KORPORATIO

White Paper 2.0

Our World Today

Entering the era of the Fourth Industrial Revolution, we are now part of the new chapter of development, merging the capabilities of human and machine. For the first time in history we have built a technology with true potential to decentralize and distribute. As blockchain digitizes the world's agreements, tokenizes the world's assets and enables self-sovereign digital identity for people and entities, it will disrupt economies, push regulations and shift conventional mindsets. This will fundamentally change the way we live, work and relate to one another.

*Born in this momentum, **Korporatio** started as a vision in enabling the next generation of founders, teams and corporations to focus on what matters the most, creation and innovation.*

Originating from the lack of visibility and trust in the volatile investment market with a complete absence of reliable solutions, the founding team behind this problem rolled up their sleeves and decided to build a 360-model themselves removing the bureaucratic, unnecessarily manual, time-consuming and costly roadblocks away from people managing their businesses.

*From the first lines of codes to the countless processes of trial and error, finally in **January 2018**, Korporatio managed to solve what the blockchain community had been puzzled by for years: incorporation of a fully legal entity on the blockchain, planting the seeds for the world's first Smart Company (SC).*

This is team Korporatio.
Invented by founders to founders. So you, as a founder, can focus on what really matters.

Contents

1. Introducing The Smart Company

As the first company in the world, Korporatio introduces an entirely new type of organization called the **Smart Company (SC).**

A Smart Company is a form of organization that is incorporated on the Blockchain with full legal compliance. Compared to traditional business types, a Smart Company is a hybrid model of a Limited Company (Ltd) or International Business Company (IBC) and a Decentralized Autonomous Organization (DAO), making the model first of its kind combining full legal compliance and the advantages of blockchain technology such as speed, technical resistance and transparency.

This makes the Smart Company a highly versatile option for both offshore and onshore business types, such as private limited and public companies.

1.1 Blockchain-powered Solution

In essence, a Smart Company is built on the intersection of the following three pillars. To understand how the model works, the following elements set the foundation:

1.1.1 Smart Company Shares Are Tokens

As the Smart Company is recognized with full legal compliance, all the same advantages and limitations apply to this type as to any other legal entities. Compared to conventional company types, however, the key difference in a Smart Company lies in its corporate shares: Smart Company share register *is* a smart contract.

This means two things: Smart Company shares are tokens, and they are facilitated by a virtual governing system.

1. **Tokenized shares**
   All Smart Company corporate shares are registered as ERC-20 Tokens modified in order to comply with security laws. These tokens carry information that makes them unique to

each organization and tracks the history of their movements, without interfering with the legal validity of the share. Tokenized shares means that all transactions and trading of ownership happens on Ethereum Blockchain in immutable and verifiable ways, enabling accurate and real-time shares transfers.

2. **Virtual governing system**
   As the smart contracts governing the tokens are self-executing, self-enforcing contracts governed by explicit terms written as software programme, they can facilitate the transfer and governance of any field that uses data to drive legal transactions. This means anything of value such as money, securities and shares as well as intangible and illiquid assets such as property, land, arts and intellectual property.

1.1.2 Legal Compliance

Smart Companies are legally recognized business entities. Registered with the chamber of commerce or company register of the respective jurisdiction, Smart Companies have full legal compliance the same way private limited companies do.

The first jurisdiction that Korporatio has successfully deployed Smart Companies to is the Republic of Seychelles. The legal framework around Smart Companies is the same of International Business Corporations (IBC), which the Financial Service Authority of Seychelles has approved utilized Memorandum and Articles of IBCs to apply for smart contracts. The law that governs all International Business Companies incorporations is the Seychelles IBC Act, which allows Smart Companies the same advantages and limitations as IBCs such as corporate tax exemption from all foreign source income and profits.

More and more jurisdictions are being signed and added at the time of writing this paper. Full list of jurisdictions can be found in the Appendix.

1.1.3 Corporate Governance on Ethereum

The technology behind Smart Companies runs 100% on Ethereum blockchain. Compared to centralized solutions, this enables the ability to transfer value in a transparent and immutable way that can only be secured through the use of a distributed ledger like blockchain.

Therefore, as corporate functionalities can be directly managed through a single dashboard through blockchain, all changes made to the shareholding of a Smart Company do not require endorsement, replication or action by admin or middlemen such as company secretaries or other officers, except as per current legal requirements (KYC/AML). And because everything is coded in smart contracts, the entire flow from the Decentralized application (dApp) to final download of documents run on the blockchain. As a user, this solution can shave off 99.7%[1] of the time the global average spends on setting up a new company, costing on an average 99.9% less on any transactions regarding corporate shares of a legal entity.

