



LEGAL WHITEPAPER

TABLE OF CONTENTS

1. General definition

1.1. Sphere Platform

1.2. SPH Token

1.3. Cryptocurrency and its economic and legal definition

- 1.3.1. Cryptocurrency as money
- 1.3.2. Cryptocurrency as not money
- 1.3.3. Cryptocurrency as a commodity
- 1.3.4. Cryptocurrency as a security
- 1.3.5. Cryptocurrency as an asset
- 1.3.6. Development of crypto-economy

1. 4. Removal of contradictions and solution

- 1.4.1. Volatility
- 1.4.2. Inflation and deflation
- 1.4.3. Integration
- 1.4.4. Stabilization
- 1.4.5. Legal recognition

1.5. Sphere Platform concept

- 1.5.1. Definitions
- 1.5.2. Goal
- 1.5.3. Tasks
- 1.5.4. Sphere Platform description
- 1.5.5. Advantages
- 1.5.6. How the Sphere Platform works
- 1.5.7. Further development
- 1.5.8. Platform implementation for legal entities

1.6. Arbitration. Practical implementation

1.7. SPH Token economic model

1.7.1. Monetary functions of the Token

1.7.2. SPH Token advantages

1.8. Token value

1.9. Token circulation model

2. Token seeding model

2.1. ICO

2.1.1. Investment allocation scheme

2.1.2. ICO investment strategy (round I)

2.1.3. ICO investment strategy (round II)

2.1.4. Quantitative indicators of the SPH Token seeding

2.1.5. Reservation of capacities for the Sphere Platform and shareholding

2.2. Legal module

2.2.1. Legislative regulation and legal framework

2.2.2. Specifics of legislative regulation of cryptocurrencies

2.2.3. Taxation of transactions with cryptocurrencies.

2.3. Exhibit

2.3.1. Legal aspects of digital signature

2.3.2. Validity

2.3.3. Usability

2.3.4. E-residency

2.3.5. Blockchain and digital signature

2.4. Copyright policy

2.5. License agreement

2.6. Conclusions

ABSTRACT

Sphere is a decentralized open-source network for the implementation of smart contracts and management of digital products in a crypto-economic community ensuring immediate completion of transactions, real scalability and fault tolerance. Mining is not needed.

The Sphere Platform is a public program addition implemented in the form of a web-portal with open source designed for managing tangible and intangible assets in a digital environment with the possibility of buying, selling, leasing, crowdfunding, etc. This particularly relates to immovable property, movable property, company registration, consulting services, currency exchange, etc.

Sphere (SPH) Token of the utility category is the only means of payment inside the Sphere Platform secured by a tangible asset, namely investment gold 999.99 or ETF.

The Sphere Platform and the SPH Token can be used as a scalable and flexible Fintech instrument for internal (B2B) and external (B2B, B2C, C2C) intellectual transactions (smart contracts).

- B2B. Organizations can issue their own tokens on the basis of the Sphere network, created in a private cloud. They can be used inside (to reduce transaction costs, perform financial control, make the accounting easier and automatic) or outside (for payments, drawing up smart contracts, etc.) the Platform.

- B2C and C2C. Sphere Platform represents reference software implementation of B2C and C2C relations in the system of crypto-economic processes. On the basis of Sphere, users will also be able to create their own personal platform, with their own Sphere-compliant token, in order to create new markets of goods and services.

This document (White Paper) describes the economic and legal concept of the Sphere Platform as an eco-system, decentralized blockchain network the main purpose of which is to implement various crypto-economic processes in the tangible world with the aim of creating a free crypto-tangible and intangible market of goods and services.

ECONOMIC AND LEGAL SITUATION IN THE SYSTEM OF CRYPTOCURRENCIES

Cryptocurrencies currently existing in the world have various target, economic and IT models. Let us look at the economic and legal regulation and classification of cryptocurrencies using bitcoin as an example.

Cryptocurrency as money (an alternative means of payment or virtual asset)

Bitcoin is the first cryptocurrency created in 2009 that became highly demanded as a “means of payment” over the last years and was officially recognized as a means of payment in Germany in 2013. However, this status is not equal to the status of a “lawful means of payment” by law. Bitcoin does not currently hold such a status in Germany. An important ruling was made in 2015 by the European Court of Justice. According to the ruling, transactions of exchange of traditional currencies for bitcoins shall be VAT-free since, according to the European law, it is forbidden to impose VAT on transactions of exchange of currency, banknotes and coins. This court ruling actually made cryptocurrencies equal to traditional currencies in terms of taxation. The Court Ruling states that transactions with bitcoins shall be treated by the tax authorities of EU countries in the same manner as any transactions with fiat currencies under the provisions relating to “currency, bank notes and coins used as legal tender.” Thus, the Court recognized cryptocurrencies to be not only goods or services, but also tender. As a result, the Court made bitcoin a “contractual means of payment”. According to the Court, web addresses used for the transfer of bitcoins and their storage are a sort of bank accounts. The Court ruled that the only way bitcoin differs from traditional currency is that bitcoin is not physical.

The Financial Crimes Enforcement Network (FinCEN) of the United States declared that transactions of exchange of any cryptocurrencies for fiat currencies must be regulated in the same manner as transactions of fiat currency exchange. Thus, legal entities that deal with the movement of funds with cryptocurrencies shall obtain licenses.

The Cabinet of Japan recognized bitcoin as fiat currency that has functions “similar to money” and ruled that there shall be a regulatory framework developed in order to fully integrate cryptocurrencies into the banking system of Japan.

Cryptocurrency as “not money”

State regulators of various countries treat cryptocurrencies in different ways. Transactions with bitcoins are forbidden in Norway, Thailand, India, China, and some other countries. Or such transactions are subject to taxation. Many jurisdictions neither accept bitcoin as an alternative means of payment nor consider it to be money. For example, the tax authorities of the Netherlands do not recognize bitcoin as a legal means of payment, and the Central Bank of Denmark stated in 2014 that bitcoin is not currency. According to the Danish regulator, “unlike precious metals such as gold and silver, bitcoins have no actual utility value, bearing closer resemblance to glass beads.” In Russia, the current legislation does not allow to refer bitcoin, as well as any other cryptocurrency, to money. The relevant provisions of the Constitution, the Civil Code and the Law “On the Central bank” forbid to introduce and issue money other than ruble in the Russian Federation.

Cryptocurrency as a commodity

Commodity means a tangible or non-tangible object that can be used in the economy. In many countries bitcoin is treated as a property or a commodity and is taxable. Legal systems of these countries qualify bitcoin as an inexhaustible intangible commodity with a value definable at a particular moment in time. The tax authorities of Australia do not treat bitcoin as money or foreign currency, considering transactions with it to be barter agreements. In 2017, the tax authorities of Israel published a draft circular where cryptocurrency is considered as a par value digital unit that can be used for barter or for investment purposes. In September 2015, the US Commodity Futures Trading Commission (CFTC) stated that bitcoin is a commodity.

Cryptocurrency as a security

This approach was shown by the US Securities and Exchange Commission (SEC) in its report on the investigation of the situation with the blockchain startup The DAO. It was decided that the issued ICO tokens shall be considered as securities, regardless of what the investors put money into and how it works. Opponents of such an approach state that bitcoins neither provide for rights of obligation nor represent monetary obligations. They proceed from the fact that relations provided for by transactions with bitcoins are more similar to barter by nature. Since the issue of bitcoins is performed in a decentralized manner over the Internet, this cannot be considered as the issue of securities. The issuer is each participant of the payment system, since transactions with bitcoins create a new block in the transaction chain. Due to this, bitcoin is not and shall not be considered as a security.

Cryptocurrency as an asset

The US Internal Revenue Service (IRS) issued guidelines on taxation on transactions with bitcoins and other virtual currencies, according to which cryptocurrencies can be qualified not only as currencies, but also as assets (property) and as an investment vehicle, such as long-term investments into shares. In accordance with these guidelines, when paying federal taxes, bitcoin is considered as property selling which the owners gain income from capital growth, rather than income from exchange rate differences. Bloomberg explains the nature of such classification: in this way the IRS made cryptocurrency equal to shares of technological companies, such as Facebook and Google. Unlike exchange of regular money for goods, when reselling bitcoins one will have to pay a tax on the difference between the sales and the purchase price thereof.

Development

The present review describes rather contradictory treatment of cryptocurrencies by regulators, but, on the other hand, it that crypto-economic processes do exist in the world. Law makers fall behind the economic processes currently implemented due to blockchain technology. From the perspective of state regulation, the initiated process of evolvement of crypto-economy goes on from the stage of terminology and definitions to the stage of integration at the level of state interests. This is evidenced by a number of legislative initiatives in various countries of the world regarding the legalization of cryptocurrencies and support of blockchain-oriented projects.

REMOVING CONTRADICTIONS AND SOLUTION

Bitcoin proved itself to be the first global functional payment system the economic and IT features can help users avoid the dominance of banks when processing transactions in the financial market. But let us consider a number of factors that show the instability of cryptocurrencies, namely volatility and deflation. The lack of inflation processes is treated as a positive factor in the crypto-economy.

Volatility

In order to store savings in a certain currency, a person who can also be an investor has to be sure that after a certain period of time his/her investments will not devalue or become worthless at all. In other words, a currency rate stable enough in relation to other currencies is needed. Traditional money is more stable in this regard than cryptocurrencies. Their insignificant fluctuations (by several basis points in a day) allow to keep savings in the medium term without significant losses. The bitcoin rate, just like the rate of all other cryptocurrencies, is highly volatile. Its value may drop if one of the countries forbids cryptocurrencies or due to other factors that may appear at a certain point. Volatility can be really high; the value can fluctuate from EUR 100 to 1000 in a single day. Bitcoin and other cryptocurrencies today are more suitable for speculations rather than for long-term savings. In terms of stability, they are unsuitable to keep savings at the present time.

