

Citation: 2022 BCSECCOM 97

**Headnote**

Application for time-limited relief from certain registration requirements and from prospectus and trade reporting requirements – relief to allow the Filer to distribute Crypto Contracts and operate a platform that facilitates the buying, selling and holding of crypto assets – relief granted subject to certain conditions set out in the decision, including investment limits, disclosure and reporting requirements – relief is time-limited to allow the Filer to operate while seeking permanent registration as a dealer, including, as applicable, 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.

**Applicable Legislative Provisions**

*Securities Act*, R.S.B.C. 1996, c. 418, s. 76

*Securities Act*, R.S.B.C. 1996, c. 418, s. 187

*Securities Act*, R.S.B.C. 1996, c. 418, s. 187

March 24, 2022

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

**and**

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

**In the Matter  
of Netcoins  
Inc. (the Filer)**

**Decision**

**Background**

- ¶ 1 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 may apply to crypto asset

trading platforms (**CTPs**) that facilitate or propose to facilitate the trading of instruments or contracts involving 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**) 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 Canadian Securities Administrators (**CSA**) have 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 is currently registered in all provinces in the category of restricted dealer. The Filer previously applied for and received exemptive relief in a decision dated September 29, 2021 (**Prior Decision**) on terms substantially similar to this Decision. Under the terms of the Prior Decision, the Filer operates, on an interim basis, a CTP that permits clients resident in Canada to enter into Crypto Contracts to purchase and sell Crypto Assets through the Filer. While registered as a restricted dealer, the Filer intends to seek membership with the Investment Industry Regulatory Organization of Canada (**IIROC**).

The Filer has submitted an application to revoke the Prior Decision and to replace it with this Decision (as defined below) to allow the Filer to change its business model to permit the Filer to hold a portion of the Crypto Assets purchased by the Filer to facilitate its obligations under each Crypto Contract in hot wallets maintained by the Filer. This has been tailored for the specific facts and circumstances of the Filer, and the securities regulatory authority or regulator in the Jurisdictions will not consider this Decision as constituting a precedent for other filers.

## **Requested Relief**

- ¶ 2 The securities regulatory authority or regulator in British Columbia and Ontario (**Dual Exemption Decision Makers**) have received an application from the Filer (**the Dual Application**) for a decision under the securities legislation of those jurisdictions (**the Legislation**) for a decision exempting the Filer from:
- A. the prospectus requirements under the securities legislation of British Columbia and Ontario in respect of the Filer entering into Crypto Contracts with clients (**the Prospectus Relief**); and
  - B. the requirement in subsection 12.10(2) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) to deliver annual audited financial statements to the regulator and the requirement in section 13.3 of 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 Registrant Obligations Relief**).

The securities regulatory authority or regulator in each of the Jurisdictions referred to in **Appendix A** (the **Coordinated Review Decision Makers**) have received an application from the Filer (collectively with the Dual Application, the **Application**) for a decision under the securities legislation of those jurisdictions exempting the Filer from certain reporting requirements under the Local Trade Reporting Rules (as defined in Appendix A) (the **Trade Reporting Relief**, and together with the Prospectus Relief and the Registrant Obligations Relief, the **Requested Relief**).

The Filer has applied for the revocation of the exemptive relief in the Prior 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 British Columbia Securities Commission is the principal regulator for this Application (the **Principal Regulator**),
- (b) the Decision is the decision of the Principal Regulator and the Decision evidences the decision of the securities regulatory authority or regulator in Ontario,
- (c) in respect of the Prospectus Relief and the Registrant Obligations 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
- (d) the decision in respect of the Trade Reporting Relief is the decision of the Principal Regulator and evidences the decision of each Coordinated Review Decision Maker.

## **Interpretation**

- ¶ 3 Terms defined in MI 11-102 and National Instrument 14-101 *Definitions* have the same meaning if used in this Decision, unless otherwise defined.

## **Representations**

- ¶ 4 This decision (the **Decision**) is based on the following facts represented by the Filer:

### *The Filer*

1. The Filer is a corporation incorporated under the laws of British Columbia, with a head office in Vancouver, British Columbia.

