

## **Headnote**

Application for time-limited relief from the suitability requirement, prospectus requirement, trade reporting requirements and marketplace requirements – relief to allow the Filer to distribute Crypto Contracts and operate a platform that is a marketplace that facilitates the buying, selling and holding of crypto assets – relief granted subject to certain conditions set out in the decision, including fair access, transparency, market integrity, investment limits, disclosure and reporting requirements – relief is time-limited to allow the Filer to operate while seeking registration as an investment dealer and membership with IIROC – relief will expire upon two (2) years – relief granted based on the particular facts and circumstances of the application with the objective of fostering innovative businesses in Canada – decision should not be viewed as precedent for other filers.

## **Statute cited**

*Securities Act*, R.S.O. 1990, c. S.5, as amended, ss. 1(1), 53 & 74

## **Instrument, Rule or Policy cited**

Multilateral Instrument 11-102 *Passport System*, s. 4.7

National Instrument 21-101 *Marketplace Operation*

National Instrument 23-101 *Trading Rules*

National Instrument 23-103 *Electronic Trading and Direct Access to Marketplaces*

National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*, s. 13.3

OSC Rule 91-506 *Derivatives: Product Determination*, ss. 2 & 4

OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting*, Part 3

**In the Matter of  
the Securities Legislation of Ontario (the Jurisdiction) and  
Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador,  
Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Québec,  
Saskatchewan, and Yukon**

**and**

**In the Matter of  
the Process for Exemptive Relief Applications  
in Multiple Jurisdictions**

**and**

**In the Matter of  
Simply Digital Technologies Inc.  
COB CoinSmart (the Filer)**

## Decision

### **Background**

As set out in Joint CSA/IIROC Staff Notice 21-329 *Guidance for Crypto-Asset Trading Platforms: Compliance with Regulatory Requirements (Staff Notice 21-329)* and CSA Staff Notice 21-327 *Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets (Staff Notice 21-327)*, securities legislation applies to crypto asset trading platforms (CTPs) that facilitate or propose to facilitate the trading of instruments or contracts involving crypto assets because the user's contractual right to the crypto asset may itself constitute a security and/or a derivative (**Crypto Contract**).

To foster innovation and respond to novel circumstances, the CSA has considered an interim, time-limited registration that would allow CTPs to operate within a regulated framework, with regulatory requirements tailored to the CTP's operations. The overall goal of the regulatory framework is to ensure there is a balance between the need to be flexible and facilitate innovation in the Canadian capital markets, while upholding the regulatory mandate of promoting investor protection and fair and efficient capital markets.

The Filer operates a Dealer Platform (as described in Staff Notice 21-329), is registered as a restricted dealer in each province and territory in Canada, and was granted prospectus relief (the **Dealer Platform Prospectus Relief**) and suitability and trade reporting relief (the **Dealer Platform Suitability** and the **Dealer Platform Trade Reporting Relief**, respectively) in connection with its operation of the Dealer Platform in the decision *In the Matter of Simply Digital Technologies Inc. Carrying on business as CoinSmart* dated October 21, 2021 (the **Dealer Platform Decision**).

The Filer has applied to amend the Dealer Platform Decision to seek to include exemptive relief from marketplace requirements in order to introduce new services that would result in the Filer operating a Marketplace Platform (as described in Staff Notice 21-329). The Filer continues to intend to seek membership with the Investment Industry Regulatory Organization of Canada (IIROC) while registered as a restricted dealer. This decision (the **Decision**) has been tailored for the specific facts and circumstances of the Filer, and the securities regulatory authority or regulator in the Applicable Jurisdictions (as defined below) will not consider this Decision as constituting a precedent for other filers.

### **Relief Requested**

The securities regulatory authority or regulator in the Jurisdiction has received an application from the Filer (the **Passport Application**) for a decision under the securities legislation of the Jurisdiction (the **Legislation**) exempting the Filer from:

- (a) the prospectus requirements of the Legislation in respect of the Filer entering into Crypto Contracts with clients to purchase, hold and sell Crypto Assets (as defined below) (the **Prospectus Relief**); and

- (b) the requirement in subsection 13.3(1) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) to take reasonable steps to ensure that, before it makes a recommendation to or accepts instructions from a client to buy or sell a security, the purchase or sale is suitable for the client (the **Suitability Relief**, and together with the Prospectus Relief, the **Passport Relief**).

The securities regulatory authority or regulator in the Jurisdiction and each of the other jurisdictions referred to in Appendix A (the **Jurisdictions**) (the **Coordinated Review Decision Makers**) have received an application from the Filer for a decision under the securities legislation of the Jurisdictions exempting the Filer from:

- (a) certain reporting requirements under the Local Trade Reporting Rules (as defined in Appendix A) (the **Trade Reporting Relief**); and
- (b) except in British Columbia, New Brunswick, and Nova Scotia, the Marketplace Rules (as defined in Appendix A) (the **Marketplace Relief**).

The Passport Relief, Trade Reporting Relief and Marketplace Relief are referred to as the **Requested Relief**.

The Filer has applied for the revocation of the exemptive relief in the Dealer Platform Decision effective as of the date of this Decision.

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a hybrid application):

- (a) the Ontario Securities Commission is the principal regulator for this Application (the **Principal Regulator**),
- (b) in respect of the Passport Relief, the Filer has provided notice that, in the jurisdictions where required, subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each of the other provinces and territories of Canada (the **Non- Principal Jurisdictions**, and, together with the Jurisdiction, the **Applicable Jurisdictions**), and
- (c) the decision in respect of the Trade Reporting Relief and the Marketplace Relief is the decision of the Principal Regulator and evidences the decision of each Coordinated Review Decision Maker.

## **Interpretation**

For the purposes of this Decision, terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this Decision, unless otherwise defined.

## Representations

This Decision is based on the following facts represented by the Filer:

### The Filer

1. The Filer is a corporation incorporated under the federal laws of Canada with its principal and head office in Toronto, Ontario.
2. The Filer operates under the business name of “CoinSmart”.
3. The Filer does not have any securities listed or quoted on an exchange or marketplace in any jurisdiction inside or outside of Canada.
4. The Filer is a wholly-owned subsidiary of CoinSmart Financial Inc., a reporting issuer listed on the NEO Exchange.
5. The Filer’s personnel consist of software engineers, compliance professionals and customer support representatives who each have experience operating in a regulated environment as a money services business (**MSB**) and expertise in blockchain technology. All of the Filer’s personnel have passed, and new personnel will have passed, criminal records and credit checks.
6. The Filer is not in default of securities legislation of any jurisdiction in Canada, or any terms and conditions of its registration as restricted dealer.

### CoinSmart Platform

7. The Filer operates a proprietary and fully automated internet-based platform for the trading of crypto assets in Canada (the **CoinSmart Platform**) that enables clients to buy, sell, hold, deposit and withdraw crypto assets such as Bitcoin, Ether, and anything commonly considered a crypto asset, digital or virtual currency, or digital or virtual token, that are not themselves securities or derivatives (the **Crypto Assets**) through the Filer.
8. The Filer’s role under the Crypto Contracts is to buy or sell Crypto Assets and to provide custody services for all Crypto Assets held in accounts on the CoinSmart Platform.
9. The CoinSmart Platform is governed by terms of service (the **CoinSmart TOS**).
10. Under the CoinSmart TOS, the Filer maintains certain controls over client Crypto Assets to ensure compliance with applicable law and provide secure custody of the client assets.
11. The Filer’s trading of Crypto Contracts is consistent with activities described in Staff Notice 21-327 and constitutes the trading of securities and/or derivatives as described in Staff Notice 21-327.