Inflation and deflation

Even though bitcoin has many advantages when compared to traditional money, it is not suitable for use as the main currency in the economy. –This is mainly due to its deflation nature and current high volatility. As a result of deflation,

people start saving more and spending less, which adversely affects the production of goods and services. Bitcoin, as it is today, cannot replace traditional money and is unsuitable for use as the main currency in the world economy. Even if bitcoin is accepted as a universal “means of payment”, deflation and other factors will hinder the development of crypto-economy. There is another feature. Cryptocurrencies, such as bitcoin, issued in limited quantities, immune to inflation from the start, which is definitely a positive factor. Their quantity, as well as the quantity of gold on Earth, is limited by an algorithm. The creation of new bitcoins, is a time- and energy-consuming process, that is why they have high value, just like gold. However, today bitcoin is mainly used to gain speculative income and invest, rather than to exchange for tangible and non-tangible values. To build a crypto-economy, it is essential to go through the integration, stabilization and legal regulation processes.

Integration

In the context of integration of cryptocurrency as a financial unit of “virtual value”, the social demand and the monetary equivalence are directly related to the economic processes of production and reproduction, consumption in the markets of goods and services. When people start saving more and spending less, it has an adverse effect on the production of goods and services.

Stabilization

Cryptocurrency secured by tangible assets, such as investment gold, which, as a result, has a confirmed value component, may become a compromise not yet reached in terms of regulation of the economic and legal stage of the operation of crypto-economy. The solution shall be implemented through the synergy and integration of the existing crypto-economic processes into state institutions and vice versa.

Legislative recognition

The right to use cryptocurrencies shall be in conformity with the existing economic principles and processes, bringing them to a new level of development, and the regulativity shall not be a reason for cryptocurrency losing its advantages. It may evolve and become by nature more similar to traditional currencies and vice versa.

Even though various countries use totally different approaches to the legislative regulation, private and state institutions have got on the path of legalization of cryptocurrencies. The solution that allows to resolve the conflict of interests between state regulators and end users in relation to cryptocurrencies to the maximum extent possible is the creation of an integrated system of economic and legal relations when the transparency of financial transactions is ensured by the identification and verification of every individual or legal entity with digital signatures hashing and the use of the existing means of identification, such as e-residence, when the state itself performs the KYC procedure. This allows to implement crypto-economic processes in terms of the legalization of Users and legality of crypto-capital turnover. Also, an essential condition is the compliance with the international requirements for the AML, SP, etc. policies.

Due to the fact that cryptocurrency is legally defined as a “virtual value” and the specific requirements are established by the regulators for the licensing procedures, the initial stage of building the Sphere platform is based on the legislation of the Republic of Estonia and the EU legal norms.

SPHERE PLATFORM

This document describes the Sphere platform as an eco-system, decentralized blockchain network, the main purpose of which is to implement various crypto-economic processes in the tangible world with the aim of creating a free crypto-tangible market of goods and services based on the principles of safety, anonymity or identification of a person as a subject of economic and legal relations within the Sphere platform.

Definitions

- **Seeder** is ECLAT CAPITAL OÜ, a financial company that issues the SPH Tokens in accordance with the licensing terms and conditions and regulates the operation of the Sphere platform. The Seeder accepts requests for the purchase of Tokens, ensures their exchange and settlement, and deploys the software and hardware module for the operation of the Platform.
- **User** is the owner of the SPH Token and a participant of the Sphere Platform.
- **Token** is a digitized asset secured by investment gold or ETF deposited with the global financial providers that have relevant licenses and certificates (banks, depositories, exchange funds, etc.).
- **Token price** is determined in accordance with the LBMA rate at the time of purchase or sale of the Token. Price is the Token value in monetary terms.
- **Token value** is the total amount that includes the category of Token exchange for tangible and intangible assets, including costs (expenses) for storage and sale of the tangible asset (investment gold). Regardless of its tangible equivalent (investment gold), the Token by its nature is an exchange ratio of a certain commodity for fiat currency and vice versa. In any case, the Token value calculation formula is public and objective.
- **Profit distribution share** is quantitatively expressed in the SPH Tokens as of the time of ICO. Percentage distribution for the benefit of investors, par-

ticipants and founders of the Platform is described in White Paper and regulatory documents governing the legal concept of the Sphere Platform and the SPH Token.

Goal

Build the crypto-economic Sphere Platform:

- reference implementation of the Sphere Network;
- independent usage of the open-source software environment by Users with the possibility of integration into various online projects, which allows to create and carry out secure economic and legal transactions around the world.
- removing contradictions that exist in the world community in terms of determining the “origin” of cryptocurrency (KYC, AML, SP) with the purpose of legalization in the interests of its owners and further circulation.
- unification of IT processes and legally regulated methods of using cryptocurrencies as “means of payment” and “means of exchange” for the performance of transactions with tangible and intangible assets.
- stabilization of the cryptocurrency exchange rate and reducing high volatility, which is one of the implementable advantages of the Sphere Platform for the global crypto-economy.

Tasks

The implementation of the Sphere platform will help resolve a number of important problems and needs of the modern society and owners of various cryptocurrencies:

- removing the conflict of interests between the online and offline owners of tangible and intangible assets;
- stabilization of the cryptocurrency exchange rate as an investment

strategy;

- creation of an open marketplace;
- conversion of cryptocurrencies and fiat currencies both into each other and into tangible and intangible assets;
- making it possible to legalize private capital;
- making it possible to form corporate capital;
- making it possible to form derivative financial instruments (futures, forwards, swaps, options and more compound);
- creation of voting rights related to the abovementioned instruments;
- profit accounting;
- cost accounting;
- accounting of trade transactions;
- accounting of loans and borrowings;
- investing and crowdfunding;
- micro-financing;
- creation of a non-banking business environment for payments in B2B, B2C and C2C formats;
- creation of a business environment for charitable and non-profit organizations.

Description of the Sphere Platform

By creating an open environment for interaction of various participants of the crypto-tangible community, the Sphere Platform does not gain income from the profit of its users.

Platform confidence is ensured by the scalable decentralized blockchain network in terms of security and legal implementation in accordance with the requirements of state institutions regarding the legality and availability of licenses in the area of financial activities.

The legal and technical implementation of the Sphere Platform will allow to identify and verify Users of the Platform based on KYC, AML and SP through the integration of IT solutions, particularly through implemented state projects, such as e-residence and others.

The Sphere Platform will allow to eliminate possible risks via the system of legal interaction of Users and Smart contracts. Should there be arbitration proceedings, the arbitration and dispute resolution processes can be implemented ad hoc.

The ESCROW implementation of the Platform is based on ensuring security of economic and legal relations between Users on the basis of smart contracts.

The Sphere Platform has its own SPH Token for the purpose of ICO in order to build the blockchain network and the system of interaction of Users who will be participants of crypto-economic processes.

The Sphere (SPH) Token is linked to tangible assets (investment gold 999.9). The SPH Token value is stable and has low volatility. The implementation of this financial model of the Token makes it possible to stabilize the User's investment portfolio in cryptocurrency through the diversification of risks with the use of the SPH Token.

Advantages

1. The Sphere Platform is primarily created to implement the crypto-economic processes in society.
2. The Platform does not benefit from the profit of participants. The system gains income in the form of commissions from transactions and remuneration for optional IT and FINTECH services.
3. Platform confidence is ensured by the scalable decentralized blockchain network in terms of security and legal implementation in accordance with the requirements of state institutions regarding the legality and availability of licenses in the area of financial activities.
4. The legal implementation of the Sphere Platform will allow to identify and verify Users of the Platform based on KYC, AML and SP through the integration of IT solutions, particularly through implemented state projects, such as e-residence and others.
5. The Sphere Platform will allow to eliminate possible risks via the system of legal interaction of Users and Smart contracts. Should there be arbitration proceedings, the arbitration and dispute resolution processes can be implemented ad hoc.
6. The ESCROW implementation of the Platform is based on ensuring security of economic and legal relations between Users on the basis of smart contracts.
7. The Sphere Platform has its own SPH Token for the purpose of ICO in order to build the blockchain network and the system of interaction of Users who will be participants of crypto-economic processes.
8. The Sphere (SPH) Token is linked to tangible assets (investment gold 999.9). The SPH Token value is stable and has low volatility. The implementation of this financial model of the Token makes it possible to stabilize the User's investment portfolio in cryptocurrency through the diversification of risks with the use of the SPH Token.

How the platform works

WHO CAN BE A BUYER?

An identified and verified individual or legal entity or a pool of buying individuals and legal entities can be a buyer. If the smart contract amount does not exceed EUR 1000, in the SPH equivalent, a buyer or a pool of buyers can be anonymous.

WHO CAN BE A SELLER?

An identified and verified individual or legal entity can be a seller.

HOW TO BID?

