

SMART SECURITIES STANDARD (S3)

The Smart Securities Standard is a protocol and smart contract library created by OpenFinance Network to facilitate a compliance layer on top of public blockchain technology. The goal is to allow tokens to be exchanged between buyers and sellers only when jurisdictional regulation and compliance requirements are met. It solves similar problems to the other existing standards: DS, R-token, ST20, etc. The goal is to allow tokens to be traded between buyers and sellers *only when* jurisdictional regulation and compliance requirements are met.

S3 HAS THREE MODULES: The Interface, The Compliance Layer, and The Data Layer



THE INTERFACE LAYER

The interface, or what the client interacts with, is the top layer of the Smart Security. This allows the user to transfer value in a standardized fashion and holds a permanent address on the blockchain for the token. As a result, the token can be upgraded as regulation changes or adapted to meet other jurisdictions.



THE COMPLIANCE LAYER

The compliance layer is where all the logic occurs. The rules and restrictions on transfers are implemented here to ensure compliant token trading. This is where, for example, a Reg S Smart Security would limit trading to Non-US persons, or a holding period restriction of one year and that occurs with Reg D offerings. The compliance layer can be updated by the issuer appropriately to match new legislation or adapted to specific regulations.



THE DATA LAYER

The data layer contract serves as a dynamic ownership registry, constantly updating the digital registrar as securities change hands. It represents all securities using the S3 protocol and holds the core ownership data associated with each. While the sensitive investor data is never exposed on chain, we use our Investor Passport to register AML/KYC verified users to individual blockchain wallet addresses.

Smart Securities are unique because they leverage blockchain technology to eliminate market and transfer inefficiencies. Additionally, transactions are reversible in the event of a noncompliant transfer. Investor information is never stored on chain so the only publicly visible information is quantity and price.