2. The Filer is an indirect wholly owned subsidiary of BIGG Digital Assets Inc. (formerly BIG Blockchain Intelligence Group Inc.) (**BIGG**). The securities of BIGG are publicly traded on the Canadian Securities Exchange, the OTCQX and the Frankfurt Stock Exchange.
3. The Filer is registered as a dealer in the category of restricted dealer in the Jurisdictions.
4. The Filer’s personnel consists, and will consist, of software engineers, executives and compliance professionals who each have experience operating in a regulated financialservices environment and expertise in blockchain technology. All of the Filer’s personnel have passed criminal records and credit checks, and new personnel will be hired after they pass criminal records and credit checks.
5. The Filer has adopted a business continuity plan designed to ensure the uninterrupted availability of the resources required to support its essential and critical business activities.
6. The Filer will not be a member firm of the Canadian Investor Protection Fund (**CIPF**).The Filer will retain the services of an independent third-party to hold Crypto Assets that satisfy the Filer’s obligations under Crypto Contracts. The Crypto Assets “custodied” with the third party will not qualify for CIPF coverage. The Risk Statement(defined in paragraph 32 of these Representations, below) will include disclosure that there will be no CIPF coverage for the Crypto Assets.
7. Although the Filer does not currently prepare non-consolidated audited financialstatements for its business, the financial statements of the Filer are consolidated with the audited financial statements of BIGG, the Filer’s indirect parent. The Filer anticipates that it will be able to provide audited financial statements in compliance with subsection 12.10(2) for its 2021-22 fiscal year. During the period of this relief, theFiler will deliver to the Principal Regulator both the annual unaudited non-consolidatedfinancial statements of the Filer and the annual audited financial statements of BIGG.
8. Except as set out in paragraph 9 of these Representations, below, neither the Filer nor BIGG is in default of securities legislation of any of the Jurisdictions or any terms or conditions of its registration as a restricted dealer.
9. Following the Prior Decision being made, the Filer became aware that the representation in paragraph 63 of the Prior Decision was inaccurate because at the time of the Prior Decision, BitGo Trust Company, Inc. (**BitGo**) had not completed a SOC 2 Type 2 examination report; rather the SOC 2 Type 2 examination report had been completed by BitGo’s affiliate, BitGo Inc., who licensed the relevant technology to BitGo.

#### *The Platform*

10. The Filer operates a proprietary and fully automated internet-based platform (the **Platform**) that enables clients to enter into Crypto Contracts with the Filer that have, as their underlying interest, Crypto Assets, that have been accepted for trading on the Platform in accordance with the Filer’s written policies and procedures.

11. The Platform will establish and apply policies and procedures to conduct an assessment of each Crypto Assets that underlies a Crypto Contract that the Platform trades. The assessment will be sufficient to allow the Platform to identify material risks to its clients relating to the Crypto Asset, including any material risks resulting from litigation or enforcement action by a securities regulatory authority in Canada or in a foreign jurisdiction. Each material risk will be disclosed in the platform's Risk Statement referred to in paragraph 32 of these Representations.
12. The Platform will not transact Crypto Contracts based on Crypto Assets that the Platform reasonably determines to be securities or derivatives in any jurisdiction in Canada.
13. The Filer acknowledges that the Principal Regulator may implement additional terms and conditions that will require the Platform to stop trading of any Crypto Contract, where it is in the public interest to do so.
14. 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.
15. The Filer currently operates the Platform and offers trading access to clients in each Jurisdiction. If the Filer provides access to the Platform to clients in jurisdictions outside of Canada, the Filer will take reasonable steps to ensure that the Filer complies with applicable securities or derivatives laws in such jurisdictions before providing such access.
16. Each transaction executed on the Platform results in a Crypto Contract. A Crypto Contract imposes rights and obligations on the Filer and each client. These rights and obligations are set out in an electronic document that is made available to each client (the **Terms of Service**). The client is required to review and accept the Terms of Service at the time the client opens an account. When the Filer intends to make a change to the Terms of Service, the Filer will provide each client with advanced notice of such change. If there is a material change to the Terms of Service applicable to a client, the client will be required to review and accept the new Terms of Service before the client will be allowed to execute a transaction.
17. Under the Terms of Service, the Filer maintains certain controls over client Crypto Assets to ensure compliance with applicable law and provide secure custody of the client assets.

*Crypto Assets Made Available through the Platform*

18. The Filer has established and applies policies and procedures to review Crypto Assets and to determine whether to allow clients on its Platform to enter into Crypto Contracts to buy and sell the Crypto Asset on its Platform. 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.
19. The Filer only offers, and only allows clients to enter into a Crypto Contract to buy and sell, a Crypto Asset that is not itself a security and/or a derivative.
20. 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, including the information specified in paragraph 18 of these Representations, 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.
21. 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.
22. The Filer has established and applies policies and procedures to determine 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 Jurisdictions, other regulators in IOSCO-member 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 or derivative; and

- (b) if the Filer determines it to be necessary, obtaining legal advice as to whether the Crypto Asset is a security or derivative under securities legislation of the Jurisdictions.
- 23. The Filer monitors ongoing developments related to Crypto Assets available on its Platform that may cause a Crypto Asset's legal status, or the assessment conducted by the Filer described in paragraphs 18 and 22 of these Representations, above, to change.
- 24. The Filer acknowledges that any determination made by the Filer as set out in paragraphs 18 and 22 of these Representations 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 or derivative.
- 25. The Filer has established and applies policies and procedures to promptly stop the trading of any Crypto Asset available on its Platform and to allow clients to liquidate their positions in Crypto Contracts with underlying Crypto Assets that the Filer ceases to make available on its Platform.