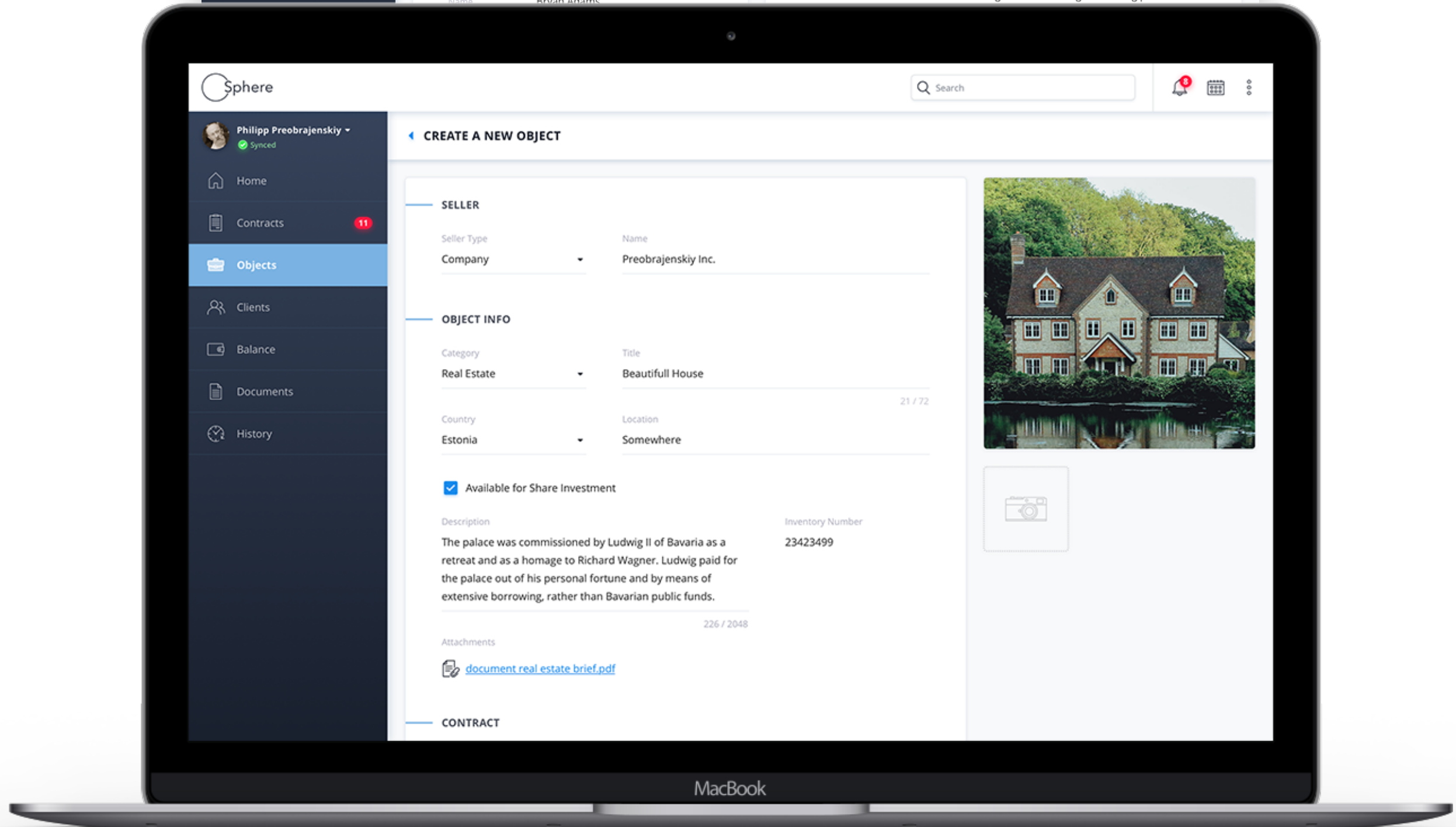
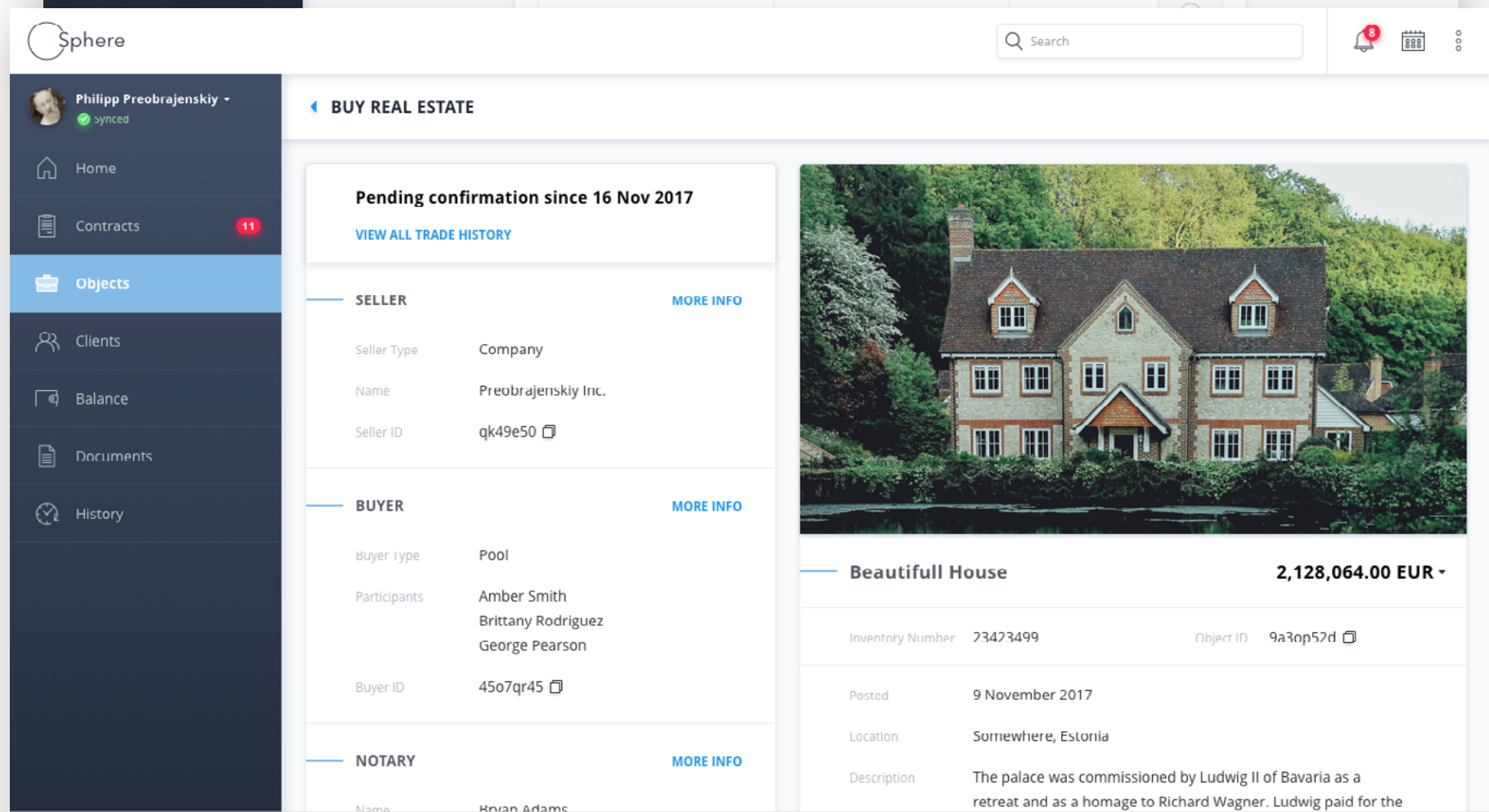
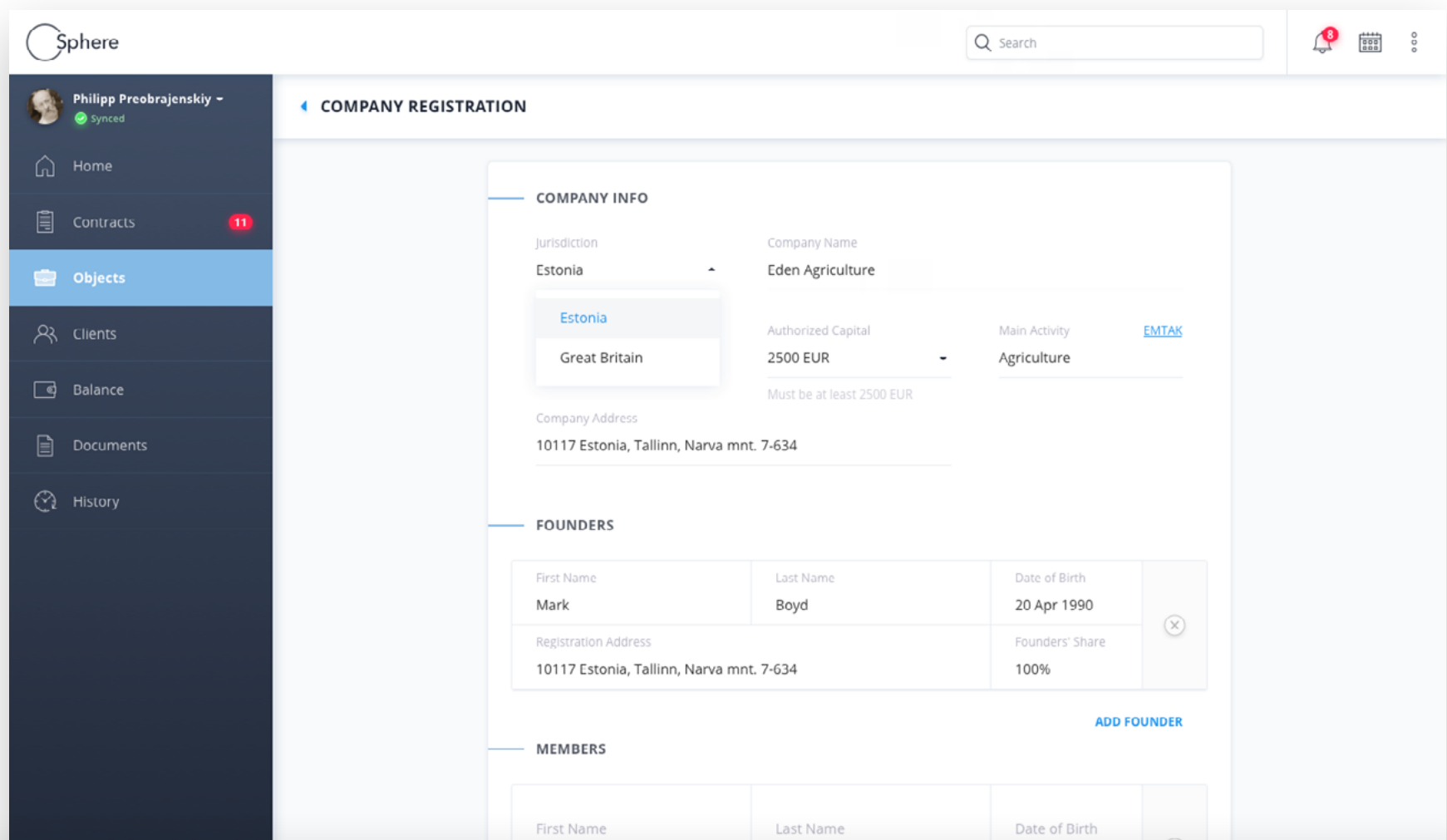
The Seller shall place a bid at the Sphere Platform. After validation, the bid becomes active and visible. Sellers, buyers, and Internet users can review the bid and ask questions to the Seller.