The combination of these elements are a force of disruption in the 21st century that will unlock the potential to create entirely new business models.

1.2 Relevance and Implications

An established school of studies has been conducted over the past decade in an attempt to understand corporate governance and management better. Research studying company boards have found that the main reasons behind board failures are not due to lack of motivation or competence of the board individuals, but rather the result of structural barriers[2].

Amongst the highest of these barriers are board size, meeting infrequency (lack of trust-based relationships), diversity (diverse perspectives also lead to miscommunication and misinterpretation) and complexity of a firm (misalignment and conflict of interests). Many of these structural barriers are directly linked to misalignment on information, communication, interpretation and lack of trust[3]. Most of which can be solved through the Smart Company model.

As legally compliant entities, Smart Companies provide significant advantages to business owners, the legal system governing the infrastructure as well as agencies handling administrative operations of enterprises. For all relevant stakeholders, the ability to have

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[1] The World Bank. Doing Business Project. Data retrieved:
https://data.worldbank.org/indicator/IC.REG.DURS?view=chart
[2] Boivie, S. et al. (2017) Are Boards Designed to Fail? The Implausibility of Effective Board Monitoring. *Academy of Management Annals.* Vol. 10, No.1; Retrieved:
https://journals.aom.org/doi/10.5465/19416520.2016.1120957
[3] Aguilera, R. V., Desender, K., Bednar, M. K., & Lee, J. H. (2015). Connecting the Dots: Bringing External Corporate Governance into the Corporate Governance Puzzle. *Academy of Management Annals,* 9(1), 483-573. Retrieved: https://doi.org/10.1080/19416520.2015.1024503

corporate shares as tokens offer the means to assert and transfer ownership and liabilities of real-world assets with actual value.

1.2.1 Smart Company Advantages

As the future of work is becoming increasingly more diverse and remote, digital access and control are key to managing corporate governance in this era. Korporatio was born blockchain-native and offers a one-stop solution for all users.

To understand the kind of potential the Smart Company model is able to offer, here is a list of the main advantages already viable and ready to use today.

A. 360 - Digital Solution

From KYC to back-office, and changing information to trading corporate shares, everything can be managed in real-time from a single computer. Previously lengthy processes like shareholders voting can be executed within seconds after uploading an encoded shareholders resolution on the chain to allow transparent, verifiable and fast decision making at the highest level. Every digital decision has immediate legal validity cutting off unnecessary layers of intermediaries.

B. Time and money

Everyone has the same 24 hours a day. Traditionally, every transaction in a legacy company requires multiple steps, time, paperwork and costs. Equally, any changes made in the company structure and ownership from shareholders to trading and raising funds typically requires layers of bureaucracy and are often charged per each transaction. Korporatio's solution performs these same steps via the dApp: every event happens as soon as the Ethereum's block for the specific transaction is confirmed, in real time.

Smart Company model can shave off 99.7% of the time the global average spends on setting up a new company, costing on an average 99.9% less on any transactions regarding corporate shares of a legal entity[4] . This opens up new ways of rethinking how to run a business, reducing human error and most importantly, increasing speed, accuracy, efficiency and efficacy.

C. Illiquid assets

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[4] The World Bank. Doing Business Project. Data retrieved:
https://data.worldbank.org/indicator/IC.REG.DURS?view=chart

One of the most powerful advantages of Smart Companies is its ability to convert illiquid assets owned by the company into tradable shares with real-world value. This is because the ERC-20 tokens are legally recognized securities, corporate shares, and therefore subject to the same legal rights and limitations. Previously asset-heavy industries can now be offered liquidity, unlocking potential from assets such as property, machinery, arts or land. Hybrid models of ownership can be created under this model as well slicing up parts of assets for co-owning, sharing and trading. This characteristic alone has the potential to shake up entire industries and conventional business models by giving access to liquidity where it has been impossible before.

D. Intellectual Property

Just like the ability to tap into illiquid assets, Smart Companies also enable smart Intellectual Property (IP) management. As intangible assets of a company, IPs are governed by corporate shares. Each Smart Company's shares are tokenized with a unique structure, which means intellectual property also can be tokenized, shared and traded via blockchain, while the owner maintains full ownership.