12. The Filer does not have any authority to act on a discretionary basis on behalf of clients and will not offer or provide discretionary investment management services relating to Crypto Assets.
13. The Filer is not a member firm of the Canadian Investor Protection Fund (**CIPF**) and the Crypto Assets custodied on the CoinSmart Platform do not qualify for CIPF coverage. The Risk Statement (as defined below) includes disclosure that there is no CIPF coverage for the Crypto Assets and clients must acknowledge that they have received, read and understood the Risk Statement before opening an account with the Filer.

### **OTC Trading**

14. In addition to the CoinSmart Platform, the Filer operates an over-the-counter (OTC) trading desk for orders of a minimum size of C\$25,000. The OTC trading desk allows clients to purchase or sell Crypto Assets from the Filer. The Filer immediately delivers, as described in Staff Notice 21-327, any purchased Crypto Assets to the purchaser at a blockchain wallet address specified by the purchaser which is not under the ownership, possession or control of the Filer.

### **Crypto Assets Made Available Through the Platform**

15. The Filer has established and applies policies and procedures to review Crypto Assets and to determine whether to allow clients on the CoinSmart Platform to enter into Crypto Contracts to buy and sell the Crypto Asset on the CoinSmart Platform (**KYP Policy**). Such review includes, but is not limited to, publicly available information concerning:
  - (a) the creation, governance, usage and design of the Crypto Asset, including the source code, security and roadmap for growth in the developer community and, if applicable, the background of the developer(s) that created the Crypto Asset;
  - (b) the supply, demand, maturity, utility and liquidity of the Crypto Asset;
  - (c) material technical risks associated with the Crypto Asset, including any code defects, security breaches and other threats concerning the Crypto Asset and its supporting blockchain (such as the susceptibility to hacking and impact of forking), or the practices and protocols that apply to them; and
  - (d) legal and regulatory risks associated with the Crypto Asset, including any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of the Crypto Asset.
16. The Filer only offers and only allows clients to enter into Crypto Contracts to buy and sell Crypto Assets that are not each themselves a security and/or a derivative.
17. The Filer does not allow clients to enter into a Crypto Contract to buy and sell Crypto Assets unless the Filer has taken steps to

- (a) assess the relevant aspects of the Crypto Asset pursuant to the KYP Policy and as described in representation 15 to determine whether it is appropriate for its clients,
  - (b) approve the Crypto Asset, and Crypto Contracts to buy and sell such Crypto Asset, to be made available to clients, and
  - (c) monitor the Crypto Asset for significant changes and review its approval under (b) where a significant change occurs.
- 18. The Filer is not engaged, and will not engage, in trades that are part of, or designed to facilitate, the creation, issuance or distribution of Crypto Assets by the developer(s) of the Crypto Asset or affiliates or associates of such persons.
- 19. As set out in the Filer's KYP Policy, the Filer determines whether a Crypto Asset available to be bought and sold through a Crypto Contract is a security and/or derivative and is being offered in compliance with securities and derivatives laws, which include but are not limited to:
  - (a) Consideration of statements made by any regulators or securities regulatory authorities of the Applicable Jurisdictions, other regulators of the International Organization of Securities Commissions jurisdictions, or the regulator with the most significant connection to a Crypto Asset about whether the Crypto Asset, or generally about whether the type of Crypto Asset, is a security and/or derivative; and
  - (b) If the Filer determines it to be necessary, obtaining legal advice as to whether the Crypto Asset is a security and/or derivative under securities legislation of the Applicable Jurisdictions.
- 20. The Filer monitors ongoing developments related to the Crypto Assets available on the CoinSmart Platform that may cause a Crypto Asset's status as a security and/or derivative or the assessment conducted by the Filer pursuant to its KYP Policy and as described in representations 15 and 19 above to change.
- 21. The Filer acknowledges that any determination made by the Filer as set out in representations 15 to 20 of this Decision does not prejudice the ability of any of the regulators or securities regulatory authorities of any province or territory of Canada to determine that a Crypto Asset that a client may enter into a Crypto Contract to buy and sell is a security and/or derivative.
- 22. As set out in the Filer's KYP Policy, the Filer applies policies and procedures to promptly stop the trading of any Crypto Asset available on the CoinSmart Platform and to allow clients to liquidate their positions in Crypto Contracts with underlying Crypto Assets that the Filer ceases to make available on the CoinSmart Platform.

## Account Opening

23. Each client must open an account (a **Client Account**) using the Filer's website or mobile application to access the CoinSmart Platform.
24. In addition to the factors that the Filer considers in determining that it is appropriate for an account to be opened, the Filer has adopted eligibility criteria for the onboarding of all Canadian clients. All Canadian clients must: (a) successfully complete the Filer's know-your-client (**KYC**) process which satisfies the requirements applicable to MSBs under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and its regulations (**AMF/ATF Law**), and (b) hold an account with a Canadian financial institution. Each Canadian client who is an individual, and each individual who is authorized to give instructions for a Canadian client that is a legal entity, must be: (a) a Canadian citizen or permanent resident; and (b) 18 years or older.
25. The Filer does not provide recommendations or advice to clients or conduct a trade-by-trade suitability determination for clients, but rather performs product assessments pursuant to the KYP Policy and account assessments taking into account the following factors (the **Account Appropriateness Factors**):
  - (a) the client's experience and knowledge in investing in Crypto Assets;
  - (b) the client's financial assets and income;
  - (c) the client's risk tolerance; and
  - (d) the Crypto Assets approved to be made available to a client by entering into Crypto Contracts on the CoinSmart Platform.
26. The Account Appropriateness Factors are used by the Filer to evaluate whether entering into Crypto Contracts with the Filer is appropriate for a prospective client before the opening of a Client Account.
27. The Filer has adopted and will apply policies and procedures to conduct an assessment to establish appropriate limits on the losses that a client that is not a permitted client (as defined in NI 31-103) can incur, what limits will apply to such client based on the Account Appropriateness Factors (the **Client Limit**), and what steps the Filer will take when the client approaches or exceeds their Client Limit. After completion of the assessment, the Filer will implement controls to monitor and apply the Client Limit.
28. After completion of the account-level appropriateness assessment, a prospective client receives appropriate messaging about using the CoinSmart Platform to enter into Crypto Contracts, which, in circumstances where the Filer has evaluated that entering into Crypto Contracts with the Filer is not appropriate for the client, will include prominent messaging to the client that this is the case and that the client will not be permitted to open an account

with the Filer.

29. Additionally, the Filer monitors and will continue to monitor Client Accounts after opening to identify activity inconsistent with the client's account and product assessment. If warranted, the client may receive further messaging about the CoinSmart Platform and the Crypto Assets, specific risk warnings and/or receive direct outreach from the Filer about their activity. The Filer monitors compliance with the Client Limits established in representation 27. If warranted, the client will receive messaging when their account is approaching their Client Limit and receive instructions on how to implement a stop loss order to prevent further losses.
30. As part of the account opening process:
  - (a) the Filer collects know-your-client information to verify the identity of the client in accordance with Canadian AML/ATF Law;
  - (b) the Filer provides a prospective client with a statement of risks (the **Risk Statement**) that clearly explains the following in plain language:
    - (i) the Crypto Contracts;
    - (ii) the risks associated with the Crypto Contracts;
    - (iii) prominently, a statement that no securities regulatory authority has expressed an opinion about the Crypto Contracts or any of the Crypto Assets made available through the CoinSmart Platform, including any opinion that the Crypto Assets themselves are not securities and/or derivatives;
    - (iv) the due diligence performed by the Filer before making a Crypto Asset available through the CoinSmart Platform, including the due diligence taken by the Filer to assess whether the Crypto Asset is a security and/or derivative under the securities legislation of each of the jurisdictions of Canada and the securities and derivatives laws of the foreign jurisdiction with which the Crypto Asset has the most significant connection, and the risks if the Filer has incorrectly determined that the Crypto Asset is not a security and/or derivative;
    - (v) that the Filer has prepared a plain language description of each Crypto Asset made available through the CoinSmart Platform, with instructions as to where on the CoinSmart Platform the client may obtain the descriptions (each, a **Crypto Asset Statement**),
    - (vi) the Filer's policies for halting, suspending and withdrawing a Crypto Asset from trading on the CoinSmart Platform, including



criteria that would be considered by the Filer, options available to clients holding such a Crypto Asset, any notification periods and any risks to clients,