HOW TO SEARCH?

Bids are public, except when the Seller explicitly restricts the access to the bid and makes it only available to certain buyers or investors. The object value is shown in the currency for which the Seller wishes to sell and in SPH. The conversion to SPH is made automatically and recorded in the smart contract.

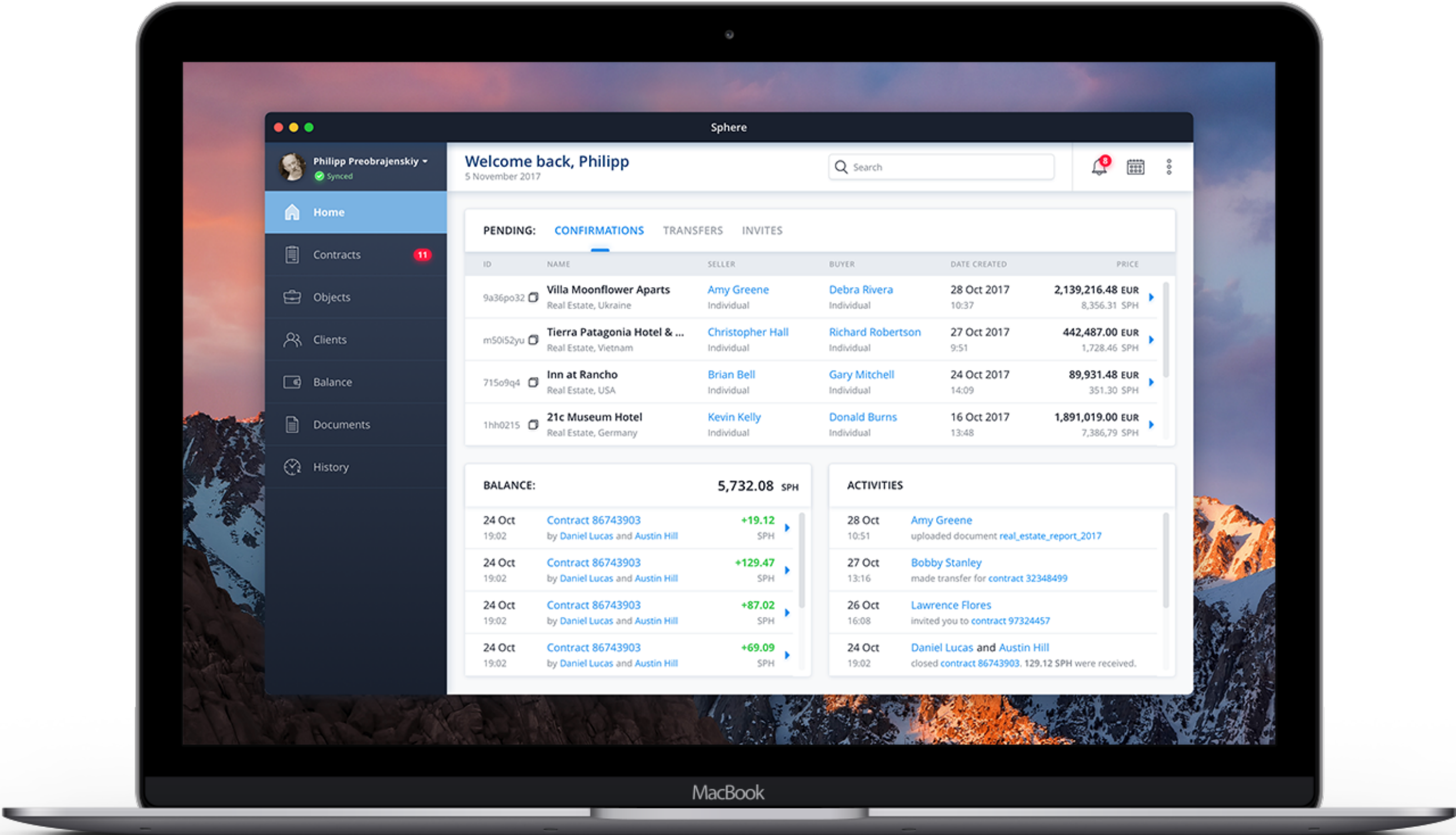
WHERE TO BUY?

To secure purchases, the ESCROW mechanism is used. Money is deposited to a special cold client's wallet in SPH, which is also specified in the smart contract. The client can see the status of the transaction, but cannot interrupt it until it is updated and calculated within the network.



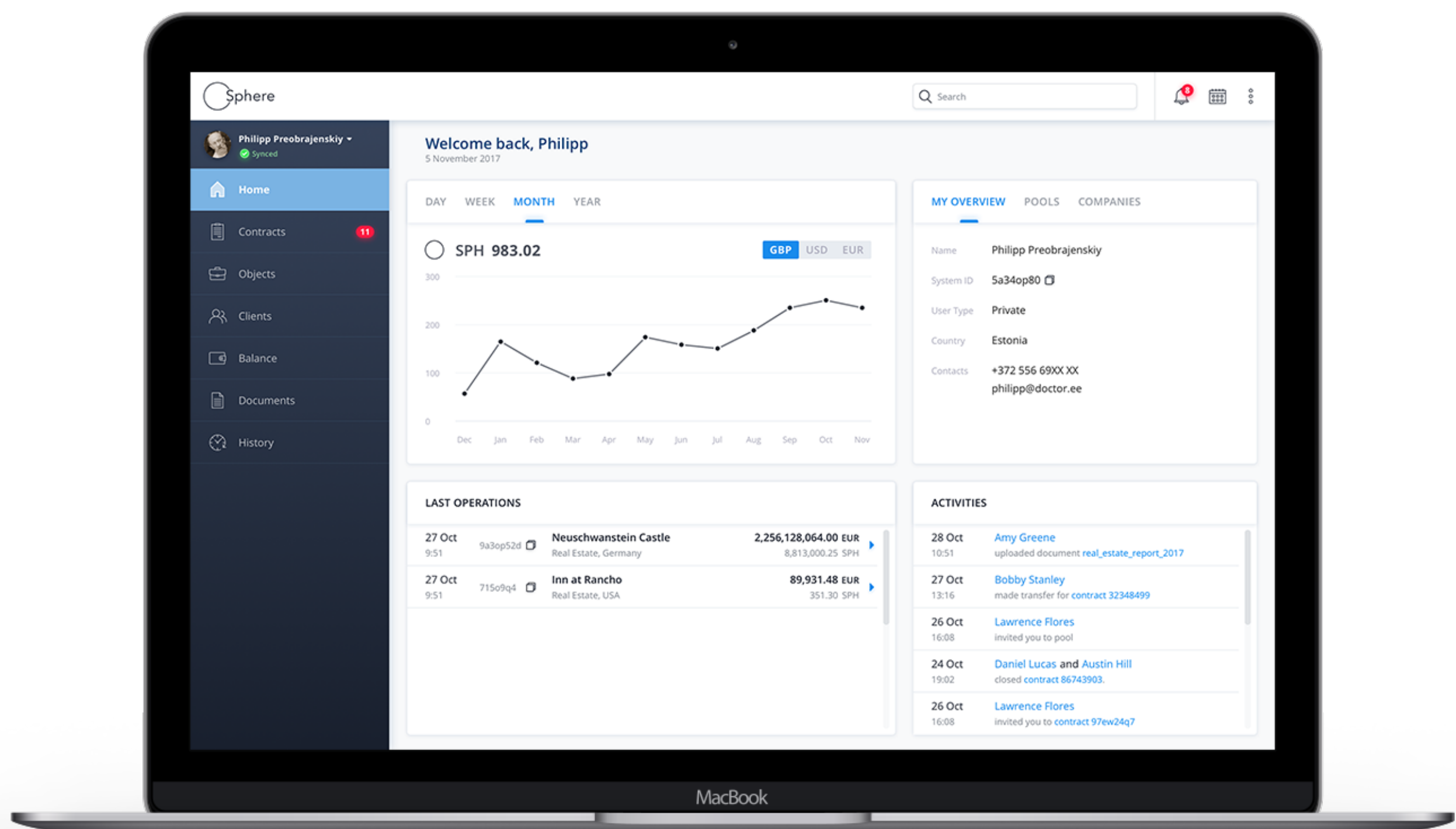
HOW TO VALIDATE

The client can contact notary officers and lawyers for his/her transactions. Notary officers and lawyers have own applications to validate all transactions made on the Platform. All acts validated by notary officers or lawyers are specified in smart contracts deemed valid in Estonia and the EU.



The client who has his/her own account and Dashboard on the platform can successfully carry out and control his/her own business activities:

- review the fiat currency and crypto currency exchange rate to SPH;
- monitor the status of his/her own wallets, deals and transactions;
- modify personal information;
- export reports on his/her business activities;
- monitor the status of the entire blockchain network;
- contact the administration and other Platform users;
- engage new Platform users;
- if necessary, appeal to and participate in arbitration.



Further development

The prospects and scope of use of blockchain technology and cryptography in the future can hardly be assessed at the moment. However, already now there is no doubt that such technology will play an important role in the performance of financial transactions and will have a statutory legal format.

With the development of technology and “adaptation” of the statutory framework to such processes, significant innovations can be expected in the financial legislation of many countries. Such regulatory innovations will clearly define cryptocurrencies and the methods of their use. The state control already extends to the “virtual value” in terms of regulation of crypto-fiat exchange, registration of crypto-wallets and transactions with cryptocurrencies. The first stage of establishment and regulation of the new area of legal relations with the “virtual value” consists in making the concepts and the terms and conditions of financial legal relations between various subjects of society that perform financial or other transactions in the crypto-fiat format more specific by state bodies. This area of financial relations affects state interests in terms of control over economic processes within various groups of society. Due to possible risks and lack of control over globalization processes in the private economic financial industry, regulators apply stabilization measures and methods to prevent illegal actions.

