

# Blockchain Technology Developments in Delaware

While cryptocurrencies have captured the attention of many, the blockchain technology underlying these instruments has potentially far-reaching implications in many other fields. Consistent with its reputation as a jurisdiction of choice for many companies, Delaware has been working to integrate blockchain technology into corporate recordkeeping through the use of distributed ledgers.

## Background

A distributed ledger is a shared and synchronized database network that is not controlled by any person and that allows each participant to have access to the updated recordings made by other participants so that everyone has an identical, current copy of the decentralized ledger. Blockchain technology utilizes cryptography to secure the distributed ledger by only allowing access through certain nodes that require an electronic key. It's believed that for a cyber-attack to be successful, all distributed copies of the ledger must be attacked simultaneously. For these reasons, distributed ledgers are valued for their efficiency, transparency and security.

In the spring of 2016, then-Governor Jack Markell launched the Delaware Blockchain Initiative, which was designed to explore potential efficiencies and cost savings achieved through the state's utilization of distributed ledgers created by blockchain technology. Such distributed ledgers used in conjunction with self-executing smart contracts could be developed to securely store government records with increased transparency and without the expenses currently required to oversee and modify such vast amounts of data.

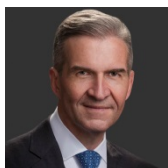
The Delaware Blockchain Initiative led to blockchain-friendly amendments of the Delaware General Corporation Law that became effective on August 1, 2017. These amendments expanded existing statutory language to expressly authorize corporations to use distributed networks or databases for maintaining corporate records, thereby providing a safe legal environment for corporations to invest in blockchain technology for such purposes.

Despite the momentum generated by the amendments, Delaware has been cautious and deliberative in assessing the consequences of transitioning government recordkeeping to blockchain. There are also certain significant logistics that would need to be implemented before companies are able to connect to a distributed ledger run by the state. Although there is still a lot of work to be done for Delaware to transition its recordkeeping to a blockchain-based system, the foundation has already begun to form.

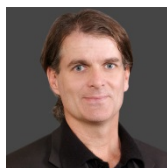
## Our View

Although it is impossible to predict the extent to which blockchain technology will be adopted and implemented for corporate recordkeeping and the timing of any such implementation, we believe it is important to monitor developments with respect to this potentially disruptive technology. Whether or not a distributed ledger is adopted for recordkeeping will depend on which technology will become the main backbone for “smart contracts” and how quickly corporate users will feel comfortable relying on it for one of their key functions. In the meantime, Delaware continues to be ahead of other states in planning for changes that corporations will likely be facing. We would welcome the opportunity to discuss this interesting new area with you in further detail.

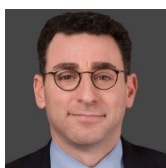
Note: Shearman & Sterling LLP is a member of several industry working groups that aim to explore enterprise-grade applications of blockchain and distributed ledger technologies for businesses.



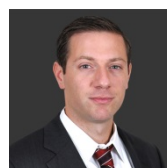
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