- (vii) the location and manner in which Crypto Assets are held for the client, the risks and benefits to the client of the Crypto Assets being held in that manner,
  - (viii) the manner in which the Crypto Assets are accessible by the Filer, and the risks and benefits to the client arising from the Filer having access to the Crypto Assets in that manner,
  - (ix) the Filer is not a member of the Canadian Investor Protection Fund (**CIPF**) and the Crypto Assets held by the Filer (directly or indirectly through third parties) will not qualify for CIPF protection, and
  - (x) a statement that the statutory rights in section 130.1 of the *Securities Act* (Ontario) (the **Act**), and, if applicable, similar statutory rights under securities legislation of the other Applicable Jurisdictions, do not apply in respect of the Risk Statement or a Crypto Asset Statement to the extent a Crypto Contract is distributed under the Prospectus Relief in this Decision.
31. In order for a prospective client to open and operate an account with the Filer, the Filer will obtain an electronic acknowledgement from the prospective client confirming that the prospective client has received, read and understood the Risk Statement. Such acknowledgement will be prominent and separate from other acknowledgements provided by the prospective client as part of the account opening process.
32. A copy of the Risk Statement acknowledged by a client will be made available to the client in the same place as the client's other statements on the CoinSmart Platform.
33. The Filer has policies and procedures for updating the Risk Statement and each Crypto Asset Statement to reflect any material changes to the disclosure or include any material risks that may develop with respect to the Crypto Contracts, Crypto Assets generally, or a specific Crypto Asset, as the case may be. In the event the Risk Statement is updated, existing clients of the Filer will be promptly notified and provided with a copy of the updated Risk Statement. In the event a Crypto Asset Statement is updated, existing clients of the Filer will be promptly notified through website and in-App disclosures, with links provided to the updated Crypto Asset Statement.
34. For clients with pre-existing accounts with the Filer at the date of the Dealer Platform Decision and for which the Filer has not already performed the following as at the date of this Decision, the Filer will:

- (a) conduct the account appropriateness assessment and establish the appropriate Client Limit for the client as set out in representations 25 to 29 above, and
  - (b) deliver to the client the Risk Statement and will require the client to provide electronic acknowledgement of having received, read and understood the revised Risk Statement, at the earlier of (i) before placing their next trade or deposit of Crypto Assets and (ii) the next time they log in to their account with the Filer. The Risk Statement must be prominent and separate from other disclosures given to the client at that time, and the acknowledgement must be separate from other acknowledgements by the client at that time.
35. Before a client enters a Crypto Contract to buy a Crypto Asset, the Filer will provide instructions for the client to read the Crypto Asset Statement for the Crypto Asset, which will include a link to the Crypto Asset Statement on the Filer's website or App.
36. Each Crypto Asset Statement will include:
- (a) a prominent statement that no securities regulatory authority in Canada has expressed an opinion about the Crypto Contracts or any of the Crypto Assets made available through the CoinSmart Platform, including an opinion that the Crypto Assets are not themselves securities and/or derivatives,
  - (b) a description of the Crypto Asset, including the background of the team that first created the Crypto Asset, if applicable,
  - (c) a description of the due diligence performed by the Filer with respect to the Crypto Asset,
  - (d) any risks specific to the Crypto Asset,
  - (e) a direction to the client to review the Risk Statement for additional discussion of general risks associated with the Crypto Contracts and Crypto Assets made available through the CoinSmart Platform,
  - (f) a statement that the statutory rights in section 130.1 of the Act, and, if applicable, similar statutory rights under securities legislation of other Applicable Jurisdictions, do not apply in respect of the Crypto Asset Statement to the extent a Crypto Contract is distributed under the Prospectus Relief in this Decision, and
  - (g) the date on which the information was last updated.
37. The Filer will also periodically prepare and make available to its clients, educational materials and other informational updates about trading on the CoinSmart Platform and the

ongoing development of Crypto Assets and Crypto Asset trading markets.

### **Operation of the CoinSmart Platform**

38. The CoinSmart Platform will introduce an order book that matches buy and sell orders on a non-discretionary basis based on strict price-time priority. In connection with this service, the Filer will, in some jurisdictions, be operating a marketplace for securities and/or derivatives under applicable securities legislation.
39. Trading pairs available on the CoinSmart Platform include Crypto Asset-for-fiat and Crypto Asset-for-Crypto Asset.
40. The CoinSmart Platform operates 24 hours a day, seven days a week.
41. Clients can enter orders to the CoinSmart Platform in two ways: (i) SmartTrade allows a client to enter a market order which specifies the desired trading pair and quantity; (ii) Advanced Trade allows a client to enter a limit order or market order and provides clients with a full-depth view of the two-sided displayed order book.
42. Clients access SmartTrade and Advanced Trade through the CoinSmart website or mobile application.
43. When a client enters a market order using SmartTrade or Advanced Trade, the Filer will present an indicative average price calculated based on the available displayed contra-side bids or asks, as applicable (**Contra-Side Orders**) on the CoinSmart Platform that are required to fill the client's market order. If the client finds the price agreeable, the client will then agree to the entry of an order to the CoinSmart Platform to match against the available Contra-Side Orders.
44. When a client enters a limit order using Advanced Trade, the limit order will be partially or completely filled if there is one or more Contra-Side Orders at or better than the price of the limit order. Any unfilled portion of a limit order remains open as a displayed Contra-Side Order on the CoinSmart Platform, and will be eligible to participate in subsequent matches of orders on a strict price-time priority basis, until modified or cancelled by the client or completely filled.
45. The Contra-Side Orders against which a client's order may be matched upon entry to the CoinSmart Platform may be orders of other clients or may be orders entered by the Filer.
46. To ensure sufficient liquidity on the CoinSmart Platform, the Filer acts as a passive liquidity provider that automatically generates and enters orders on both sides of the market using an algorithm operated by the Filer. The Filer obtains buy and sell prices for Crypto Assets from crypto asset trading firms or marketplaces (**Liquidity Providers**), after which the Filer incorporates a "spread" to compensate the Filer, and presents these adjusted prices as open buy and sell orders on the CoinSmart Platform.

47. The Filer will be compensated by the spread earned on trades it enters into as a result of its passive liquidity provision activities, trading commissions associated with trades occurring on the CoinSmart Platform, and fees charged for Crypto Asset withdrawals.
48. The Filer will disclose trading commissions on the CoinSmart Platform under “Pricing” and incorporated by reference into the CoinSmart TOS. The Filer discloses to the client the total commission payable in respect of a transaction prior to confirmation of the order.
49. The Filer will record in its books and records the particulars of each trade.
50. Each transaction a client undertakes that results from the matching of orders on the CoinSmart Platform results in a bilateral contract between the client and the Filer.
51. The Filer maintains an internal ledger that records all of the trades executed via the CoinSmart Platform. In order for a client to place an order, their account must be pre-funded with the applicable asset (fiat currency or Crypto Asset). When a client’s order is matched through the CoinSmart Platform with another client’s order, the internal ledger is updated in real-time. A match through the CoinSmart Platform does not create an obligation between the buyer and seller to settle bilaterally. Because all client assets are already verified as being available from both the buyer and the seller prior to order entry, all Crypto Contracts are settled as between the Filer and each of the buyer and seller when matching takes place.
52. For each trade entered into by the Filer with clients on the CoinSmart platform resulting from a match between a client’s order and an order of the Filer, the Filer will also execute a corresponding offsetting Crypto Asset buy or sell transaction with one of its Liquidity Providers. The Filer will promptly, and no later than two business days after the trade, settle transactions with the Liquidity Providers on a net basis. Where there are net purchases of Crypto Assets, the Filer will arrange for cash to be transferred to the Liquidity Provider and Crypto Assets to be sent by the Liquidity Provider to the Filer. Where there are net sales of Crypto Assets, the Filer will arrange for Crypto Assets to be sent from the Filer to the Liquidity Provider in exchange for cash received by the Filer from the Liquidity Provider.
53. The Filer has taken or will take reasonable steps to verify that each Liquidity Provider is appropriately registered and/or licensed to trade in the Crypto Assets in their home jurisdiction, or that their activities do not require registration in their home jurisdiction, and that they are not in default of securities legislation in the Applicable Jurisdictions.
54. Clients receive electronic trade confirmations and monthly statements setting out the details of the transaction history in their account with the Filer. Clients also have access to a complete record of all transactions in their Client Account, including all transfers in of fiat or Crypto Assets, all purchases, sales and withdrawals, and the relevant prices, commissions and withdrawal fees charged in respect of such transactions.
55. The Filer does not, and will not, offer margin, credit or other forms of leverage to clients