We are now talking about transparency, respect for human rights, economic freedom of business and its right to self-determination, legality and legal income. These crypto-economic processes are described in terms of formation and development of crypto-economy. The Sphere Platform allows to perform legal transactions in the area of crypto-fiat relations due to the legalization of transactions of its participants based on KYC and AML, which is in conformity with the requirements of regulators and the legislation of the Republic of Estonia.

The interaction of users of the Sphere platform as a marketplace in cryptocurrency is no different from activities of users of eBay, Amazon and similar services and platforms. The main advantage is that it allows to perform transac-

tions in both fiat currency and cryptocurrencies, integrability into third-party services and open source code.

An essential advantage is a direct (trust) solution that allows the crypto-society of the Sphere Platform to directly build economic and real relations.

The Sphere Platform as a marketplace provides the following opportunities:

1. Conducting business between legal entities (B2B).
2. Conducting business between legal entities and individuals (B2P).
3. Conducting business between individuals (P2P).
4. Mutual crediting.
5. ESCROW (security) of transactions based on smart contracts.
6. Engaging qualified experts and arbitrators.

Implementation of the Sphere Platform for legal entities

Through its licensed provider, ECLAT CAPITAL OÜ remotely opens a crypto-account (wallet) in real time. The terms and conditions of accounting and financial policy can be independently drawn up in relation to cryptocurrency by Users (legal entities) of the Platform, and this aspect applies to the legislative regulation of the country of jurisdiction (incorporation) of the company. However, since crypto-wallets are opened through the Estonian licensed provider of ECLAT CAPITAL OÜ, after the identification and verification of the User of the Sphere Platform, legal documentation may be requested as regards KYC or AML policies and other documents that may be relevant at the time when the User provides this information. Such document related procedures and their conditions are important in terms of the source and legality of funds and income. It should be noted that cryptocurrency is also a means of exchange for fiat currencies or investment gold and any other investment/financial instrument. The participant or User of the Sphere Platform can confirm the legality of transactions within the Platform in terms of the source of funds and

income declaration in the system of state bodies of various countries of the world after acceptation (identification and verification). Of course, the emerging legal relations and obligations regarding the declaration and payment of taxes represent duties and obligations of Users of the Platform in accordance with the laws of each individual jurisdiction of the residence of the beneficiary and/or the company as a beneficiary. The KYC, AML and SP procedures will be implemented using technologies that today allow to integrate the existing state databases of each individual identified/or and verified User, such as a holder of e-residence digital signature, etc., into the blockchain.

ARBITRATION. PRACTICAL IMPLEMENTATION ON THE SPHERE PLATFORM

Resolution of disputes and conflicts

1. For Users
2. For Arbitrators and Experts

1. For Users

During the Sphere Platform implementation, Users can make transactions of purchase and sale of tangible and intangible assets based on smart contracts. In case of any claims and further proceedings, the dispute shall be considered by a group of independent expert judges. These legal regulations shall be built on the principle of dispute consideration in an ad hoc arbitration.

Ad hoc arbitration is a type of arbitration that, unlike institutional arbitration (constantly effective in a certain place under set regulations), is formed by the parties to review a particular case (on a case-by-case basis). The ruling made by the judges on the transaction shall be definitive and in favour of one of the parties. The verdict shall be final. For ad hoc arbitration, three arbitrators are usually elected according the contractual procedure. For example, the parties may negotiate the arbitration procedure to consider the dispute by nominating one arbitrator by each of the parties and appointing the Chairman by consensus. The appointment of the Chairman can be entrusted to a third party, for example, the President of the Law Society in London, etc.

How is the court proceedings conducted in practice? For example, John wants to buy a series 5 BMW from Smith. Both Parties sign a smart contract on the Sphere Platform where they also select judges from nominee arbitrators that have the required competence and professional skills in the field of court proceedings and that most likely will consider their dispute, should there be a

conflict as a result of infringement of interests (rights) of one of the Parties to the smart contract. Arbitrators that have ID on the Sphere Platform are included by the Parties in the smart contract. The procedural rules, applicable legislation, legal venue and other terms and conditions that may significantly affect the objective and full consideration of the case are also established. The arbitrators nominate themselves in the qualified specialists (advisors) section on the Sphere Platform in the blockchain and, once the conditions of participation in the proceedings and the amounts of remuneration are agreed upon with the Parties, they will be ready to consider the dispute in essence in a timely manner. It is specified in the smart contract, that, should the Parties fail to perform the agreement and fail to settle the dispute amicably, then it shall be referred to arbitration in accordance with the set procedural rules and the court ruling shall be entered in the blockchain.

So Smith and John made the smart contract specifying all technical data and cost of the car and stating that, should John find any technical defects of the car hidden and not mentioned when selling within 14 days, he has the right to return the car to Smith and demand compensation for the actual time of its use at the rate of 30 US dollars per day. The Parties also agreed that, should there be a conflict, their dispute shall be resolved by Phil, Joseph and Mark in accordance with the UNCITRAL Arbitration Rules, and so on. At the same time, Phil as an advocate, Joseph is a practicing lawyer, and Mark is a car mechanic in a BMW dealership. After the car was registered in the name of John and during its use, significant technical deficiencies not mentioned in the smart contract were found on the 5th day. Smith did not admit this fact, refused to take the car back, but confirmed his intention to consider the dispute in ad hoc arbitration. The arbitration proceedings started. As a result of consideration of the dispute, an intermediate ruling was made to conduct an independent technical examination, after which the verdict was made according to which the car shall be returned to Smith who shall be reimbursed for financial expenses incurred during the actual time of its use. Also, Smith paid procedural costs as a defendant, including remuneration of arbitrators, and the cost of examination.

Alternatively, the UNCITRAL Arbitration Rules, i.e. - rules adopted by the UN Commission on International Trade Law in 1976 and recommended for use by the UN General Assembly on December 15, 1976, can be used. New amendments were made and came into force on August 15, 2010. These rules are commonly used in ad hoc arbitration.

The UNCITRAL Arbitration Rules do not have the effect of law in some countries, though lots of national arbitrations allow the Parties to mainly use these rules or use them to fill gaps in their own rules.

In accordance with the UNCITRAL Arbitration Rules, arbitration shall take place, even if the arbitrator is not able to act or the Parties failed to nominate the arbitrator (failed to agree upon the competent authority). After 60 days during which arbitration does not take place due to the fact that the arbitrator was not nominated (the competent authority was not agreed upon) or if the arbitrator is not able to act, either Party to arbitration has the right to apply to the General Secretary of the Permanent Court of Arbitration in Hague to appoint the competent authority. Should the Parties fail to agree upon the arbitration venue, it shall be determined by the court of arbitration.

These rules provide for severability of the arbitration clause, that is the arbitration provision of the agreement (contract) shall remain in force even if the agreement (contract) itself is deemed null and void.

Many national chambers of commerce and arbitration centers act as the competent authority under the UNCITRAL Arbitration Rules.

Without a doubt, the Parties and Participants of the Sphere Platform can independently resolve disputes and conflicts that may arise between them by establishing trusts. They have the right to set other rules and conditions for dispute resolution approved by the world community if they are in compliance with generally accepted and legal and ethical norms and are not forbidden.

2. For Arbitrators and Experts

The Arbitrators and Experts that, in accordance with their professional skills and competence, intent to provide practical assistance in resolving conflicts between the Parties to smart contracts, shall nominate themselves on the Sphere Platform in the blockchain. Arbitrator or expert nominees can post their portfolio, CV and links to professional social portals and networks, such as LinkedIn. Once registered, the nominee is assigned an ID on the Sphere Platform. Should the Parties to the smart contract desire to avoid conflicts in the future, they can choose arbitrators from registered nominees for the resolution of possible disputes. They can negotiate the terms and conditions and remuneration for the consideration of the dispute. The Parties and the Arbitrators or Experts shall independently set and regulate legal relations between them.

The Sphere Platform provides service in the blockchain, which allows to implement independent conditions for the purpose of arbitration the decision of which also has legal force in national judicial systems of various countries of the world. The establishment and development of a legal environment to resolve disputes between participants of the Sphere Platform is implemented through trusts based on the free will of the Parties to engage independent arbitrators or experts. These features of the Platform allow the Parties to choose the arbitration venue and, as specified in this WP and the UNCITRAL Rules, any other state court in a selected country and the applicable law for resolving disputes. Smart contracts and the rights and obligations of the Parties provided for therein have full legal force in case of person identification through the KYC procedure, such as conclusion of a smart contract through digi ID, e-residence and its placement in the blockchain of the Sphere Platform.

ECONOMIC MODEL OF THE TOKEN

Monetary functions of the SPH Token

If we consider cryptocurrencies in economic terms, at the moment they do not perform monetary functions in full, i.e. as a means of exchange, means of conservation of value and payment unit. Furthermore, high volatility of the exchange rate of cryptocurrencies to fiat currencies makes them a low-effective means of conservation of value. Due to high volatility of the exchange rate, cryptocurrencies are unusable as a payment unit. The suggested concept and implementation of the SPH Token seeding will allow to eliminate cryptocurrency volatility by way of pegging the SPH Token to the investment gold exchange rate under the LBMA. This solution allows for the stable contact between cryptocurrency and the real sector of economy in terms of buying capacity, convertibility, exchange rate stability and the possibility of using it in Fintech.

SPH Token advantages

RISK HEDGING

Investors, Platform Users, exchange traders and owners of other cryptocurrencies can use stable Sphere assets to hedge risks and protect their savings from exchange rate fluctuations of fiat currencies and volatility of cryptocurrencies.