#### *Account Opening and Risk Disclosure*

- 26. The Platform will be available to clients located in Canada and certain foreign jurisdictions, including any individual who is a resident in the Jurisdictions, who has reached the age of majority, and who has the legal capacity to open a securities brokerage account.
- 27. Prospective clients of the Filer will be required to complete an onboarding process which includes
  - (a) identity verification, applicable "know your client" account opening requirements under applicable legislation and the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and its regulations;
  - (b) the provision of information relating to the prospective client, including the following (**the Account Appropriateness Factors**):
    - (i) the client's experience and knowledge in investing in Crypto Assets and in using order execution only online brokerages;
    - (ii) the client's financial assets and income;
    - (iii) the client's risk tolerance;
    - (iv) the Crypto Assets approved to be made available to a client by entering into Crypto Contracts on the Platform.

28. 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.
29. For each client, the Filer will, prior to opening the account, use technology to determine whether it is appropriate for the prospective client to use the Platform to enter into a Crypto Contract in order to buy and sell Crypto Assets.
30. The Filer will adopt policies and procedures to conduct an assessment to establish appropriate limits on the losses that a client that is not a permitted client, as that term is defined in NI 31-103, can incur and what limits on losses 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 the Client Limit. After completion of the assessment, the Filer will implement controls to monitor and apply such policies and procedures, including the Client Limit.
31. After completion of the account-level appropriateness assessment, a prospective client receives appropriate messaging about using the 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.
32. As part of the account opening process, the Filer will provide a prospective client with a separate statement of risks that clearly explains the following, in plain language (the **Risk Statement**),
  - (a) the Crypto Contracts and Crypto Assets
  - (b) the risks associated with Crypto Contracts and Crypto Assets,
  - (c) that no securities regulatory authority has expressed an opinion about the CryptoContracts or any of the Crypto Assets made available through the Platform, including an opinion about whether the Crypto Assets are a security or a derivative,
  - (d) the due diligence performed by the Filer before making a Crypto Asset available through the Platform, including the due diligence taken by the Filer to assess whether the Crypto Asset is a security or derivative under the securities legislation of each of the Jurisdictions and, if applicable, 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 or derivative,

- (e) that the Filer has prepared a plain language description of each Crypto Asset made available through the Platform, with instructions as to where on the Platform the client may obtain the descriptions (each a **Crypto Asset Statement**),
- (f) the Filer's policies for halting, suspending and withdrawing a Crypto Asset from trading on the 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,
- (g) how and where the Crypto Assets that are the basis for the Crypto Contracts are held and the benefits and risks to the client of the Crypto Assets being held in that manner,
- (h) 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,
- (i) that the Filer is not a member of the Canadian Investor Protection Fund (**CIPF**) and the Crypto Contracts and the Crypto Assets will not qualify for CIPF protection, and
- (j) that the statutory rights in sections 131 through 132.2 of the Securities Act (British Columbia), and, if applicable, similar statutory rights under the securities legislation of the other Non-Principal Jurisdictions and Ontario, 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.

The statement referenced in sub-paragraph (c) will be prominent.

33. For each client with an existing account at the date of the Prior Decision and for which 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 the Risk Statement. The Filer will obtain an electronic acknowledgment that the client has received, read and understood the Risk Statement prior to allowing the client to execute a transaction.
34. In order for a prospective client to open and operate an account with the Filer, the Filer will obtain an electronic acknowledgment from the prospective client confirming that the prospective client has received, read and understood the Risk Statement. Such acknowledgment will be prominent and separate from other acknowledgments provided by the prospective client as part of the account opening process and will be made available to the client on the Filer's website.
35. 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 Platform.

36. Before a client enters an order relating to Crypto Contract to “buy” a Crypto Asset, the Filer will provide instructions for the client to read the Crypto Asset Statement, which will include a link to the Crypto Asset Statement. The Crypto Asset Statement will include:

- (a) a prominent statement that no securities regulatory authority in Canada has expressed an opinion about any Crypto Contract or Crypto Asset made available through the Platform, including an opinion that the Crypto Assets are not securities or derivatives,
- (b) a description of the Crypto Asset, including the background of the team that first created the Crypto Asset, if applicable and any risks specific to the Crypto Assets,
- (c) a description of the due diligence performed by the Filer with respect to the Crypto Asset,
- (d) a direction to the client to review the Risk Statement for additional discussion of general risks associated with the Crypto Contracts and Crypto Assets,
- (e) a statement that the statutory rights in sections 131 through 132.2 of the *Securities Act* (British Columbia), and, if applicable, similar statutory rights under the securities legislation of the Non-Principal Jurisdictions and Ontario, do not apply in respect of the Crypto Asset Statement to the extent a Crypto Contract is distributed under the Prospectus Relief,
- (f) the date on which the information was last updated.

