Originally, each Security Token created was supported by a new, unique smart contract on the Ethereum blockchain. But a lack of consistency in how these smart contracts were engineered increased friction with process stakeholders like custodians and exchanges, who would need to complete both business and technical due diligence on assets. Challenges like this increased operational requirements unnecessarily when issuing, trading, or managing Security Tokens, risking the market relevance for a whole new class of assets.

Like the adoption of many other new technologies, the path to Security Token viability is paved by a requirement for standardization. For Security Tokens to reach their full potential, issuers, investors, KYC/AML providers, wallets, exchanges, regulators, and developers need to be working within an agreed-upon framework to better guide the industry.

The Security Token Roundtable

In July 2018, Polymath set out to address the lack of standardization when creating Security Tokens with the Security Token Roundtable. Led and co-authored by Polymath's Adam Dossa and Pablo Ruiz, we brought together a diverse team of developers, lawyers, transfer agents, exchanges, and industry thought leaders. The ultimate goal was to collaborate and determine how a Security Token standard should be best structured and operated to support both existing and new financial asset classes. The result: ERC1400, the Security Token Standard.

Looking to Learn More About Security Tokens?

For Developers

thesecuritytokenstandard.org

For Service Providers

Visit polymath.network/consensus
to learn more

For Issuers

Ask your service providers to support ERC1400
Introducing ERC1400

In essence, the ERC1400 standard programmably enforces regulation for Security Tokens by applying jurisdictional laws from across the globe. It can even apply off-chain data to transactions to include necessary real-world input and authorization. With these elements engineered into your Security Token smart contract, issuers experience:

**Increased Transparency.** The ability to reverse, force, and check the status of transfers makes the journey of tokens totally transparent to the marketplace to build confidence in the system, enforce regulatory requirements, and avoid bad actors.

**Streamlined Due Diligence.** Standardization ensures that stakeholders like exchanges and custodians no longer have the onus to complete technical due diligence prior to onboarding the asset.

**Expanded Range of Supported Assets.** Support for a broad range of current and new financial assets like publicly traded equity and bonds, traditionally illiquid assets like private placements, real estate, or artwork as well as new synthetic baskets or mutual funds.

**Improved User Experience.** Investors can easily understand why trades fail and what’s needed to remain compliant.

One Standard for All?

The race toward market standardization isn’t about one standard winning over another; instead, the shift from a marketplace full of bespoke tokens to a more homogenized approach when creating Security Token smart contracts provides clarity, guidance, and best practices for how key market players can set up for success. Whether 1 or 5 standards, the consensus is a win for the entire industry. From here, Polymath continues to work with service providers on ERC1400 adoption and look forward to a continued growth in the adoption of the standard.

Polymath has created the pathway to a new category of financial assets, truly digital securities enabled by the blockchain. The Polymath team brings together a depth of knowledge in the blockchain and securities space, world-class advisory partners, and a streamlined experience to take you from token creation to offering and beyond. By leveraging our ecosystem of institutional and regulated partners, we empower issuers to create compliant, innovative, transparent and liquid security tokens for a global investor pool.

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