MEANS OF PAYMENT

Sphere Tokens have low volatility and can be used as a means of payment by both Platform Users and companies that may keep cryptoassets. The Sphere Token ensures fast transaction speed, security and legality.

INVESTMENT ATTRACTIVENESS

The attractiveness of the Sphere Token consists in the possibility of stabilizing exchange rate risks in transactions with tangible assets. Due to the fact that the Token is secured by investment gold, the conversion to (exchange for) investment gold is not subject to VAT in the EU.

LOANS SECURED BY TOKENS

Since the Token is secured by investment gold as a physical asset, Users of the Platform can receive loans secured by physical gold that ensures the conservation of the Token value. The Sphere Token itself is security in this case. Loans can be given both among participants of the Platform (P2P) and by attracting banks and other financial institutions (B2P) for lending.

USE OF BLOCKCHAIN TECHNOLOGY

The seeding of the Sphere Token in the blockchain ensures stability, security and transparency of transactions. Blockchain technology allows billions of people to join the digital economy.

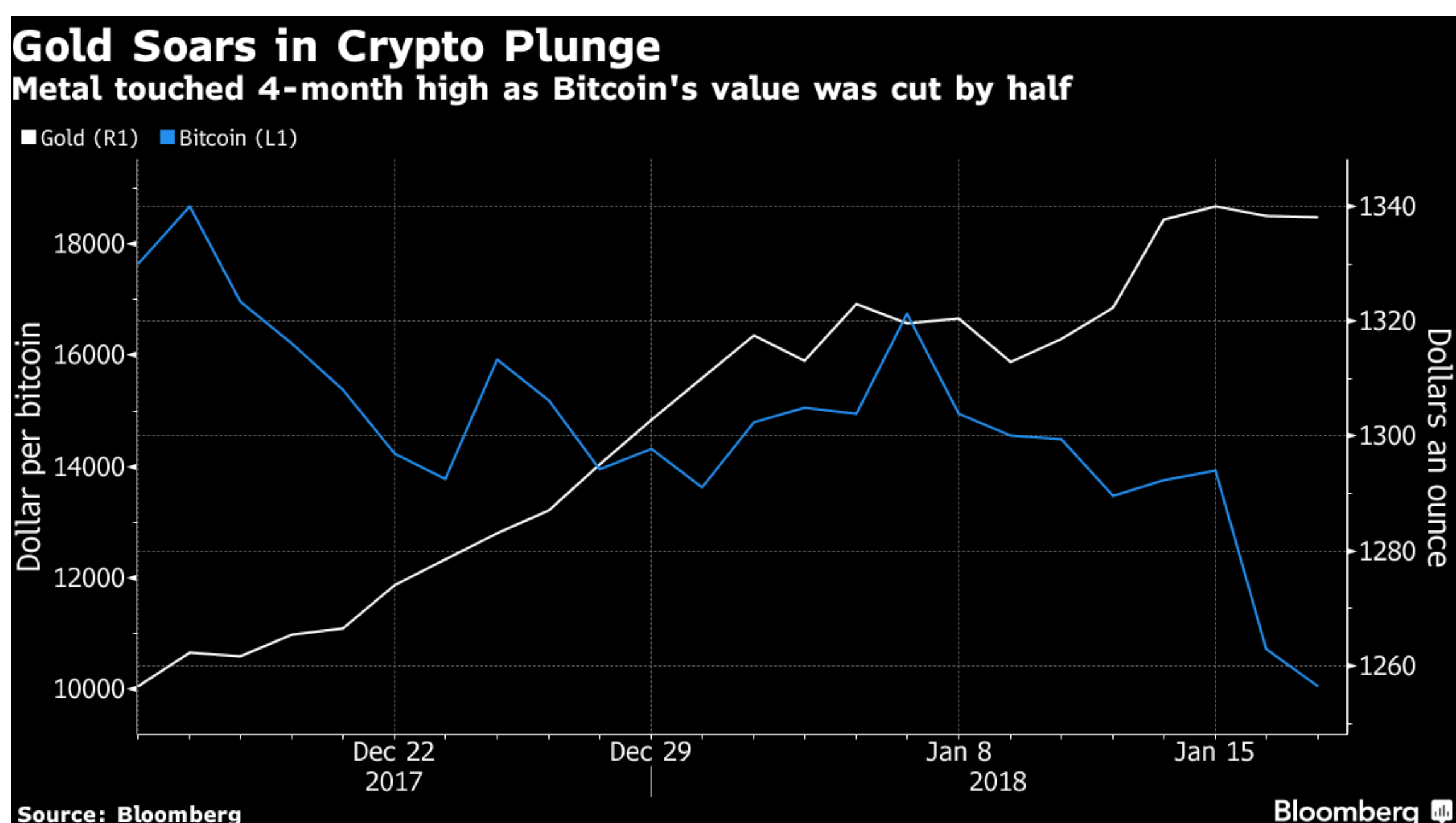
MOVING ON TO IPO

Upon the initiation of ICO and capitalization of the Platform assets, ECLAT CAPITAL OÜ structuring procedures will be implemented through Due Diligence and List to move over to IPO. This stage can be preceded by DPO (Direct Public Offering), which will affect the SPH Token investment attractiveness during the seeding preparation and performance and moving on to IPO.

TOKEN VALUE

Bitcoin volatility, like volatility of all other currently existing cryptocurrencies, is quite high. Let us use a situational review of cryptocurrencies tending to stabilize at the time of rate drops. One of the most common ways to secure from exchange risks is to the use of investment gold due to its low volatility as an exchange stabilization instrument.

As of January 8, 2018, following a sharp fall of bitcoin over a month, the exchange rate dropped by more than 40% of the cryptocurrency value. In this situation sellers switched from bitcoin to gold as a real tangible asset.



“Yesterday was a hell of a crazy day,” the director Daniel Marburger from Frankfurt said adding that “emails and phones did not stand still with clients asking how they could turn their crypto into gold.”

TOKEN CIRCULATION MODEL

User Token Conversion and exchange

Physical investment gold that secures the assets of the Sphere Platform is the property of participants of the Platform and is actually stored in depositories of independent banks and repositories of licensed providers around the world. Bank and provider addresses, contact details and conditions of obtaining physical investment gold will be available on the official website of the Sphere Platform. The Sphere Platform assets are always kept in circulation. Platform Users can exchange the Sphere Token to physical investment gold in accordance with the Token par value (1 SPH Token = 1 ounce). The value of the Sphere Token owned by the Platform User is always equal to the cost of physical investment gold during exchange. There may be additional charges that are solely the commission of banks or depository providers. When the Token is paid off and investment gold is delivered to the User, all costs shall be paid by the User. It should be noted that, should physical investment gold be exchanged for fiat money, it is sold at the LBMA exchange rate, plus an additional commission is charged for the exchange or conversion transaction.

TOKEN SEEDING MODEL

1. Publication, description of the Sphere Platform in the technical and legal sections of WP.
2. Preparation and initiation of Pre-ICO. Informing about the upcoming ICO, holding marketing and promotional events.
3. ICO (round I).
4. SPH Token seeding with the purchase of investment gold or ETF. Primary distribution of the Tokens (Initial Coin Distribution) based on the ICO results.
5. Reserving the Tokens for founders and developers of the Platform, marketing specialists, etc.
6. Network deployment. The network is described in details in the Technical White Paper.
7. Development and launch of the Sphere Platform based on the blockchain network.
8. ICO (round II).
9. Advertising ICO. Public sale of the Tokens.
10. Development of applications, software models, creation and support of the network.
11. API, integration with other platforms and services.

ICO

It is planned to hold several ICO (Initial Coin Offering) rounds.

Investments in SPH are both an instrument for hedging risks related to cryptocurrency volatility and the opportunity for crypto-investments.

Investment allocation scheme:

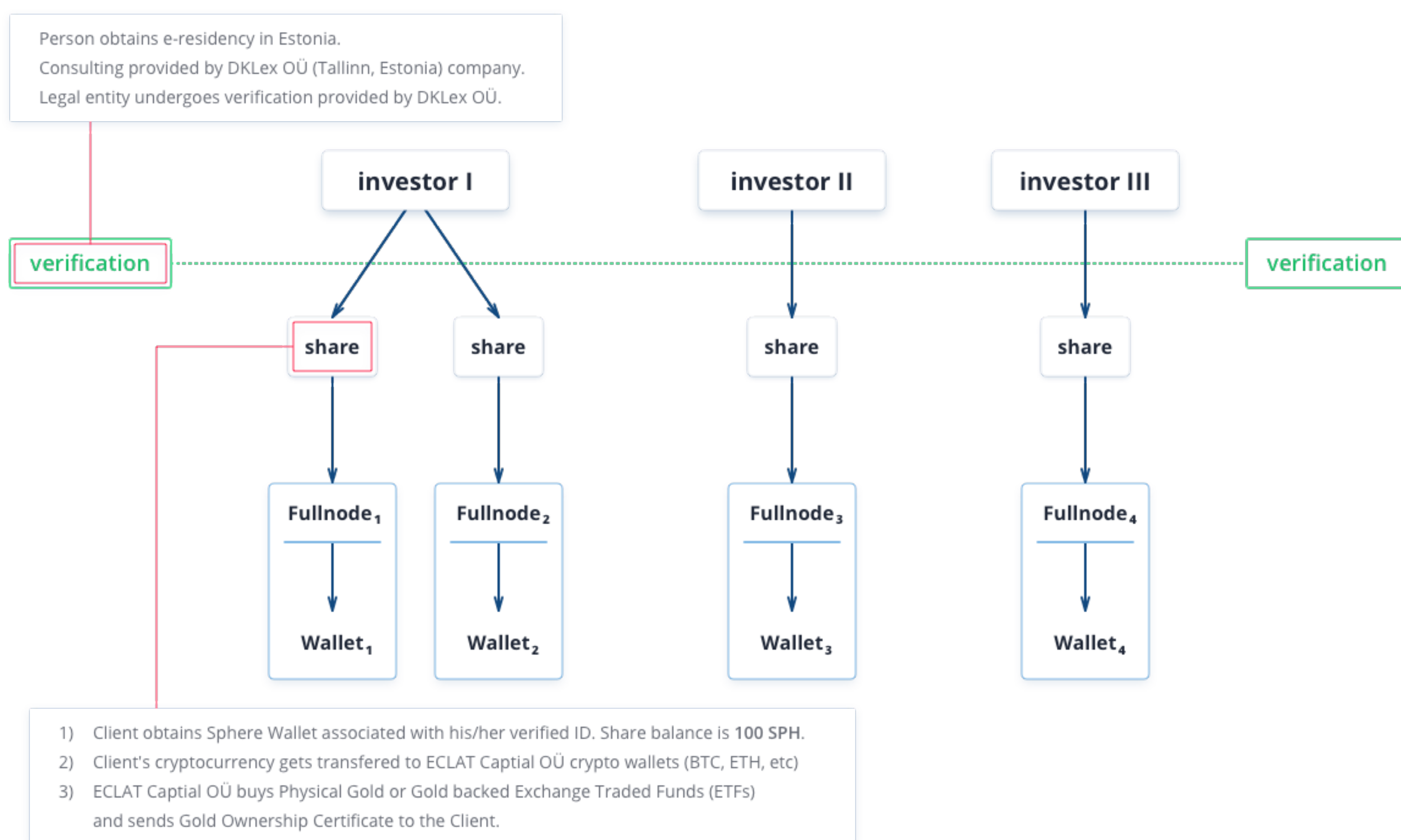
- 80% of investments will be immediately converted into physical gold or gold Exchange Traded Funds (ETFs) with the possibility of payment in one year.
- 20% will be collected for development and maintenance costs for the Sphere Platform.