E. Transparency

Blockchain enables business operations to be fully transparent. A Smart Company can provide transparency to its shareholders and investors, as well as to its regulatory legal system. All transactions and changes run on Ethereum, which provides more security than storing data on centralized databases.

As all records of Smart Companies are stored on a decentralized ledger that is distributed across millions of computers across the world, anyone with granted access can see the history of transactions made by a Smart Company and therefore immediately validate its authenticity. The data is safely stored with public hashes, and access can be modified accordingly to all relevant stakeholders such as shareholders, agents and the government within the legal framework such as the EU's Global Data Protection Regulation (GDPR)[5].

F. Security

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[5] 2018 Reform of EU Data Protection Rules. Retrieved January 16, 2019, from: https://ec.europa.eu/commission/priorities/justice-and-fundamental-rights/data-protection/2018-reform-eu-data-protection-rules_en

Blockchain-powered Smart Companies are exceptionally safe. Compared to a centralized solution, the tech architecture of blockchain distributes the data over millions of computers across the globe. This reduces the risk of a single-point vulnerabilities. To hack a centralized model, 'all that is needed' is access to the server where the code is hosted, which can then be modified at will. To hack the same code hosted on the blockchain, however, would require either extraordinarily large amount of power to rewrite the rules, or a quantum computer - both inaccessible to most countries today. While it is never impossible to hack a system, blockchain does make it significantly more difficult for hackers and therefore levels up added layers of security.

1.2.2 The power is in the ecosystem

"Our main goal is to create a solution where entrepreneurs can focus only on their business, not having to take care of anything else. Essentially, having technology take care of every single task of the company formation and governance."

- Stefano Covolan, Founder of Korporatio

The real power behind the Smart Company model is in its ecosystem. Instead of inventing everything on its own, Korporatio partners with industry-leaders to streamline process flows, user experience and service layers.

To understand the business model of Korporatio, it is important to note that the company does not intend to act as an incorporation agent, but rather as a tech provider. Therefore, Korporatio has partnered with superb partners to be strategically aligned with the legal side of company registrations. Similarly, for a smooth KYC process for users, Korporatio has also partnered with providers that specialize in Know-Your-Customer services with full regulatory support on their end.

Adding strategic alliances to the digital network allows Korporatio's users a single touchpoint to set up and manage their Smart Companies. For users, this enables a rich portfolio of services from industry leaders. F as well as its partners, this enables a palette of products and services that are outside of the core business of Korporatio, providing high quality without stealing away important focus from Korporatio's own team.

2. Technology and Design

The technological architecture of Korporatio's Smart Company model is based on multiple smart contracts that are deployed and all communicate to each other. By doing so, this enables corporate governance in a holistic way. As modified ERC-20 tokens are modified to comply with security laws, only users and businesses with verified KYC can interact with the decentralized application (dApp). Every action on the chain generates an automated document that can be downloaded by the business owner or incorporation agent. All interactions and every step of corporate governance is registered and can therefore be tracked on Ethereum blockchain.

2.1 Tech Architecture

Korporatio's tech architecture runs solely on the Ethereum Main Network. The decision to use blockchain is largely explained above in all the advantages that come with it. The decision to use Ethereum is because at the moment of starting the first Minimum Viable Product (MVP), as well as today, Ethereum provided the best platform to operate with Smart Contracts.

To understand the architecture that governs each Smart Company, it is important to start from the legal requirements making such framework available. The first major task was to adopt the ERC-20 token to be compliant with security laws. This means that the tokens can be transferred only to approved addresses, if the address is not recognised upfront, the transfer will not be completed.

This model today is not new, protocols like ST-20, SRC-20, etc. follow a very similar logic. Now that each token can act like a conventional corporate share, the architecture needs to start automate as many tasks as possible in corporate governance. For this reason, a group of smart contracts were created to communicate with each other. Essentially, having these contracts "talk" to each other generates a micro ecosystem for every Smart Company. This solution makes it possible to increase the number of features available in each Smart Company, but at the same time it increases the cost of deployment of each company.

2.2 Creation of the Master Contract

Considering the sector Korporatio operates in, blockchain certainly has its benefits in lowering costs in corporate governance compared to traditional processes. Each smart contract requires gas to be deployed, which means the more contracts, the bigger the amount of gas required to deploy all of them. Because of this, it is easy to see in the equation that at some point the number of smart contracts would be so large it would bypass the cost of that in the traditional governance model, reducing the appeal of the entire solution.