in connection with trading of Crypto Assets on the CoinSmart Platform and will not offer derivatives based on Crypto Assets to clients other than Crypto Contracts.

56. Clients can fund their account by transferring in fiat currency or Crypto Assets. Clients can transfer in fiat currency by Interac e-transfer, bank wire, bank draft or credit card payment, with the maximum amount for each transfer type set out on the CoinSmart Platform. Interac e-transfers and credit card payments are subject to fees disclosed on the CoinSmart Platform under “Pricing” and incorporated by reference into the CoinSmart TOS.
57. Clients are charged a withdrawal fee when transferring Crypto Assets out of their Client Account to a blockchain address specified by the client. The withdrawal fee varies by Crypto Asset and is disclosed on the CoinSmart Platform under “Pricing”. The total withdrawal fee payable in respect of a withdrawal is disclosed to the client prior to confirmation of the withdrawal.
58. Prior to transferring Crypto Assets out of a Client Account, the Filer conducts second verification of the blockchain address and screens the blockchain address specified by the transferring client using blockchain forensics software. The Filer has expertise in and has developed anti-fraud and anti-money laundering monitoring systems, for both fiat and Crypto Assets, to reduce the likelihood of fraud, money laundering, or client error in sending or receiving Crypto Assets to incorrect wallet addresses.
59. Clients can transfer fiat currency out of their Client Accounts by electronic funds transfer or bank wire, subject to a withdrawal fee disclosed on the CoinSmart Platform under “Pricing” and incorporated by reference into the CoinSmart TOS. Part of the withdrawal fee covers fees charged by the Filer’s payment processor to process the withdrawal transaction. The total withdrawal fee payable in respect of a fiat currency withdrawal is disclosed to the client prior to confirmation of the withdrawal.

### **Custody of Crypto Assets**

60. The Filer holds Crypto Assets for the benefit of clients separate and apart from its own assets and from the assets of any custodial service provider. The Filer is not permitted to pledge, re-hypothecate or otherwise use any Crypto Assets owned by its clients.
61. The Filer has and will retain the services of third-party custodians to hold not less than 80% of the total value of Crypto Assets held on behalf of clients. The Filer primarily uses BitGo Trust Company (the **Custodian**) as custodian, and will use other custodians as necessary after reasonable due diligence. Up to 20% of the Filer’s total client Crypto Assets may be held online in hot wallets secured by Fireblocks Inc. (**Fireblocks**).
62. The Custodian is licensed as a trust company with the South Dakota Division of Banking. The Custodian is a qualified custodian, as defined in section 1.1 of NI 31- 103.
63. The Custodian has completed a Service Organization Controls (**SOC**) report under the SOC 1 – Type 1 standards from a leading global audit firm. The Filer has conducted due diligence

on the Custodian, including reviewing a copy of the SOC 1 – Type 1 audit report prepared by the Custodian’s auditors, and has not identified any material concerns. The Filer has also reviewed the SOC 2 – Type 2 audit report prepared by BitGo Inc.’s auditors regarding BitGo Inc.’s multi-signature wallet services system (i.e., hot wallets) offered by BitGo Inc., and have not identified any material concerns.

64. The Custodian holds all Crypto Assets for clients of the Filer in an omnibus account in the name of the Filer and separate and distinct from the assets of the Filer, the Filer’s affiliates and all of the Custodian’s other clients.
65. The Custodian maintains US\$100 million of insurance for Crypto Assets held in the Custodian’s cold storage system. The coverage covers losses of assets held by the Custodian on behalf of its customers due to third-party hacks, copying or theft of private keys, insider theft or dishonest acts by the Custodian employees or executives and loss of keys. The Filer has assessed the Custodian’s insurance policy and has determined, based on information that is publicly available and on information provided by the Custodian and considering the scope of the Custodian’s business, that the amount of insurance is appropriate.
66. The Custodian has established and applies policies and procedures that manage and mitigate the custodial risks, including, but not limited to, an effective system of controls and supervision to safeguard the Crypto Assets for which it acts as custodian and to mitigate security breaches and cyber incidents.
67. The Custodian has established and applies written disaster recovery and business continuity plans.
68. The Filer has established, and maintains and applies, policies and procedures that are reasonably designed to ensure the Custodian’s records related to Crypto Assets that the Custodian holds in trust for clients of the Filer are accurate and complete.
69. The Filer has assessed the risks and benefits of using the Custodian and, has determined that in comparison to a Canadian custodian (as that term is defined in NI 31-103) it is more beneficial to use the Custodian, a U.S. custodian, to hold client assets than a Canadian custodian.
70. The Filer licenses software from Fireblocks which includes a crypto asset wallet that stores private and public keys and interacts with various blockchains to send and receive crypto assets and monitor balances. Fireblocks uses secure multiparty computation to share signing responsibility for a particular blockchain address among multiple independent persons.
71. Fireblocks has obtained a SOC report under the SOC 2 – Type 2 standard from a leading global audit firm. The Filer has reviewed a copy of the SOC 2 – Type 2 audit report prepared by the auditors of Fireblocks, and has not identified any material concerns.

72. The Filer has licensed software from Digital Assets Services Limited (trading as Coincover) (**Coincover**) to provide additional security for keys to Crypto Assets held by the Filer using Fireblocks, including key pair creation, key pair storage, device access recovery and account access recovery. Coincover is based in the United Kingdom and is regulated by the U.K. Financial Conduct Authority.
73. The Filer is proficient and experienced in holding Crypto Assets and has established and applied policies and procedures that manage and mitigate custodial risks, including but not limited to, an effective system of controls and supervision to safeguard the Crypto Assets. The Filer also maintains appropriate policies and procedures related to IT security, cyber-resilience, disaster recovery capabilities and business continuity plans.
74. The third-party insurance obtained by the Filer includes coverage for the Crypto Assets held by the Filer in cold storage in the event of loss or theft in accordance with the terms of the insurance policy in question.
75. The Filer's hot wallet provider, Fireblocks, has insurance coverage in the amount of US\$30 million in aggregate which, in the event of theft of crypto assets from hot wallets secured by Fireblocks, will be distributed among applicable Fireblocks customers, which could include the Filer, pursuant to an insurance settlement agreement.
76. In addition, backup key material for the Filer's hot wallets is secured by Coincover and 100% insured against loss or theft by a leading global insurance provider.
77. In addition to the insurance coverage available through its services providers for the loss of Crypto Assets held in its hot wallets, the Filer has obtained a guarantee through Coincover and supplements the guarantee by setting aside cash that is held in an account at a Canadian financial institution, separate from the Filer's operational accounts and Filer's client accounts, in an amount agreed upon with its Principal Regulator. Depending on the circumstances, either funds from the guarantee or the bank account would be available in the event of loss of Crypto Assets held in the Filer's hot wallet.