37. In addition to the determination referred to in paragraph 29 of these Representations, the Filer has also established, and will maintain and apply, policies and procedures that are reasonably designed to monitor client activity, and will 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. The outcome of this engagement with a client may result, in some cases, in a decision by the Filer to close a client’s account. The Filer monitors compliance with the Client Limits established in paragraph 30 of these Representations. If warranted, the client will receive messaging when their account has met their Client Limit and receive instructions on options to proceed.

38. The Filer has established, and will maintain and apply, policies and procedures that are reasonably designed to update the Risk Statement, to reflect any material changes to the disclosure or include any material risks that may develop with respect to the Crypto Contracts and Crypto Assets, and the Crypto Assets Statement, to reflect any material changes relating to specific Crypto Assets. In the event the Risk Statement or Crypto Asset Statement is updated, existing clients of the Filer will be promptly notified and provided with a copy of the updated Risk Statement or Crypto Asset Statement, as applicable.

39. The Filer will also prepare and make available to its clients, on an ongoing basis and in response to emerging issues in Crypto Assets, educational materials and other informational updates about trading on the Platform and the ongoing development of Crypto Assets and Crypto Asset trading markets.

#### *Deposit of Assets*

40. A client can only execute transactions once the client has deposited assets in an amount that would allow the client to fulfill their obligations under any Crypto Contract that the client enters into.
41. Clients can fund their accounts with fiat currencies (currently, CAD or United States dollars (USD)) or supported Crypto Assets, and can use those funds to execute transactions of Crypto Contracts related to Crypto Assets made available through the Platform.
42. The Filer allows clients to fund their accounts with fiat currency by way of electronic funds transfer, e-transfer, online bill payment and wires, as well as credit card payments which are fulfilled through a third-party service provider. In addition, the Filer allows clients to deposit Crypto Assets through the automatic creation of a sub-wallet which is created solely for the purpose of the client's individual deposit of Crypto Assets, and is held by the custodian (as defined below).

#### *Platform Operations*

43. The Filer does not have any authority to act on a discretionary basis on behalf of clients and will not manage any discretionary accounts.
44. A Crypto Contract entered into by a client will either provide the client with an interest in relation to a Crypto Asset (**buy**) or divest the client of an interest in relation to a Crypto Asset (**sell**). Orders to buy and sell Crypto Assets will be placed with the Filer through the Platform. Clients will be able to submit buy and sell orders, either in units of the applicable Crypto Asset or in Canadian dollars, 24 hours a day, seven days a week.
45. The Filer does not provide recommendations or advice to clients or conduct a trade-by-trade determination for clients but rather performs account and product assessments, taking into account the Account Appropriateness Factors. These will be used by the Filer to
  - (a) evaluate whether entering into a Crypto Contract with the Filer is appropriate for prospective clients before the opening of an account. After completion of the assessments, a prospective client will receive appropriate messaging about using the Platform to enter into a Crypto Contract, which could include messaging to a prospective client that the Filer believes that using the Platform to enter into a Crypto Contract is not appropriate for them and that as a result the client will not be permitted to open an account with the Filer, and

- (b) conduct the assessment described in subparagraph 20(a) of these Representations.
46. The Filer will rely upon multiple crypto asset trading firms (**Liquidity Providers**) to act as sellers of Crypto Assets that may be purchased by the Filer to facilitate the Filer's obligations to clients. The Filer has a written agreement in place with each of its Liquidity Providers which govern the commercial terms of the relationship and set out the duties and obligations of each party. Liquidity Providers will also buy any Crypto Assets from the Filer that the Filer has purchased to facilitate the Filer's obligations to its clients or that a client has deposited onto the Platform and wishes to sell.
  47. In accordance with the Filer's policies and procedures, after the order has been placed by a client, the Platform will obtain a price for the Crypto Asset from at least two unaffiliated Liquidity Providers, after which the Platform will incorporate a 'spread' to compensate the Filer, and will present this adjusted price to the client as the price at which the Filer is willing to transact with the client.
  48. The client will then have approximately 10 seconds to confirm that they want to enter into the Crypto Contract at that price. If the client does not confirm within a 10 second period, the price will automatically refresh using updated information from the Liquidity Providers. If the client finds the price agreeable, the client will accept the price and agree to the trade.
  49. In order for a client to initiate a transaction, their account must be pre-funded with the applicable asset (fiat currency or Crypto Asset). When a client initiates a transaction with the Filer, the Filer will in turn enter into a back-to-back transaction with the Liquidity Provider, on a contemporaneous basis, in order to offset the risk to the Filer. The price of the Crypto Contract is equal to an aggregate amount of the cost to the Filer to complete the transaction with the Liquidity Provider and the spread that it charges to the client. As part of the transaction's reconciliation process, once the transaction is confirmed and settled, the Filer instructs the Liquidity Provider to transfer the Crypto Asset to the Filer's custodian for safekeeping, or in the case of cash, to the Filer to be held in a bank account in the Filer's name.
  50. The Filer will not extend margin or otherwise offer leverage to clients and will not trade derivatives based on Crypto Assets with clients other than Crypto Contracts. The Filer will not allow clients to enter into a "short position" with respect to any Crypto Asset.
  51. In accordance with the Filer's policies and procedures, the Filer will evaluate the price obtained from its Liquidity Providers on an ongoing basis against global benchmarks to provide fair and reasonable pricing to clients.
  52. The Filer has verified or will verify, and has established, and will maintain and apply, policies and procedures that are reasonably designed to verify on an ongoing basis, that each Liquidity Provider is appropriately registered and/or licensed to transact 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 Jurisdictions.