To solve this problem, Korporatio's team decided to segment each smart contract in a specific function, making it possible to increase features in each contract without having to add a new one every time. This way, the number of smart contracts required to deploy a Smart Company can be stable on average. And more importantly, this ensures the Smart Company model will always be economically beneficial compared to a traditional governance model.

To understand how smart contracts are designed in the Smart Company model, the tech team has divided these groups of contracts into two different levels: one is the so-called **Master Contract,** which includes all the information of the company that cannot be changed, i.e. the Smart Company registration number. This also represents the starting point of the entire tech architecture for each Smart Company. Below the Master contract are all the rest of the smart contracts that are deployed per every required area of corporate governance.

Company governance also requires uploading large files like financials, contracts, reports, etc. Ethereum would be too expensive to store these files directly, which is why Korporatio's tech architecture is integrated with IPFS to enable proper storage.

2.3 Automation

For deployment and automation of all smart contracts, the work is automated by [Jenkins](). The switch from manual deployment to Jenkins allows deletion of any possible human mistake and helps to deploy Smart Companies even when the team is sleeping.

This has an important impact for future scalability for two important reasons:

1) **Each jurisdiction has different legal requirements.**
   Jenkins allows to set parameters like 'Smart Company in Seychelles' or 'Smart Company in Saint Vincent' and automatically deploy the set of smart contracts required for that

specific country. This has a gigantic impact in the quality of work and velocity;

2) **Expanding means having more users.**
   Without an automated software, the number of Smart Companies created will be directly correlated with the number of people in the team. Having a software that works 24/7 means having a huge space for scalability.

Using smart contracts to run the company governance brings advantages not only to the shareholders, but also to the incorporation agents that still need to have access to each Smart Company and ensure everything is in order. For instance, if any changes happen inside the company, such as a vote or a shares transfer, the code automatically generates a document, that follows the legal requirements of the jurisdiction where the Smart Company is incorporated. This helps each shareholder in matters like personal taxation, i.e. capital gain by selling shares, as well as the incorporation agent reporting to the government. Furthermore, another enormous benefit to incorporation agents is that they no longer need to use resources on storing data on their internal servers of all company activities.

Another important integration that has been completed is with Oraclize. Oraclize is a software that enables execution of mathematical operations by considering the value of Ethereum (ETH) in a FIAT currency such as USD or EUR. This enables automation in an environment where it would be impossible otherwise.

To understand this in Smart Companies, it is important to remember that all jurisdictions are different from each other. For instance, one jurisdiction may require a government fee of US$50 per every share transfer. Smart Contracts can be set in a way that there is a 'commission' included in the gas price paid during these transactions, but if this amount is fixed, it is impossible to get the right commission each time as the price of ETH changes every second, i.e. having a fee of 0.1ETH will always generate different values in USD.

In order to solve this problem, Oraclize came into place. To simplify, what this means is that before each transaction the smart company 'calls' Oraclize asking what is the equivalent of US$50 in ETH. Oraclize answers by converting the values automatically, which is how the end user will be able to see all transaction fees in ETH.

2.4 Digital Dashboard for Users

Each Smart Company comes with private access to their own **digital dashboard.** This enables the business owner to manage and verify all things corporate governance from a single computer.

2.4.1 Dashboard: homepage

Figure 1. Smart Company Dashboard: Public view of homepage

The home page of each dashboard is divided in two parts: a public and a private view. The public part (See Figure 1) allows anyone to check general information of the company. This could be important for potential stakeholders wanting to get in touch with the directors, for instance. This public view presents a description of the company (controlled by the business owners themselves), as well as some standard information such as the total number of shares available in the company.

For approved shareholders, there is also an area for editing updates, where directors can add company updates of any nature. In many ways, this represents a private wall of the company to keep the community up to date of the things happening.

2.4.2 Ownership and Shareholders

Company governance also means shareholders management. In the shareholders view (See Figure 2), users can quickly glance an overview for general things such as the total supply of shares, the amount of shares owned by the company and the majority shareholder.