### **Conflict of Interest**

78. The Filer carries out its passive liquidity provision activities on the CoinSmart Platform through an API exclusively for the purposes of providing liquidity to the Filer's clients. Orders entered by the Filer through the API are the same order types available to clients through Advanced Trade. The Filer's orders are also handled in the same manner as client limit orders entered on the CoinSmart Platform, with no preference given to the handling of the Filer's orders.
79. The Filer's passive liquidity provision activities do not have an unreasonable advantage over clients as the matching engine on the central limit order book that powers the CoinSmart Platform does not distinguish between the Filer's orders and the orders of the Filer's clients. The Filer's passive liquidity provision algorithm also does not analyze or consider, or have any advanced knowledge of, any existing orders on the centralized order book when determining the bids or asks to place. In determining what bids or asks

to place, the Filer relies on current market pricing provided to it by the Liquidity Providers.

80. The Filer earns the same commission from a client regardless of whether that client's order is filled on the CoinSmart Platform as a result of a match against the order of another client or the Filer.
81. Because all order matching and other functionality of the CoinSmart Platform is entirely automated, there is no ability for the Filer to favour some clients over others or to favour the Filer's own orders over the orders of clients.
82. The Filer does not offer API access to clients which would permit clients to engage in high frequency trading or run automated arbitrage "bots". The CoinSmart Platform is designed to make Crypto Assets accessible to new entrants into the Crypto Asset market.
83. The Filer informs clients in the CoinSmart TOS that "CoinSmart participates passively as a liquidity provider on the CoinSmart Platform by posting bid and ask orders to provide liquidity to the market." The Filer also provides disclosure regarding the nature of its liquidity provision activities on the CoinSmart Platform, including how it determines pricing for the orders it places and how it may earn profit from its activities as a passive liquidity provider.
84. The Filer clearly discloses all fees and commissions earned by the Filer on the CoinSmart Platform, and the Filer's clients can check the quoted prices for Crypto Assets on the CoinSmart Platform against the prices available on other crypto asset exchanges.
85. The Filer does not trade or otherwise use client Crypto Assets held on the CoinSmart Platform in the conduct of the Filer's own business.
86. The Filer is of the view that all potential conflicts of interest arising from the operation of the CoinSmart Platform are adequately addressed through avoidance, disclosure and/or the operational processes which drive trading on the CoinSmart Platform.
87. The Filer has established and maintains and ensures compliance with policies and procedures that identify and manage conflicts of interest arising from the operation of the CoinSmart Platform and the related services it provides, including conflicts between the interests of its owners, its commercial interests, and the responsibilities and sound functioning of the CoinSmart Platform and related services.
88. The Filer's policies and procedures seek to identify and manage conflicts of interest that arise from the trading activities on the CoinSmart Platform of the Filer or its affiliates as principal.
89. These policies and procedures also include an appropriate level of disclosure of the specific conflicts to clients against whom the Filer or its affiliates may trade, and the circumstances in which they may arise. This disclosure is included in the CoinSmart TOS and other disclosures made to clients that specifically address conflicts of interest.



### **Fair Access**

90. The Filer has established and applies written standards for access to the CoinSmart Platform and related services, as described in paragraph 24, and has established and maintains and ensures compliance with policies and procedures to ensure clients are onboarded to the CoinSmart Platform and related services in accordance with those written standards.

### **Market Integrity**

91. The Filer has taken reasonable steps to ensure that it operates a fair and orderly marketplace for Crypto Contracts, including the establishment of price and volume thresholds for orders entered on the CoinSmart Platform.
92. The Filer does not expect trading on the CoinSmart Platform to have a material impact on the global market for any Crypto Asset available through the CoinSmart Platform.
93. The Filer does not provide a client with access to the CoinSmart Platform unless it has the ability to terminate all or a portion of a client's access, if required.
94. The Filer has the ability to cancel, vary or correct trades and makes public, fair and appropriate policies governing the cancellation, variation or correction of trades on the CoinSmart Platform, including in relation to trades where the Filer acting as principal was a counterparty to the trade.
95. The Filer has established, maintains and ensures compliance with policies and procedures and maintains staff knowledge and expertise, and systems to monitor for and investigate potential instances of trading on the CoinSmart Platform that does not comply with applicable securities legislation or any trading requirements set out in the CoinSmart TOS, and has appropriate provisions and mechanisms for escalation of identified issues of non-compliance, including referral to the applicable securities regulatory authority where appropriate, to allow the Filer to take any resulting action considered appropriate to promote a fair and orderly market and address potential breaches of securities legislation relating to trading on the CoinSmart Platform, which may include halting trading or limiting a client's activities on the CoinSmart Platform.
96. The policies and procedures referred to in the preceding paragraph include policies and procedures to track, review and take appropriate action in the context of complaints and reports from clients of potential instances of abusive trading on the CoinSmart Platform.
97. The Filer currently conducts surveillance of the CoinSmart Platform, which includes both automated and manual processes, for detecting abusive trading (including wash trading) and fraudulent activity. The Filer anticipates continuing development of its market surveillance software after becoming registered as a restricted dealer and resuming discussions with IIROC.

## Transparency of Operations and of Order and Trade Information

98. The Filer discloses information reasonably necessary to enable a person or company to understand the marketplace operations or services, including:
- (a) access criteria, including how access is granted, denied, suspended, or terminated and whether there are differences between clients in access and trading;
  - (b) risks related to the operation of and trading on the CoinSmart Platform, including loss and cyber-risk;
  - (c) hours of trading;
  - (d) all fees and any compensation provided to the Filer or any affiliate, including foreign exchange rates, spreads etc.,
  - (e) how orders are entered, handled and interact including:
    - (i) the circumstances where orders trade with the Filer or an affiliate acting as principal or liquidity provider, including any compensation provided;
    - (ii) where entered into the order book, the types of orders, and how orders are matched and executed;
  - (f) policies and procedures relating to error trades, cancellations, modifications and dispute resolution;
  - (g) a list of all crypto assets and products available for trading on the CoinSmart Platform, along with the associated Crypto Asset Statements;
  - (h) conflicts of interest and the policies and the policies and procedures to manage them;
  - (i) the process for payment and settlement of transactions;
  - (j) how the Filer safeguards client assets, including the extent to which the Filer self-custodies client assets, along with the identity of any third-party custodians relied on by the platform to hold client assets;
  - (k) access arrangements with a third-party services provider, if any; and
  - (l) requirements governing trading, including prevention of manipulation and other market abuse.
99. The Filer provides for an appropriate level of transparency regarding the orders and trades on the CoinSmart Platform, including that:

- (a) The Filer displays on its website a Canadian dollar price chart for each Crypto traded on which members of the public can view historic pricing information from <https://www.coincap.io> (which does not include prices of trades executed on the CoinSmart Platform) over a daily, weekly, one month, three month, six month and one year period;
- (b) The Filer also makes publicly available on its website a history of all trades that occurred on the CoinSmart Platform over the prior 24-hour period; and
- (c) Clients using the Advanced Trade feature can view the full-depth order book on the CoinSmart Platform, including all executed trades over the prior 24-hour period on the CoinSmart Platform to allow clients to make informed investment and trading decisions.

### **Confidentiality of Clients' Order and Trade Information**

100. The Filer maintains policies and procedures to safeguard the confidentiality of client information, including information relating to their trading activities.

### **Books and Records**

101. The Filer keeps books and records and other documents to accurately record its business activities, financial affairs and client transactions, and to demonstrate the Filer's compliance with applicable requirements of securities legislation, including but not limited to:
- (a) a record of all investors granted or denied access to the CoinSmart Platform;
  - (b) daily trading summaries of all Crypto Assets traded, with transaction volumes and values; and
  - (c) records of all orders and trades, including the price, volume, times when the orders are entered, matched, cancelled or rejected, and the identifier of the client that entered the order or that was counterparty to the trade.