53. The Filer has verified that each Liquidity Provider has effective policies and procedures to address concerns relating to fair price, fraud and market manipulation.
54. A Crypto Contract is a bilateral contract between a client and the Filer. Accordingly, the Filer will be the counterparty to each buy or sell transaction initiated by a client. For each client transaction, the Filer will also be a counterparty to a corresponding Crypto Assets buy or sell transaction with a Liquidity Provider. The Filer will transact as a riskless principal, in that the Filer will not take any proprietary positions when trading with clients or with a Liquidity Provider.
55. The Filer will confirm the transaction with the Liquidity Providers.
56. The Filer will record in its books and records the particulars of each transaction.
57. The Filer will promptly, and no later than two days after the Crypto Contract transaction, settle the related Crypto Asset transactions with a Liquidity Provider on a net basis. Where transactions of Crypto Contracts result in a net increase in a client's rights in relation to Crypto Assets, the Filer will arrange for the cash to be transferred to the Liquidity Provider and related Crypto Assets to be sent by the Liquidity Provider to the Filer's custodian. Where transactions of Crypto Contracts result in a net decrease in a client's rights in relation to Crypto Assets, the Filer will arrange for the related Crypto Assets to be sent from the Filer's custodian to the Liquidity Provider and will deposit the cash received by the Filer from the Liquidity Providers in the account referred to in paragraph 86 of these Representations.
58. The Platform is an "open loop" system. Clients are permitted to deposit Crypto Assets acquired outside the Platform into their accounts with the Filer. Crypto Assets deposited will be promptly delivered to the custodian to be held in trust for the benefit of the client. Clients also have the right to obtain delivery of Crypto Assets to which they have an interest in pursuant to their Crypto Contracts with the Filer by requesting that the Filer deliver the Crypto Assets.

#### *Reports to Clients*

59. Clients will have access to information relating to their Crypto Contract transactions. The Platform has a transaction history screen that provides detailed information about all transactions completed by a client. The Filer will, during each calendar month, send an electronic communication to each client that indicates that information relating to their account is available to the client through the Platform.
60. Clients will receive electronic transaction confirmations and monthly statements setting out the details of the transaction history in their account with the Filer.
61. Clients will, on a continuous basis, except during periods where the Platform is not available due to systems maintenance, have access to information relating to their accounts with the Filer, including:

- (a) a list of all positions in Crypto Assets including the value of the Crypto Assets;
  - (b) transaction details and history;
  - (c) the amount of all currency deposits into the client's account;
  - (d) value of all crypto asset deposits to the client's account as at the time of deposit;
  - (e) the fees paid per transaction.
62. The information made available to clients through the Platform will provide clients with information regarding the transactions conducted through the Platform and their accounts with the Filer, including the following information:
- (a) the quantity and description of each Crypto Asset that is the underlying interest related to a Crypto Contract transacted;
  - (b) the amount, denominated in either CAD or USD, at the client's option, paid or received by the client under the transaction, including the price paid or received for each Crypto Asset that is the underlying interest of the Crypto Contract;
  - (c) the amount of each transaction charge, deferred sales charge or other charge in respect of the transaction and the total amount of all charges in respect of the transaction denominated in either CAD or USD, at the client's option;
  - (d) the date on which the transaction took place;
  - (e) the name and quantity of each Crypto Asset that is the underlying interest related to a Crypto Contract in the client's account;
  - (f) the market value of each Crypto Asset that is the underlying interest related to a Crypto Contract in the client's account;
  - (g) any cash balance in the client's account;
  - (h) the total market value of all cash and Crypto Assets that are the underlying interest related to a Crypto Contract in the account denominated in either CAD or USD, at the client's option.
63. The Filer will provide clients with real-time, continuous access to information relating to each transaction executed by the client on the Platform, including information related to the price for each transaction. The Filer will also provide clients with access to real-time, continuous information relating to assets held in the clients account, including Crypto Assets and fiat

currency. This information will be available to the client through the Filer's Platform.