All shareholders are listed in the Dashboard and from there, you can transfer shares to whomever. Every transaction happens on the Ethereum Main Network, and once the transfer has been completed, a transfer document is automatically generated with legal liability effective immediately. From a technical point of view, this automated documentation completely removes the back-end work from an agent or any middle man. Therefore, shareholders no longer need to wait for confirmation of updates in the cap table, and involved agents can find all files on the dashboard with zero manual work.
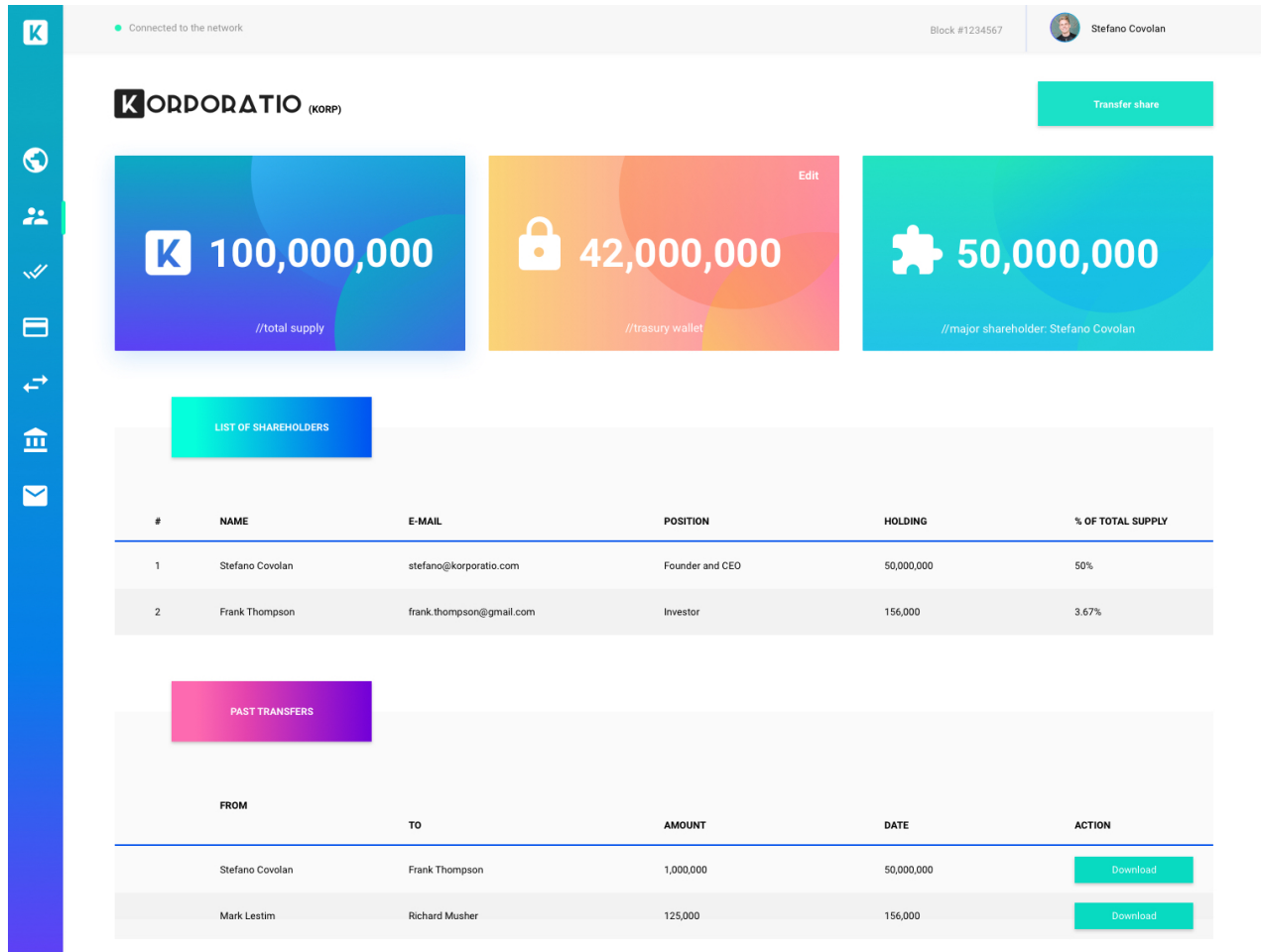
Figure 2. Smart Company Dashboard: Shareholders general view

2.4.3 Voting and Decision Making

Decision making is in the core of every company's long-term strategy as well as daily operations. Navigating to the Voting view in the Dashboard (See Figure 3), shareholders have control to manage all things related to voting in the Smart Company such as board meetings, new proposals or virtually anything that requires a stand from multiple members to become valid.