### **Internal Controls over Order Entry and Execution**

102. The Filer maintains effective internal controls over systems that support order entry and execution, including that the Filer:
- (a) has effective controls for system operations, information security, change management, problem management, network support and system software support;
  - (b) has effective security controls to prevent, detect and respond to security

threats and cyber-attack on its systems that support trading and settlement services;

- (c) has effective business continuity and disaster recovery plans;
- (d) in accordance with prudent business practice, and on a reasonably frequent basis (at least annually):
  - (i) makes reasonable current and future systems capacity estimates;
  - (ii) conducts capacity stress tests to determine the ability of its order entry and execution systems to process transactions in an accurate, timely and efficient manner;
  - (iii) tests its business continuity and disaster recovery plans, and
  - (iv) reviews system vulnerability and its cloud-hosted environment to mitigate internal and external cyber threats; and
- (e) continuously monitors and maintains internal controls over its systems.

### **Marketplace Filings**

103. The Filer has filed with the Principal Regulator completed exhibits to the Form 21-101F2 – *Information Statement Alternative Trading System* for each of the following:

- (a) Exhibit E – Operations of the Marketplace
- (b) Exhibit F – Outsourcing
- (c) Exhibit G – Systems and Contingency Planning
- (d) Exhibit H – Custody of Assets
- (e) Exhibit I – Securities
- (f) Exhibit J – Access to Services
- (g) Exhibit L – Fees

### **Clearing Agency**

104. The Filer will not operate a “clearing agency” or a “clearing house”.

## Decision

The Principal Regulator is satisfied that the Decision satisfies the test set out in the Legislation for the Principal Regulator to make the Decision and each Coordinated Review Decision Maker is satisfied that the Decision in respect of the Trade Reporting Relief and the Marketplace Relief, as applicable, satisfies the tests set out in the securities legislation of its jurisdiction for the Coordinated Review Decision Maker to make the Decision in respect of the Trade Reporting Relief and Marketplace Relief, as applicable.

The Decision of the Principal Regulator under the Legislation is that the Dealer Platform Decision is revoked and the Requested Relief is granted, and the Decision of each Coordinated Review Decision Maker under the securities legislation of its jurisdiction is that the Dealer Platform Trade Reporting Relief is revoked and the Trade Reporting Relief and the Marketplace Relief, as applicable, are granted, provided that:

- A. Unless otherwise exempted by a further decision of the Principal Regulator, the Filer complies with all of the terms, conditions, restrictions and requirements applicable to a registered dealer under securities legislation, including the Legislation, and any other terms, conditions, restrictions or requirements imposed by a securities regulatory authority or regulator on the Filer.
- B. The Filer is registered as a restricted dealer or investment dealer in the Jurisdiction and the jurisdiction in which the client is resident.
- C. The Filer, and any representatives of the Filer, does not provide recommendations or advice to any client or prospective client.
- D. The Filer will only engage in the business of trading Crypto Contracts in relation to Crypto Assets, and performing its obligations under those contracts, and does not offer derivatives based on Crypto Assets to clients other than Crypto Contracts. The Filer will seek the appropriate approvals from the Principal Regulator and, if required under securities legislation, the regulator or securities regulatory authority of any other Applicable Jurisdiction, prior to undertaking any other activity governed by securities legislation.
- E. At all times, the Filer will hold not less than 80% of the total value of all Crypto Assets held on behalf of clients with a custodian that meets the definition of a “qualified custodian” under NI 31-103, unless the Filer has obtained the prior written approval of the Principal Regulator to hold a different percentage with a “qualified custodian”.
- F. Before the Filer holds Crypto Assets with a custodian referred to in condition E, the Filer will take reasonable steps to verify that the custodian:
  - (a) has appropriate insurance to cover the loss of Crypto Assets held at the custodian,

- (b) has established and applies written policies and procedures that manage and mitigate the custodial risks, including, but not limited to, an effective system of controls and supervision to safeguard the Crypto Assets for which it acts as custodian, and
  - (c) has obtained a SOC 2-Type 2 report within the last 12 months, unless the Filer has obtained the prior written approval of the Principal Regulator to alternatively verify that the custodian has obtained a SOC 1 Type 1 or Type 2 report or a SOC 2-Type 1 report within the last 12 months.
- G. The Filer will promptly notify the Principal Regulator if the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission, the Financial Industry Regulatory Authority, the National Futures Association, the South Dakota Division of Banking or the New York State Department of Financial Services makes a determination that the Custodian is not permitted by that regulatory authority to hold client Crypto Assets.
- H. For the Crypto Assets held by the Filer, the Filer:
  - (a) will hold the Crypto Assets for its clients separate and distinct from the assets of the Filer;
  - (b) will ensure there is appropriate insurance for the loss of Crypto Assets held by the Filer; and
  - (c) has established and will maintain and apply written policies and procedures that manage and mitigate the custodial risks, including, but not limited to, an effective system of controls and supervision to safeguard the Crypto Assets for which it acts as custodian.
- I. When the Filer trades with its clients on a principal basis in its capacity as a dealer, the Filer will provide fair and reasonable prices to its clients.
- J. Before each prospective client opens an account, the Filer will deliver to the client a Risk Statement, and will require the client to provide electronic acknowledgement of having received, read and understood the Risk Statement.
- K. For each client with a pre-existing account at the date of the Dealer Platform Decision and the Filer has not already performed the following with respect to such client as at the date of this Decision, the Filer will deliver to the client a Risk Statement and will require the client to provide electronic acknowledgement of having received, read and understood the Risk Statement at the earlier of (a) before placing their next trade or deposit of Crypto Assets on the CoinSmart Platform and (b) the next time they log in to their account with the Filer.

- L. The Risk Statement delivered in condition J and K to new clients or clients with pre-existing accounts on the date of the Dealer Platform Decision will be prominent and separate from other disclosures given to the client at the time the Risk Statement is delivered, and the acknowledgement will be separate from other acknowledgements by the client at that time.
- M. A copy of the Risk Statement acknowledged by a client will be made available to the client in the same place as the client's other statements on the CoinSmart Platform.
- N. Before a client enters into a Crypto Contract to buy a Crypto Asset, the Filer will provide instructions for the client to read the Crypto Asset Statement for the Crypto Asset, which will include a link to the Crypto Asset Statement on the website and in-Apps and includes the information set out in representation 36.
- O. The Filer will promptly update the Risk Statement and each Crypto Asset Statement to reflect any material changes to the disclosure or include any material risks that may develop with respect to the Crypto Contracts and/or Crypto Assets and,
  - (a) in the event of any update to the Risk Statement, will promptly notify each existing client of the update and deliver to them a copy of the updated Risk Statement, and
  - (b) in the event of any update to a Crypto Asset Statement, will promptly notify clients through electronic disclosures on the CoinSmart Platform and the CoinSmart app with links provided to the updated Crypto Asset Statement.
- P. Prior to the Filer delivering a Risk Statement to a client, the Filer will deliver, or will have previously delivered, a copy of the Risk Statement delivered to the client to the Principal Regulator.
- Q. For each client, the Filer will perform an account appropriateness assessment as described in representations 25 to 28 prior to opening an account and on an ongoing basis at least annually.
- R. For each client with a pre-existing account at the date of the Dealer Platform Decision, the Filer will perform an account appropriateness assessment, as described in representations 25 to 28, the next time the client uses their account, where such account appropriateness assessment has not already been performed as at the date of this Decision. For all such pre-existing clients for which the account appropriateness assessment has not yet been performed as at the date of this Decision, the client will not be permitted to trade until the completion of the account appropriateness assessment and a determination that the account is appropriate.
- S. The Filer will monitor client activity and contact clients to discuss their trading behaviour if it indicates a lack of knowledge or understanding of Crypto Asset

trading, in an effort to identify and deter behaviours that may indicate that trading a Crypto Contract is not appropriate for the client, or that additional education is required.