*Fees Payable by Clients*

64. The Filer will be compensated by the spread on transactions and by charging transaction fees. All transaction fees are disclosed to the clients at the time of a transaction and are available in the Platform's terms of use.

*Custody of Crypto Assets and Cash*

65. 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.
66. 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 to facilitate its obligations under each Crypto Contract (the **custodian**). The Filer primarily uses BitGo. **BitGo** as custodian, and will, after reasonable due diligence, use other custodians as necessary. Up to 20% of the Filer's total client Crypto Assets maybe held online in hot wallets secured by Fireblocks Ltd. (**Fireblocks**).
67. BitGo is a trust company organized under the laws of the State of South Dakota and regulated as a trust company by the Division of Banking in South Dakota. BitGo meets the requirements of the definition of "foreign custodian" in NI 31-103.
68. BitGo has completed a Service Organization Controls (**SOC**) report under SOC 1 – Type 2 standards from a leading global audit firm. The Filer has conducted due diligence on BitGo, including reviewing a copy of the SOC 1 – Type 2 audit report prepared by BitGo's auditors, and has not identified any material concerns. The Filer has also reviewed the SOC 2 – Type 2 audit report completed for BitGo Inc., an affiliated entity of BitGo, prepared by BitGo Inc.'s auditors regarding its multi- signature wallet services system (i.e., hot wallets) offered by BitGo Inc. and have not identified any material concerns. BitGo has advised the Filer that it relies on technology licensed from BitGo Inc., which technology was audited pursuant to the SOC2 – Type 2 audit report prepared by BitGo Inc.'s auditors.
69. BitGo currently maintains a comprehensive insurance policy for digital assets in BitGo's cold storage system, covering US\$100,000,000 in losses due to third party hacks, copying, theft or loss of private keys, insider theft or dishonest acts by BitGo employees or executives and loss of keys. The Filer has assessed BitGo's insurance policy and has determined, based on information that is publicly accessible and on information provided by BitGo and considering the scope of BitGo's business, that the amount of insurance is appropriate.
70. BitGo will operate a custody account for the Filer, for the purpose of holding Crypto Assets to ensure that the Filer will meet its obligations under each Crypto Contract. The Filer will ensure that the amount of Crypto Assets held by the custodian will be not less than the obligations of the Filer to clients under Crypto Contracts, subject to delays in the settlement of Crypto Assets transactions with Liquidity Providers. The Filer is not permitted to pledge, re-hypothecate or otherwise use any Crypto Assets held by the custodian or the Filer, that relate to a client's

transaction.

71. BitGo will hold all Crypto Assets, in trust, for the clients of the Filer in an omnibus account. This account will be in the name of the Filer. This account will not be used to hold Crypto Assets of the Filer, or of the Filer's affiliates or of any custodian, and the Crypto Assets held in trust for clients will be separate and distinct from the assets, of the Filer, the Filer's affiliates or the Crypto Assets of any of the custodian's other clients.
72. BitGo allows the Filer to generate a unique address for each client account so it can track the client that has an interest in the specific Crypto Assets held by BitGo. When a client opens an account with the Filer, the Filer creates a new BitGo sub-account, which feeds into one main account which is in the name of the Filer.
73. BitGo has established, and will maintain and apply, policies and procedures that are reasonably designed to 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.
74. BitGo has established, and will maintain and apply, written disaster recovery and business continuity plans.
75. The Filer has established, and will maintain and apply, policies and procedures that are reasonably designed to ensure that BitGo's records relating to the Crypto Assets that BitGo holds in trust for clients of the Filer are accurate and complete.
76. The Filer has assessed the risks and benefits of using BitGo as the custodian for CryptoAssets and, has determined that, in comparison to a Canadian custodian (as that term isdefined in NI 31-103), it is more beneficial to its clients to have BitGo, a custodian thatis a financial institution that is subject to prudential regulation, hold the Crypto Asset that are the underlying interests of Crypto Contracts, than using an unregulated Canadian custodian.
77. 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 multi-party computation and chip isolation technology to secure keys and application programming interface credentials in order to share signing responsibility for a particular blockchain address among multiple independent persons.
78. Fireblocks is an entity that is incorporated under the laws of Tel Aviv, Israel, and has obtained a SOC report under SOC 2 – Type 2 audit report preparedby the auditors of Fireblocks, 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.