Figure 3. Smart Company Dashboard: Shareholders voting

Shareholders and directors have the possibility to create as many votes as needed. Deadlines can be set for each vote, and members can review the description to decide to vote in for or against. Once the deadline is passed, the director can resolve the vote. At this point, the decision is automatically registered on the blockchain, an official document is generated for legal purposes and, in the case of the vote being approved, the decision will have immediate legal effect.

2.4.4. Uploading documents

Company incorporation and corporate governance, for the majority, is about storing documents. Korporatio's dashboard (See Figure 4) allows incorporation agents or the company director directly to upload legal documents and make them available to every shareholder.
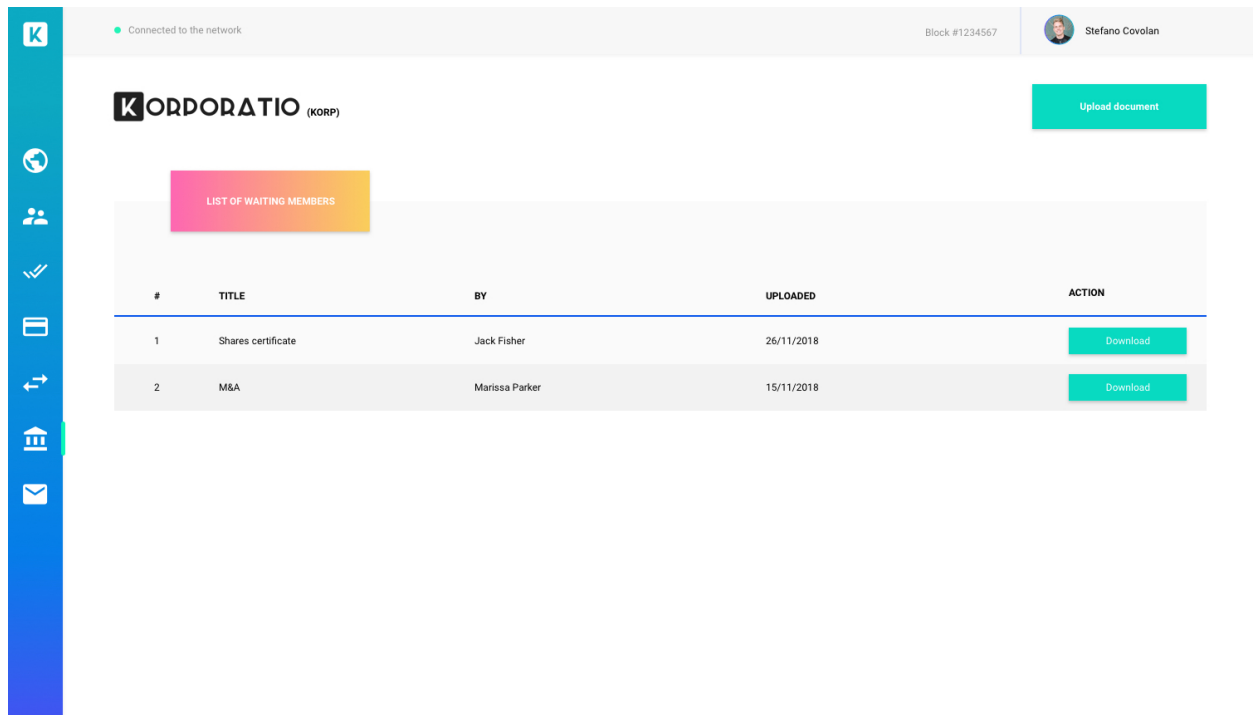
Figure 4. Smart Company Dashboard: Storing documents

All documents are secured on IPFS solution. This has two important benefits:

1) Incorporation agents do not need to spend money in a centralised server as they can store all legal documents directly on Korporatio's decentralised dashboard. Also, the Smart Company dashboard makes it possible for agents to communicate directly with their clients without leaving the platform. This simple feature streamlines the workflow and communication between directors and agents.

2) Directors can upload all kinds of documents to provide real proof to shareholders. For instance, a director can upload a signed contract with a new partner, or an agreement with a new investor. Even in this case, directors would not need a separate server to store their files and, most importantly, all shareholders can have access to the real-time status of the company at any given moment.

3. Long-term Vision

Korporatio is in for the long play. The company's current solution already offers legal incorporation on the blockchain, 360-solution for digital management on the dashboard and automated back-office. The system has been designed to be 100% scalable.

Down the road, a Smart Trust will be created to match the intelligent model for corporate governance along with an escrow to further expand into more conventional jurisdictions. Smart Company Dashboard will be improved to enable more efficient communication for all agents.