- T. The Filer will ensure that the maximum amount of Crypto Assets, excluding Specified Crypto Assets (as set out in Appendix B to this Decision), that a client, except those clients resident in Alberta, British Columbia, Manitoba and Québec, may enter into Crypto Contracts to purchase and sell on the CoinSmart Platform (calculated on a net basis and is an amount not less than \$0) in the preceding 12 months does not exceed a net acquisition cost of \$30,000.
- U. The Filer has established and will apply and monitor the Client Limits as set out in representation 27.
- V. In the jurisdictions where the Prospectus Relief is required, the first trade of a Crypto Contract is deemed to be a distribution under securities legislation of that Jurisdiction.
- W. Except as otherwise required by condition X, the Filer will provide the Principal Regulator with at least 10 days' prior written notice of any:
  - (a) change of or use of a new custodian; and
  - (b) material changes to the Filer's ownership, its business operations, including its systems, or its business model.
- X. The Filer will provide at least 45 days advance notice to the Principal Regulator for any material changes to the Form 21-101F2 information filed as described in paragraph 103, except in relation to changes to Exhibit L – Fees, in which case the Filer will provide at least 15 days advance notice.
- Y. The Filer will notify the Principal Regulator, promptly, of any material breach or failure of its or its custodian's system of controls or supervision, and what steps have been taken by the Filer to address each such breach or failure. The loss of any amount of Crypto Assets will be considered a material breach or failure.
- Z. Further to condition Y, the Filer will promptly notify the Principal Regulator of any material systems failure, malfunction, delay or security breach of the systems or controls relating to the operation of the marketplace functions.
- AA. The Filer will only trade Crypto Contracts based on Crypto Assets that are not in and of themselves securities or derivatives.
- BB. The Filer will evaluate Crypto Assets as set out in its KYP Policy and described in representations 15 to 20.



- CC. The Filer will not trade Crypto Assets or Crypto Contracts based on Crypto Assets with a customer in a Jurisdiction, without the prior written consent of the regulator or securities regulatory authority of the Jurisdiction, where the Crypto Asset was issued by or on behalf of a person or company that is or has in the last five years been the subject of an order, judgment, decree, sanction, fine or administrative penalty imposed by, or has entered into a settlement agreement with, a government or government agency, administrative agency, self-regulatory organization, administrative tribunal or court in Canada or in a Specified Foreign Jurisdiction in relation to a claim based in whole or in part on fraud, theft, deceit, aiding and abetting or otherwise facilitating criminal activity, misrepresentation, violation of AML laws, conspiracy, breach of trust, breach of fiduciary duty, insider trading, market manipulation, unregistered trading, illegal distributions, failure to disclose material facts or changes, or allegations of similar or analogous conduct; for the purposes of this condition, the term “Specified Foreign Jurisdiction” means any of the following: Australia, Brazil, any member country of the European Union, Hong Kong, Japan, Republic of Korea, New Zealand, Singapore, Switzerland, United Kingdom of Great Britain and Northern Ireland, and United States of America.
- DD. Except to allow clients to liquidate their positions in those Crypto Contracts or transfer such Crypto Assets to a blockchain address specified by the client, the Filer will promptly stop trading Crypto Contracts where the underlying is a Crypto Asset if (i) the Filer determines it to be, (ii) a court, regulator or securities regulatory authority in any jurisdiction of Canada or the foreign jurisdiction with which the Crypto Asset has the most significant connection determines it to be, or (iii) the Filer is made aware or is informed that the Crypto Asset is viewed by a regulator or securities regulatory authority to be, a security and/or derivative.

#### *Financial Viability*

- EE. The Filer will maintain sufficient financial resources for the proper operation of its marketplace and for its performance of the marketplace functions in furtherance of its compliance with these terms and conditions.
- FF. The Filer will notify the Principal Regulator immediately upon becoming aware that the Filer does not or may not have sufficient financial resources in accordance with the requirements of condition EE.

#### *Marketplace Activities - Fair Access*

- GG. The Filer will not unreasonably prohibit, condition or limit access to the CoinSmart Platform and related services.
- HH. The Filer will not permit unreasonable discrimination among clients of the CoinSmart Platform.

*Marketplace Activities – Market Integrity*

- II. The Filer will take reasonable steps to ensure its operations do not interfere with fair and orderly markets in relation to the CoinSmart Platform.
- JJ. The Filer will not provide access to the CoinSmart Platform unless it has the ability to terminate all or a portion of a client's access, if required.
- KK. The Filer will maintain accurate records of all of its trade monitoring and complaint handling activities in relation to the CoinSmart Platform, and of the reasons for actions taken or not taken. The Filer will make such records available to the Principal Regulator upon request.
- LL. The Filer must monitor each client's compliance with restrictions relating to its use of the Platform, including complying with trading requirements set out in the CoinSmart TOS and with applicable securities laws, and report breaches of securities laws, as appropriate, to the applicable securities regulatory authority or regulator.

*Marketplace Activities – Conflicts of Interest*

- MM. The Filer will annually review compliance with the policies and procedures that identify and manage conflicts of interest described in representations 87 to 89 and will document in each review any deficiencies that were identified and how those deficiencies were remedied.

*Marketplace Activities – Transparency of operations and of order and trade information*

- NN. The Filer will maintain public disclosure of the information outlined in representation 98 in manner that reasonably enables a person or company to understand the marketplace operations or services.
- OO. For orders and trades entered to and executed on the CoinSmart Platform, the Filer will make available to clients an appropriate level of information regarding those orders and trades in real-time to facilitate clients' investment and trading decisions, as described in representation 99(c)..
- PP. The Filer will make publicly available on its website, on a timely basis, an appropriate level of information about trades that have occurred on the CoinSmart Platform., as described in representation 99(b).

*Marketplace Activities – Confidentiality*

- QQ. The Filer will not release a client's order or trade information to a person or company, other than the client, a securities regulatory authority or a regulation services provider unless:
  - (a) the client has consented in writing to the release of the information;

- (b) the release is made under applicable law; or
- (c) the information has been publicly disclosed by another person or company and the disclosure was lawful.

#### *Clearing Agency*

- RR. The Filer will not operate a “clearing agency” or “clearing house” as the terms are defined or referred to in securities or commodities futures legislation. For any clearing or settlement activity conducted by the Filer incidental to the Filer engaging in the business of a Crypto Asset dealer and marketplace, the Filer will:
- (a) maintain adequate procedures and processes to ensure the provision of accurate and reliable settlement services in connection with Crypto Assets; and
  - (b) maintain appropriate risk management policies and procedures and internal controls to minimize the risk that settlement will not take place as expected.