Physical gold or ETF is purchased immediately upon investing. The SPH Tokens are allocated to the wallets of investors upon purchasing gold or ETF.

Investor's interest is based on receiving commissions charged for transactions under smart contracts across the Sphere Platform network. Technical data are described in details in the Technical WP (see ICO and REWARDS sections).

For the computation power distribution based on the results of ICO see ICO section of the Technical WP.

According to the legislation of the Republic of Estonia and the EU, investors or organizations shall be identified and verified as individuals or legal entities. This includes the compliance with the AML (Anti-Money Laundering) and KYC (Know Your Client) Policies.



ICO investment strategy (round I):

- 1 SPH = 1 ounce under the LBMA at the time of purchase or sale.
- One share for investment, purchase of the SPH Token – starting from 100 SPH.
- Each investor can buy not more than 49% shares.
- Ownership of shares does not mean the acquisition of corporate or any other rights either within ECLAT CAPITAL OÜ or within the Sphere Platform.
- Ownership of shares provides for payment of remuneration to the investor in proportion to the ICO share interest.

ICO investment strategy (round II):

- 1 SPH = 1 ounce under the LBMA at the time of purchase or sale.
- One share for investment, purchase of the SPH Token – starting from 1 SPH.
- Each investor can buy any number of the SPH Tokens.
- Ownership of the SPH Token at this round neither means the participation in the Sphere Platform as a share investor within the meaning of ICO (round I) nor implies the acquisition of corporate or any other rights either within ECLAT CAPITAL OÜ or within the Sphere Platform, other than User rights.
- Investors have the right to convert their SPH Token to physical gold or ETF, provided overhead costs related to the purchase of gold or ETF and their physical delivery are paid.
- Investors participating in the ICO round II are not allocated the computation power and are not beneficiaries of Sphere Platform transactions. However, they have no restrictions for the purchase of the SPH Token and can buy it, starting from 1 SPH.

Quantitative indicators of the SPH Token seeding

ICO (round I) in the amount of 30,000 SPH Tokens, which is equivalent to 300 shares in the Sphere Platform.

ICO (round II) in the amount of 100,000 SPH Tokens, which is equivalent to 1000 shares in the Sphere Platform.

As agreed upon with investors, ECLAT CAPITAL OÜ has the right to seed extra SPH Tokens in compliance with the principles of decentralization in the blockchain. This strategy is not inflationary, since the SPH Token exchange rate is pegged to the investment gold rate under the LBMA and secured by physical assets of such investment gold and/or ETF.

Reservation of capacities for the Sphere Platform and share ownership

20% of servers will be additionally reserved for ECLAT CAPITAL OÜ based on the results of the ICO round I to cover 5 geographic areas (Europe, North America, South America, Asia and Australia) in order to ensure the stable operation of the Sphere Platform in various regions of the world. ECLAT CAPITAL OÜ receives remuneration from transactions within the Sphere Platform in proportion to the percentage of ownership of server capacities.

LEGAL MODULE

Legislative regulation and legal framework

The legal concept implemented by ECALT CAPITAL OÜ is based upon the principles of compliance with legal regulation requirements according to the Estonian legislation, the EU Directives and other international agreements in the area of alternative means of payment, currency exchange, transactions with precious metals and alloys, etc., which is part of the concept.

ECLAT CAPITAL OÜ has the following licenses at the present time:

- Operating as a financial institution FFA000216;
- Service of alternative means of payment FIA000063;
- Currency exchange VVT000380;
- Buying up and wholesale of precious metals and precious stones FVV000187.

Also, the registration in the USA was obtained - FATCA ID: 3M1BD2.

During ICO, it is planned to obtain additional licenses and permits in order to implement and develop the project concept.

Specifics of legislative regulation of cryptocurrencies

According to the Estonian legislation, the Provider of alternative means of payment is a legal entity that releases, buys, sells or provides alternative payment instruments by electronic means.

Alternative payment instruments have a monetary value and can be used to fulfill financial obligations or can be exchanged for fiat currencies.

The Estonian law allows to use encrypted (crypto) currency as one of legal types of economic activity. According to the Decision of the Supreme Court of Estonia dated April 11, 2016 (No. 3-3-1-75-15), cryptocurrencies can be sold

in Estonia as an exchange for traditional currencies in crypto-conversion or vice versa. The transfer of cryptocurrencies is considered to be the economic activity of the Provider in the area of alternative means of payment.

Since 2016, the use of alternative means of payment, such as cryptocurrency, has been regulated by the Money Laundering and Terrorist Financing Prevention Act. A company operating in this area shall obtain the relevant license for the provision of alternative means of payment from the Estonian Anti-Money Laundering Bureau (Rahapesu andmebüroo). Starting from 2016, Estonia has legislative regulation of transactions with cryptocurrencies.

Later, on October 26, 2017, a new Money Laundering and Terrorist Financing Prevention Act was adopted. The name of the law did not change, but the previous law became null and void. In this Act, the term “alternative means of payment” was replaced by the term “virtual value” (virtuaalvääring), and the concept of “crypto wallet” (virtuaalvääringu rahakott) was introduced as a means of storage of the virtual value for subsequent access and use. The new law is primarily aimed at ensuring stricter compliance with the norms and regulations developed to prevent money laundering and terrorist financing. Companies that wish to provide financial services using a “virtual value” shall have and abide by the client identification (KYC) and risk assessment (AML) rules that correspond to the instructions of the Estonian Financial Supervision Authority.

NB! The new Law officially came into force on December 8, 2017.

In accordance with the Ruling of the European Court of Justice dated October 22, 2015 (Ruling C-264/14 regarding Directive 2006/112/EC), any transaction related to the exchange of cryptocurrencies for fiat currencies shall be considered a financial transaction similar to traditional currency exchange and, thus, is VAT-exempt.

It should also be noted that the new Law of October 26, 2017 introduced the concept of crypto wallet as a means of storage of the “virtual value”. In accordance with the license obtained by ECLAT CAPITAL OÜ, the company has the right to create such crypto wallets for its clients, including legal entities. This means that legal entities can make transactions within their scope of activities using crypto wallets created in the Sphere system. This allows companies to make payments on the B2B basis using ECLAT CAPITAL OÜ as a service provider within the Sphere system.

Taxation of transactions with cryptocurrencies

ECLAT CAPITAL OÜ sent a request to the Estonian Tax and Customs Board regarding the tax regulation of the cryptocurrency market.

Question. Cryptocurrencies as a new means of payment is becoming more and more popular. Thus, there is a question about applicable taxation methods and tax rates.

In order to answer this question in the context of the legislation of the Republic of Estonia, we sent the request to the Estonian Tax and Customs Board. We asked the following questions:

1. What taxes are imposed on an individual or a legal entity that receives income from trading on the cryptocurrency exchange?
2. What taxes are imposed on an individual or legal entity that receives income from transactions with cryptocurrency (for example, if it exchanges one cryptocurrency for another cryptocurrency or regular currency, such as euro)?
3. Shall a legal entity or an individual obtain any licenses or registration to make transactions with cryptocurrencies? What conditions shall be met?

We received the following answer:

“The Tax and Customs Board draws your attention to the court ruling in case C-264/14 and the Working Paper of the EU Turnover Tax Committee of February 4, 2016 under number 892.

In accordance with these documents, we consider transactions with cryptocurrencies free of turnover tax. The mining of cryptocurrencies is also exempt from turnover tax. Thus, when obtaining goods and services for cryptocurrencies, turnover tax is not subject to deduction.

<https://www.emta.ee/et/ariklient/tulu-kulu-kaive-kasum/muudatused/krup-torahavirtuaalse-valuuta-nt-bitcoini-vahetustehingute>.

Regarding licenses, the provisions of the Money Laundering and Terrorist Financing Prevention Act shall be considered if a company exchanges virtual values (such as bitcoins or another cryptocurrency) for another currency and offers the crypto wallet service.”

EXHIBIT

Legal aspects of digital signature

The Regulation on electronic identification and trust services (Directive 910/2014/EC) eIDAS represents a unified standard regulation applied in all EU member states. This legal document is aimed at the formation and consistent standardization of the legal basis for the acceptance of digital IDs and signatures. The Directive also introduces digital seals for business entities. Based on the eIDAS, European organizations can fully digitize their business processes. When considering the use of electronic signatures in the context of agreement based relations, the assessment of the legal effectiveness of electronic signatures is just one of the issues to be considered. There are also two other, equally important issues. The first one relates to the validity of the electronic agreement. The second one relates to the evidentiary value and the possibility of using the agreement signed electronically.