With this in mind, Korporatio aims to pioneer in the space of blockchain compliance and ultimately transform how businesses are run.

3.1 The Velocity

Since early 2018, marking the birth of Korporatio, the team has moved forward with an accelerating speed. From the first dApp on Metamask and signed partnership with an incorporation agent in the Republic of Seychelles to a dozen new strategic partnerships under the belt, and new jurisdictions being signed as we speak, Korporatio is already building a digital ecosystem to fuel its longer-term goals.

With the current list of clients from 15 different countries covering a broad range of industries, Korporatio has had a stellar growth of paying customers and a growing pool of creative solutions applied to the structure of the Smart Company. The more real-world enterprise applications there are of Smart Companies, the better for testing new ideas and becoming a real hub for transforming corporate governance on a global scale.

3.2 Sustainable Growth

To reach its highest ambitions, Korporatio operates with agility while keeping the big picture in mind for scalability, adding one milestone at a time. To scale across borders however, Smart Companies will need the support of local governments.

3.2.1 Expansion and Scalability

The fastest way to scale the Smart Company model is through jurisdictions. Broadly speaking, the strategy is to open up regulations for the Smart Company model across all continents, expanding availability to all major hubs and regions. This will reach aspiring entrepreneurs and businesses across the world with diverse needs and requirements within their respective legal frame.

Today, Korporatio already has the tech architecture designed to be automated on the blockchain and therefore fully scalable. Although it is notable to mention that each new jurisdiction would require minor changes in the technology to be deployed and therefore the Smart Company model may slightly differ per country in order to fit the legal framework. As policymakers around the world are starting to take first steps in regulating blockchain-based concepts, we believe the Smart Company model is well positioned as a front-runner to lead the momentum of mainstreaming blockchain-powered innovation in corporate governance for both our end users as well as global economies.

3.2.2 Decentralized marketplace to unlock illiquid assets

With the full potential to automate and scale its tech solution, the following step for Korporatio is to have a strategic partnership with a regulated exchange, where all registered Smart Companies can trade. This would mark a decentralized equity marketplace that allows liquidity for consumer blockchain.

To be more specific, it is important to make a clear distinction between the kinds of tokens allowed for this kind of trading. As all Smart Company corporate shares are legally recognized and registered on the blockchain as a unique ERC-20 token modified for security laws, they are subject to the applicable securities legislation and therefore cannot be traded on unregulated exchanges, nor decentralized exchanges via unlicensed or unverified brokers or dealers. This is to say, these equity tokens are tied to their real-world value.

The possibility to trade equity tokens in a decentralized system opens up tremendous potential for businesses. Being able to list corporate shares as tokens to this market place within days after registering a Smart Company will open up doors to opportunities in fundraising, investing, co-owning, sharing and distribution in previously impossible ways. This will provide agility, flexibility, liquidity and transparency in an untrusted environment.

3.3 Rethinking value creation

Thinking a bit further down the road, blockchain as technology will fade into the background as user experience will lead the way into mass market adoption. With decentralized web or 'web 3.0' in the eyes of blockchain enthusiasts today, it is not hard to connect the dots in an economy where digital identities and entities are controlled directly by their owner via blockchain in the so-called non-state-backed formality.

Not so far in the future, business executions all have the potential to run on codes. With automated dividends, stock options, bonuses and self-executive accounting, governance will be converted into a digital ecosystem where transparency, immutability, accuracy and security will be defined as basic currency. Creation of new processes will be streamlined through shared Application Programming Interfaces (API's) across sectors and transactions sent out in digital currencies will be automatically converted into fiat currencies. Reaching decentralized consensus, conventional ownership models will be shaken up radically, just like today's corporate governance.

And this is where Korporatio visions itself in the long-term: pioneering as an enabler for the next generation of entrepreneurs to create and innovate hassle-free, in a system that leverages every aspect of the blockchain technology.

4. The Team

The people behind Korporatio are what makes it all happen. The team is lean, skilled and effective with an absolute dedication and focus on what matters the most.

Aspired by the vision of empowering the next generation of entrepreneurs through blockchain, the team behind the Smart Company model has come together across borders and continents to work on a shared goal to make this happen.

The core team of Korporatio today consists of 5 nationalities with backgrounds acquired from technology to fintech, business strategy to UX design and international jurisdictions to reg tech. Just like the future we're all building, we also operate in a decentralized system. After all, Korporatio is a Smart Company itself.