#### *Data Reporting*

- SS. The Filer will provide the following information to the Principal Regulator, and to the securities regulatory authority or regulator in each of the Non-Principal Jurisdictions with respect to clients in those jurisdictions individually, within 30 days of the end of each March, June, September and December:
- (a) aggregate reporting of activity conducted pursuant to Crypto Contracts that will include the following:
    - (i) number of Client Accounts opened each month in the quarter;
    - (ii) number of Client Accounts closed each month in the quarter;
    - (iii) number of trades in each month of the quarter;
    - (iv) average value of the trades in each month of the quarter;
    - (v) number of client accounts with a net acquisition cost greater than \$30,000 of Crypto Assets at the end of each month in the quarter;
    - (vi) number of client accounts with no trades during the quarter;
    - (vii) number of client accounts that have not been funded at the end of each month in the quarter; and

- (viii) number of client accounts that hold a positive amount of Crypto Assets at the end of each month in the quarter;
  - (b) the details of any client complaints received by the Filer during the calendar quarter and how such complaints were addressed;
  - (c) the details of any fraudulent activity or cybersecurity incidents on the CoinSmart Platform during the calendar quarter, any resulting harms and effects on clients, and the corrective measures taken by the Filer to remediate such activity or incident and prevent similar activities or incidents from occurring in the future;
  - (d) the amount of crypto assets held in hot wallets as of the end of the quarter,
  - (e) the amount of the guarantee described in paragraph 77 as of the end of the quarter; and
  - (f) the name of the financial institution and the amount of money held at the end of the quarter in an account with the financial institution, separate from the Filer's operational accounts and Filer's client accounts, to supplement any insurance policy or guarantee relating to the Filer's hot wallets.
- TT. Trade Reporting Data – The Filer will deliver to the regulator or the securities regulatory authority in each of the Applicable Jurisdictions, in a form and format acceptable to the regulator or the securities regulatory authority, a report that includes the following anonymized account-level data for activity conducted pursuant to a Crypto Contract for each client within 30 days of the end of each March, June, September and December:
- (a) unique account number and unique client identifier, as applicable;
  - (b) jurisdiction where the client is located;
  - (c) the date the account was opened;
  - (d) the amount of fiat currency held by the Filer at the beginning of the reporting period and at the end of the reporting period;
  - (e) cumulative realized gains/losses since account opening in CAD;
  - (f) unrealized gains/losses as of the report end date in CAD;
  - (g) quantity traded, deposited and withdrawn by Crypto Asset during the quarter in number of units;
  - (h) Crypto Asset traded by the client;

- (i) quantity held of each Crypto Asset by the client as of the report end date in units;
  - (j) CAD equivalent aggregate value for each Crypto Asset traded by the client, calculated as the amount in (i) multiplied by the market price of the asset in (h) as of the report end date;
  - (k) age of account in months; and
  - (l) the Client Limit established by the Filer on each account.
- UU. Within 7 calendar days from the end of each month, the Filer will deliver to the regulator or securities regulatory authority in each of the Applicable Jurisdictions, a report of all accounts for which the Client Limits established pursuant to representation 27 were exceeded during that month.
- VV. The Filer will deliver to the regulator or the securities regulatory authority in each of the Applicable Jurisdictions, in a form and format acceptable to the regulator or the securities regulatory authority, a report that includes the following aggregated quarterly information relating to trading activity on the CoinSmart Platform within 30 days of the end of each March, June, September and December:
- (a) total number of trades and total traded value on a by pair basis, with each such reported value further broken out by the proportion of trades and traded value that were a result of trades between two clients compared to trades between a client and the Filer or affiliate of the Filer.
  - (b) total number of executed client orders and total value of executed client orders on a by pair basis, with each such reported value further broken out by the proportion of executed market orders compared to executed limit orders.
- WW. The Filer will provide the Principal Regulator quarterly summary statistics on its trade monitoring and complaint handling activities in relation to the CoinSmart Platform, including the following:
- (a) the number of instances of improper trading activity identified, by category, and the proportion of each such category that arose from client complaints / reports;
  - (b) the number of instances in (a) that were further investigated or reviewed, by category;
  - (c) the number of investigations in (b), by category, that were closed with no action;

- (d) a summary of each investigation in (b) that was escalated for action to be taken, including a description of the action taken in each case; and
  - (e) a summary of the status of any open investigations.
- XX. The Filer will deliver to the Principal Regulator within 30 days of the end of each March, June, September and December, either:
  - (a) blackline copies of changes made to the policies and procedures on the operations of its wallets (including, but not limited to, establishment of wallets, transfer of Crypto Assets into and out of the wallets and authorizations to access the wallets) that were previously delivered to the Principal Regulator; or
  - (b) a nil report stating no changes have been made to its policies and procedures on the operations of its wallets in the quarter.
- YY. In addition to any other reporting required by Legislation, the Filer will provide, on a timely basis, any report, data, document or information to the Principal Regulator, including any information about the Filer's custodian(s) and the Crypto Assets held by the Filer's custodian(s), that may be requested by the Principal Regulator from time to time as reasonably necessary for the purpose of monitoring compliance with the Legislation and the conditions in the Decision, in a format acceptable to the Principal Regulator.
- ZZ. Upon request, the Filer will provide the Principal Regulator and the regulators or securities regulatory authorities of each of the Non-Principal Jurisdictions with aggregated and/or anonymized data concerning client demographics and activity on the CoinSmart Platform that may be useful to advance the development of the Canadian regulatory framework for trading crypto assets.
- AAA. The Filer will promptly make any changes to its business practices or policies and procedures that may be required to address investor protection concerns that may be identified by the Filer or by the Principal Regulator arising from the operation of the CoinSmart Platform.

*Changes to and Expiration of Decision*

- BBB. The Filer will disclose to clients that the Filer is registered as a restricted dealer in the Applicable Jurisdictions subject to specified terms and conditions that are the subject of a specific order and as such may not be subject to all requirements otherwise applicable to an investment dealer and IIROC member, including those that apply to marketplaces and to trading on marketplaces.
- CCC. The Filer will, if it intends to operate the CoinSmart Platform in Ontario and Québec

after the expiry of the Decision, take the following steps:

- (a) submit an application to the OSC and the Autorité des marchés financiers (AMF) to become registered as an investment dealer no later than 12 months after the date of the Dealer Platform Decision;
- (b) submit an application with IIROC to become a dealer member no later than 12 months after the date of the Dealer Platform Decision;
- (c) work actively and diligently with the OSC, the AMF and IIROC to transition the CoinSmart Platform to investment dealer registration and obtain IIROC membership.

DDD. This Decision shall expire as of October 21, 2023, being two years from the date of the Dealer Platform Decision.

EEE. This Decision may be amended by the Principal Regulator upon prior written notice to the Filer in accordance with applicable securities legislation.

In respect of granting the Prospectus Relief and revoking the Dealer Platform Prospectus Relief

Date: December 21, 2021

*“Wendy Berman”*

*“Lawrence Haber”*

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Wendy Berman  
Vice Chair  
Ontario Securities Commission

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Lawrence Haber  
Commissioner  
Ontario Securities Commission

In respect of granting the Suitability Relief, Marketplace Relief and the Trade Reporting Relief and revoking the Dealer Platform Suitability and Dealer Platform Trade Reporting Relief

Date: December 21, 2021

*“Susan Greenglass”*

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Susan Greenglass  
Director, Market Regulation  
Ontario Securities Commission

**APPENDIX A –**

**LOCAL TRADE REPORTING RULES AND MARKETPLACE RULES**

In this Decision,

(a) the “**Local Trade Reporting Rules**” means each of the following:

- (i) Part 3, Data Reporting of Ontario Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting (OSC Rule 91-507)*, and the power to grant exemption orders set out in Section 42 of OSC Rule 91-507;
- (ii) Part 3, Data Reporting of Manitoba Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting (MSC Rule 91-507)*, and the power to grant exemption orders set out in Section 42 of MSC Rule 91-507; and
- (iii) Part 3, Data Reporting of Multilateral Instrument 96-101 *Trade Repositories and Derivatives Data Reporting* in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Saskatchewan, and Yukon (**MI 96-101**), and the power to grant exemption orders set out in Section 43 of MI 96-101.

(b) the “**Marketplace Rules**” means each of the following:

- (i) National Instrument 21-101 – *Marketplace Operation (NI 21-101)* in whole;
- (ii) National Instrument 23-101 – *Trading Rules (NI 23-101)* in whole; and
- (iii) National Instrument 23-103 – *Electronic Trading and Direct Electronic Access to Marketplaces (NI 23-103)* in whole.



**APPENDIX B – SPECIFIED CRYPTO ASSETS**

Bitcoin  
Ether  
Bitcoin Cash  
Litecoin