort by Protocol Labs to create a solution for tokenized projects and investors right here in the USA so projects can stay here and seek US capital confidently.

The Importance of the SAFT (simple agreement for future tokens)

model: A lot of us are working on trying to get tokens, token crowdfunding and incentivized blockchain networks compliant. Y Combinator's SAFE served as the inspiration for the SAFT and there are a few early versions circulating in the market including one we've built at Polychain Capital for our own deals. However, Jesse and the team at Protocol Labs have incorporated feedback from all around the ecosystem into their SAFT template which is positioned to become the industry standard. After exhaustive legal analysis, we have all arrived at the conclusion that we just don't know with certainty how tokens will be treated by regulators over time so it would be best to be prepared for the worst case interpretation. CoinList's SAFT is designed with this conservative position in mind.

Debunking the trolls: The question obviously arises that a centralized platform that filters investors via an accreditation process is somewhat counter to our community's principals. People have asked me "If IPFS is all about the decentralization internet and redistribution of power, how can they limit funding participation exclusively to powerful accredited investors?" I refute this myopic argument. We must recognize that early-stage investing is extremely complex and the regulations exist for good reason. Compliance is inherently good and I see it as a necessary part of our ecosystem's maturation process. However, if you are disappointed because you don't meet the requirements for accreditation on AngelList, note that there will still be lots of opportunities to support IPFS and many other CoinList projects. Today is just the beginning so be patient, look at the bigger picture because 'rising tides lift all ships' and be thoughtful about your commentary.

I am incredibly excited that Polychain Capital will help support many blockchain projects on CoinList. We will be a major capital pool on the platform and we encourage projects that are building compelling blockchain innovations to not fear compliance, KYC or accredited investors and to try out CoinList before making any final crowdfunding decisions. If you are a talented technical team looking to build out ap-

plications for IPFS, please reach out. Polychain Capital exists primarily to support and accelerate the decentralized software stack known as Web3.

Finally, we must take a moment to express our sincerest gratitude to Juan, Jesse and the incredibly talented team at Protocol Labs. The worst kept secret in crypto currently is that IPFS is the hottest project on the planet. Together with Polkadot and a number of other core infrastructure components, IPFS will be a foundational pillar of Web3. I'm humbled by the opportunity to accompany the nascent moments of this seminal technology that will improve the internet and the world at large in unimaginable ways for many years to come.

Note: We will follow-up this post in the coming weeks with a series of essays on optimized token structures, crowdfunding mechanisms as well as some of the trends and lessons learned we have come across in the work we do with many of the top token-enabled blockchain projects in the ecosystem.

-Ryan