Geographically dispersed and demographically diverse, the team of Korporatio shares its core values on decentralization: collaborative decision-making and utmost respect for each other. Allowing all members to work, operate and lead in their own ways, we embrace a flat hierarchy where shared culture overrides shared geography.

5. Conclusions

In the exponential growth curve of technological advancement today, businesses will have to adapt with much higher rate than ever before. Traditional corporate governance being one of the heaviest areas to disrupt in company management, effective board operations are often weighed down my bureaucracy, manual paperwork, lengthy processes and layers and layers of middlemen and costs.

The Smart Company model by Korporatio has the ability to transform this. These blockchain-powered legal entities enable a one-stop digital solution with its virtual governing system that runs 100% on Ethereum, ensuring transparency, immutability, verifiability and security. Real-time speed and cost savings are to be added on the list, figures shaving off 99% off traditional time spent on setting up a new company as well as costs per each transaction.

Looking further down the possibilities, the potential in enabling Smart Companies' shares as tokens is imperative in any economic model. The ability to slice illiquid assets into numerous units, projects and models open up entirely new ways of defining, creating and trading value that have been impossible before.

With co-creation, collaboration and common consensus driving the blockchain ecosystem, we're privileged to be building this with real-world businesses. Empowering more and more entrepreneurs in this community is what gets us out of bed every morning.

And this is where Korporatio visions itself in the long-term: **pioneering as an enabler for the next generation of entrepreneurs to create and innovate without the hassle of today's corporate governance, in a system that leverages every aspect of the blockchain technology.**

APPENDIX: JURISDICTIONS

A variety of state and federal agencies and international bodies have shown interest in regulating blockchain-related activities, but there is no global consensus on governing this emerging technology yet.

Because blockchain has the ability to cross jurisdictional boundaries as the nodes on a blockchain can be located anywhere in the world, this poses a number of complex jurisdictional matters regarding Blockchain projects that are not recognized under a specific governing law. Many countries are under negotiations or working towards flexible regulation models for Blockchain-based companies. This is the current list approving of the Smart Company model:

Republic of Seychelles (2018)

Korporatio's Smart Company was approved on the 21st January of 2018 by the Republic of Seychelles, marking the world's first blockchain-powered legal entity. The process took roughly 9 months as the Seychelles Government required the Smart Company to be fully compliant with the same rules and regulations that affect the International Business Company (IBC)[6]. Since then, the Financial Security Authority of Seychelles (FSA) has treated Smart Companies as equivalent to International Business Corporations (IBC), which they have approved utilized Memorandum and Articles of IBCs to apply for smart contracts.

St. Vincent and the Grenadines (2019)

In the first quarter of 2019, Korporatio added Saint Vincent and the Grenadines to its portfolio of jurisdictions. Nearly identical to Korporatio's Seychelles model, Smart Companies incorporated on this island nation are also legally recognized as International Business Companies (IBC). Governed by the IBC Act[7], Smart Companies of St. Vincent are deployed with the same technological model as the original solution. However, unlike in Seychelles, Smart Companies within the legal frame of St. Vincent are required a government fee of US$50 per share transfer.

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[6] IBC Act 2016. Financial Services Authority Seychelles. Retrieved: https://www.fsaseychelles.sc/index.php/download/download/3-legislations/46-ibc-act-2016
[7] IBC Act No. 36 2018. Financial Services Authority St. Vincent and the Grenadines. Retrieved: chrome-extension://oemmndcbldboiebfnladdacbdfmadadm/http://svgfsa.com/?mdocs-file=4192

On the other hand, this jurisdiction comes with more options and cost-effectiveness in opening bank accounts and banking services.

Republic of Panama (2019)

Third add to Korporatio's Smart Company model is the jurisdiction of Panama. Similar to previous models, Smart Companies incorporated in Panama are governed by the Corporation Law of Panama, the law no. 32[8]. One of the more notable differences in this jurisdiction compared to the Seychelles and St. Vincent and the Grenadines is that instead of requiring minimum one shareholder and director, Panama incorporations require minimum 3 directors (President, Secretary, Treasurer). For Smart Companies, this means deploying three ownership accounts on Ethereum instead of one. For users, this only means a few more lines to fill in at the incorporation stage. Adding Panama to the portfolio of Smart Companies opens up the doors to the second most popular jurisdiction in the world for founders and business owners.

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[8] Panama Corporation Law, No 32. 2017. Retrieved:
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