- 79. 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.
- 80. 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.
- 81. The third-party insurance obtained by the Filer includes coverage for the Crypto Assets held by the Filer in Fireblocks hot wallets in the event of loss or theft in accordance with the terms of the insurance policy in question.
- 82. 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.
- 83. In addition, backup key material for the Filer's hot wallets is secured by Coincover and is 100% insured against loss or theft by a leading global insurance provider.
- 84. As outlined in paragraph 69 of these Representations, there is insurance coverage on Crypto Assets underlying the Filer's crypto obligations and held in BitGo custodial cold storage. In addition, there is insurance coverage available through the Filer's services providers for the loss of Crypto Assets that underlie the Filer's crypto obligations held only in its hot wallets and not held in BitGo custodial cold storage. In addition, the Filer will obtain coverage through Coincover. that the Coincover coverage will cover the full amount of cash commitments held in hot wallets with Fireblocks, and will supplement the guarantee by setting aside cash that will be held in an account at a Canadian financial institution, separate from the Filer's operational accounts and Filer's client accounts, in an amount not less than the value of client crypto obligations held by Fireblocks less the amount of the Fireblocks insurance coverage. 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 hotwallet.
- 85. A client can maintain their Crypto Contracts with the Filer indefinitely.
- 86. All fiat currency owned by clients that is being held by the Filer will be held by a Canadian financial institution in a designated trust account, in the name of the Filer.

*Marketplace and Clearing Agency*

- 87. The Filer does not operate a “marketplace” as that term is defined in National Instrument 21-101 *Marketplace Operation* and in Ontario, subsection 1(1) of the *Securities Act* (Ontario).

88. The Filer will not operate a “clearing agency” as defined in securities legislation. Any clearing or settlement activity conducted by the Filer is incidental to the Filer engaging in the business of a Crypto Contract dealer. Any activities of the Filer that may be considered the activities of a clearing agency on behalf of any other person or company other than an affiliate of the Filer are related to the Filer arranging or providing for settlement of obligations resulting from Crypto Contracts entered into on a bilateral basis and without a central clearing counterparty.

## **Decision**

- ¶ 5 The Dual Exemption Decision Makers are satisfied that the Decision satisfies the test set out in the Legislation for the Dual Exemption Decision Makers to make the Decision and each Coordinated Review Decision Maker is satisfied that the Decision in respect of the Trade Reporting Relief satisfies the test 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.

The Decision of the Dual Exemption Decision Makers under the Legislation is that the Prior Decision is revoked and the Prospectus Relief and the Registrant Obligations Relief are granted, and the Decision of each Coordinated Review Decision Maker under the securities legislation of its jurisdiction is that the Prior Decision Trade Reporting Relief is revoked and that the Trade Reporting Relief is granted, provided that:

1. Unless otherwise exempted by a further decision of the Principal Regulator and, if required under securities legislation, the regulator or securities regulatory authority of any other jurisdiction of Canada, 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.
2. The Filer is registered as a restricted dealer or investment dealer in the Jurisdiction and in each Jurisdiction in which a client is a resident.
3. The Filer will work actively and diligently with the Principal Regulator to transition to a final regulatory framework.
4. The Filer, and any representatives of the Filer, will not provide recommendations or advice to any client or prospective client on the Platform.
5. The Filer will only engage in the business of trading Crypto Contracts in relation to Crypto Assets, and in performing its obligations under those 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 jurisdiction of Canada, prior to undertaking any other activity relating to securities or derivatives.
6. Before trading Crypto Contracts relating to any new Crypto Asset, the Filer will conduct a thorough due diligence relating to the features of and risks relating to the Crypto Asset in accordance with paragraph 18 of the Representations.

7. The Filer will not operate a “marketplace” as the term is defined in National Instrument 21-101 *Marketplace Operation* and in Ontario, in subsection 1(1) of the *Securities Act*(Ontario) or a “clearing agency” as the term is defined in securities legislation.
8. At all times, the Filer will hold not less than 80% of the total value of all Crypto Assets with a third-party 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”.
9. Before the Filer holds Crypto Assets with a custodian referred to in paragraph 8 of these Conditions, the Filer will take reasonable steps to verify that the custodian:
  - (a) maintains a comprehensive insurance policy to cover losses of Crypto Assets held by the custodian, including the assets owned by Platform clients;
  - (b) has established, and will maintain and apply, policies and procedures that are reasonably designed to manage and mitigate the custodial risks, including, but not limited to, an effective system of controls and supervision to safeguard the client Crypto Assets for which it acts as custodian;
  - (c) has obtained a SOC 2 Type 2 report within the previous 12 months, unless the Filer has notified the Principal Regulator and the Principal Regulator has provided written notice that it does not object to the Filer relying on a SOC 1 Type 1 or Type 2 or a SOC 2 Type 1 report obtained within the previous 12 months;
  - (d) holds the Crypto Assets in trust for the benefit of the Filer’s clients; and
  - (e) holds the Crypto Assets of the Filer’s clients separate and distinct from the Crypto Assets of the Filer.
10. The Filer will promptly notify the Principal Regulator if
  - (a) the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission, the Financial Industry Regulatory Authority, the National Futures Association, the Division of Banking in South Dakota or the New York State Department of Financial Services makes a determination that the Filer’s custodian is not permitted by that regulatory authority to hold client Crypto Assets, or
  - (b) if there is any change in the status of the Filer’s custodian as a regulated financial institution.