Validity (of signatures)

The first question that shall be answered relates to formal requirements to be fulfilled in order to make an agreement valid. According to the European contract law, “consensualism” is a key principle. This means that the free will and mutual agreement of the parties are enough to enter into an agreement. No formal requirements, such as written documents, registration or signatures, are needed.

Agreements can be made orally, in writing, electronically or even implicitly. However, in various EU member states there are exceptions from this general rule. For example, real estate agreements, state purchase agreements, consumer agreements, settlement agreements, surety agreements may require certain conditions to be met to enter into such agreements. Despite such ex-

ceptions, for the most of agreements the consent of the parties is only required, and no signatures are needed to make the agreement valid.

Usability

The second question that shall be answered is directly related to how the terms and conditions of the agreement can be fairly fulfilled. In legal terms, the second question is very important, since there is a significant difference between entering into a valid agreement and the possibility of ensuring that it is fulfilled by proving that the agreement exists and what it contains. Legal norms that regulate the evidentiary value and usability of agreements differ depending on jurisdiction. In civil law states, such as Belgium, France, Italy, which can be used as an example of using rules of evidence in continental Europe, there is a difference between free and regulated evidence. In B2B disputes, any form of evidence is acceptable (for example, any records, witness testimonies, e-mails or factual elements). Of course, it shall remain in court for the review of the evidentiary value of the presented evidence. In B2C disputes and in disputes between physical persons, the form of evidence is regulated, that is, if in a dispute damage exceeds certain amounts, it is usually needed to enforce the signed agreement (it is a written document signed by the parties assuming obligations). However, in many jurisdictions it is acceptable in order to allow the parties reaching a compromise to deviate from the rules of proof.

This means that the parties may agree upon means of proof that are sufficient and/or the evidentiary value of any specific document. A typical example can be found in the terms and conditions of the provision of online banking services often requiring the user to agree that the transaction confirmation by the use of a card reader is a digital signature functionally equal to a handwritten signature. It should also be emphasized that, even if regulated evidence is legally required (for example, a written agreement), the rules of proof usually relate a certain legal evidentiary value to other evidence (for example, e-mails describing the content of the agreement), regardless of whether this is a legal

norm or practical experience. Though there are differences between EU member states regarding the legislative regulation of various legal aspects, it is safe to say that most agreements do not require any specific formalities and that any type of evidence is used in most contractual disputes (for example, various types of electronic signature) that become acceptable to show the validity of any particular agreement.

E-residency

The Estonian government has implemented an international e-residency project (<https://e-resident.gov.ee>) according to which any person from any country can obtain a digital signature and use various government and commercial services. One of the ideas implemented by this program is to make it possible to remotely do business in the territory of Estonia and the EU in a convenient manner. The e-residency digital signature is assigned to a person, rather than vice versa. This means that the signature cannot be lost or changed. It is assigned to a specific individual.

Blockchain and digital signature

Smart contracts and the rights and obligations of the Parties provided for therein have full legal force in case of identification of a person through the KYC procedure, such as signing a smart contract through digi ID, e-residence and its placement in the blockchain of the Sphere Platform.

To enter into a valid contract in the tangible world, it is not required to make a contract in writing and put a handwritten signature. However, the availability of a written contract with clear terms and conditions makes it possible to avoid doubts during its interpretation or disputes about its terms and conditions. In other words, in case of a written agreement, the Parties have clearer

legal guarantees regarding the observance of certain rights and obligations. Over the years, a written contract signed by the parties has been a sort of reference document governing legal relations. The same is true for the Laws and legal acts that became valid after signing by the Minister or the President of a country.

However, today there is a new way of entering into agreements. Agreements can be made electronically with the use of digital signature. As mentioned above, the Law allows to enter into agreements electronically, which is already widely used in many areas, particularly in the financial sector.

However, electronic signature is not yet common since the safety level of electronic agreements, especially when compared to traditional ones, is not always clear. In other words, traditional agreements are proven over time and trusted. Electronic agreements, just like something new, are treated in a reserved manner. It should be recognized that until recently there were certain reasons for such a skeptical approach, since there was no clear legislative regulation.

It is legal guarantees that are the main indicator of safety. In Estonia, digital signature has become widely used due to the e-Estonia concept. The relevant legal framework has been developed and adopted, which in turn allowed to fully reveal all advantages of electronic documents and set a high level of legal and IT safety of electronic cryptographic agreements.

For example, it is possible to register a company and amend constituent documents of an Estonian company using digital signature and the e-Business Register. To change the name of a company, appoint a board member and perform other actions, until recently the notarization was required. Today, this can be done on a computer using an ID card (including e-residence). At the same time, the safety level and the legal status of such transactions are equal to or even higher than what can be obtained by putting handwritten signatures in documents.

A logical question may arise as to how such a high level of legal safety of digital signature is ensured. To answer this question, it is necessary to understand when agreements and signatures can be considered safe. The terms and conditions of agreements set the rights and obligations of the Parties and how they shall be executed. Signatures make it possible to clearly show who is responsible under such agreements. In other words, handwritten signatures allow you to clearly identify the party to an agreement. Through notarization, the process is conducted more thoroughly, and the parties are identified by the notary, a person authorized by law to perform such actions.

In order to clearly understand the level of safety of digital certification of documents, it is necessary to know the nature of such actions and how such techniques work. In this case, the experience of Estonia is highly relevant. The Estonian digital signature and the access to state electronic systems and private institutions that use it (including banks and other financial institutions) are ensured by the identification card issued to a person only after he/she is properly identified by the relevant government authorities or agencies abroad. The level of credibility of a person in compliance with the applicable KYC and AML standards is very important. These procedures provided for by the Law governing the legal validity of digital signatures are applied by the Estonian Police and Border Protection Department in cooperation with consular agencies of the Republic of Estonia **around the world**. By issuing ID cards to residents of Estonia or e-residence to non-residents of Estonia, the state ensures their identification. In fact, through the procedure of identity authentication and data verification, the state takes all necessary actions that are usually set in the KYC (Know Your Client) policies of financial institutions. This means that a person who has the card and codes of access to it is verified by the state and from the date of issue is entitled to digital signature reliably assigned to the card holder and valid in accordance with the law of the Republic of Estonia. Thus, the signature and the relevant person can be easily matched. Due to the use of advanced cryptographic technology, it is almost impossible to forge such signatures, unlike traditional handwritten signatures. A great example of

the level of safety and development of this technology and its reliability is the event that occurred on October 25, 2017. It was the first time when an inter-governmental legal act was signed using digital signature.

Of course, this is about the legal system established with state participation and under state supervision. However, the Estonian law allows to use digital signatures among individuals and legal entities, including based on Blockchain technology. **To confirm this**, ECLAT CAPITAL OÜ sent a relevant request the Ministry of Justice of Estonia.

We received the following answer:

“In your request you asked about the validity of agreements depending on signature. We would like to note that signature is not an essential element of all agreements. However, it is binding in case of written or equivalent agreements. If, the written form of an agreement is binding according to the Law or if the parties agree upon this (without establishing more specific requirements for the form of the agreement), the requirements for agreement execution established by law shall apply. In case of a written agreement, signature is a key element (TsÜS Article 78). According to the law, taking into account the development of information technology, the electronic form of agreements is deemed equal to the written one, in which case handwritten signatures are replaced by electronic ones (TsÜS 80). The electronic form can be considered equal to the written one, provided the transaction conditions and confidence are observed and the reliability of documents is comparable with the written form. Article 80, Part 2 TsÜS sets the terms and conditions that shall be met when using the electronic form of agreements. Particularly, the form of an agreement shall allow to reproduce it in writing, contain the names of the parties and e-signatures of the parties. **The signature shall comply with the requirements established by law and shall be put in a way allowing to identify the signature and the signatory of the agreement and the time**

of its signing. If these conditions are met, electronic signature can be deemed valid and the requirements for the execution of the agreement can be deemed met.”

Thus, agreements have full legal force if signed using digital signature entered in the blockchain, where the participants, time, subject matter, transaction details and the digital signature itself are specified in smart contracts. Digital signature provided in accordance with the state e-residency program represents the user identifier (login) within the Sphere Platform. Thus, smart contracts made within the Sphere Platform are effective deeds.

COPYRIGHT POLICY

In order to protect the interests of the company, the Sphere Platform and future clients of the company, an application for the registration of the Sphere trademark has been filed. Registration of the trademark will allow to avoid unauthorized copying of the offered services, which will allow to protect intellectual property of the company and help clients avoid relations with parties offering low-quality services under the Sphere brand.

LICENCE AGREEMENT

The source code and technical documentation for the Sphere will be made available at github.com under the Apache License Version 2.0 as free (open-source) software.

CONCLUSIONS

ECLAT CAPITAL OÜ offers the Sphere Platform on the basis of free (open-source) software and the connected SPH Token with the aim of providing its clients with the opportunity to do business in a new, innovative environment. The comprehensive approach of the ECLAT CAPITAL OÜ team and the analysis of the legal and economic nature of cryptocurrencies allowed to develop a concept that not only uses all advantages of cryptocurrencies, but also effectively minimizes existing drawbacks.

Clients that wish to use the SPH Token will be able to make fast and secure transactions, without any intermediaries. At the same time, they can be confident in the value of the purchased SPH Tokens pegged to investment gold, which eliminates the risk of volatility typical for most cryptocurrencies.

The platform is developed on the basis of the latest legislative initiatives and trends in the area of cryptocurrency and ICO regulation. Required licenses, up-to-date anti-money laundering policies, other procedures set by law and permissions of state regulators– ensure that the client is doing business through the system that fully meets the current legislation.

Thus, the Sphere Platform is a new way of doing business, effective, profitable and trustworthy, based on the synthesis of advanced technology, financial stability and their strict legislative regulation.