11. 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.
12. The Filer will use at least two Liquidity Providers that are not affiliates of the Filer and that each Liquidity Provider is registered and/or licensed, to the extent required, in the jurisdiction or foreign jurisdiction, as applicable, where their head office or principal place of business is located, to execute transactions in the Crypto Assets.
13. The Filer has established, and will maintain and apply, policies and procedures reasonably designed to provide fair and reasonable prices to its clients, including policies and procedures to evaluate the price obtained from its Liquidity Providers on an ongoing basis against global benchmarks and transition to new Liquidity Providers, as appropriate.
14. Before each prospective client opens an account, the Filer will deliver to the client a Risk Statement. The Filer will require the client to provide electronic acknowledgement of having received, read and understood the Risk Statement.
15. For each client with an existing account at the date of the Prior Decision and for which 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. The Filer will require the client to provide electronic acknowledgement of having received, read and understood the Risk Statement the next time they log into their account with the Filer.
16. The disclosures referred to in paragraphs 14 and 15 of these Conditions will be prominent and separate from other disclosures given to the client at that time, and the acknowledgement will be separate from other acknowledgements by the client at that time.
17. 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 Platform.
18. The Filer will promptly update the Risk Statement to reflect any material changes to the disclosure or include any material risks that may develop with respect to the CryptoContracts or Crypto Assets and, 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 will require the client to provide electronic acknowledgement of having received, read and understood the updated Risk Statement.

19. Prior to the Filer delivering a Risk Statement to a client, the Filer will deliver, or will have previously delivered, a copy of that Risk Statement to the Principal Regulator.
20. Before allowing a client to transact a Crypto Contract relating to “buying” a Crypto Asset, the Filer will provide instructions for the client to read the Crypto Asset Statement for the Crypto Asset that will include the information described in paragraph 36 of the Representations. The instructions will include a link to the Crypto Asset Statement on the Filer’s website.
21. The Filer will promptly update 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 Asset. In the event of an update to a Crypto Asset Statement, the Filer will promptly notify clients of the update, with links provided to the updated Crypto Asset Statement.
22. For each new client, prior to opening an account, and for each pre-existing client, before allowing the client to execute a transaction or to deposit Crypto Assets on the platform, the Filer will perform the assessments as described in paragraphs 29 to 31 of the Representations. The Filer will regularly, and at least once in each 12 month period, review and update the assessment described in paragraphs 29 to 31 of the Representations.
23. In accordance with the requirements in paragraph 37 of the Representations, the Filer will monitor trading activity in client accounts. Clients will be contacted to discuss their trading behaviour where, in the opinion of a reasonable person, their trading activity reflects lack of knowledge or understanding of Crypto Asset trading or is inconsistent with the client’s account assessment referred to in paragraph 29 of the Representations. This initiative is meant to deter clients from inappropriate trading activity that can be potentially harmful to them and identify that additional education is required.
24. The Filer will ensure that the maximum amount of Crypto Contracts based on Crypto Assets, other than Crypto Contracts based on Bitcoin, Ether, Bitcoin Cash, or Litecoin, that a client, except a client resident in Alberta, British Columbia, Manitoba and Québec, may enter into Crypto Contracts to purchase and sell on the 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.
25. 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.
26. The Filer will provide the Principal Regulator with at least 10 days’ prior written notice of any
  - (a) change to its custodian,
  - (b) change to the fiat currencies that a client can use to fund their accounts,
  - (c) change to its Liquidity Providers, and

- (d) material changes to the Filer's ownership or its business operations, including its systems, or its business model.
27. The Filer will not implement any of the changes referenced in subparagraphs 26 (a), (b) or (c) of these Conditions unless the Principal Regulator has delivered written notice that it does not object to the changes.
28. The Filer will not trade Crypto Contracts based on Crypto Assets that are securities or derivatives except in accordance with paragraph 25 of the Representations.
29. 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
30. 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.
31. The Filer will evaluate Crypto Assets as set out in paragraphs 18, 22 and 23 of the Representations.
32. The Filer will establish, apply and monitor policies and procedures that establish appropriate limits on the losses a client can incur, as set out in paragraph 30 of the Representations.
33. The Filer will notify the Principal Regulator, promptly, of any material breach or failure of 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 Asset will be considered a material breach or failure.

34. The Filer will notify the Principal Regulator, promptly, of any material breach or failure of the Filer's system of controls or supervision and of steps taken to address such breach or failure. The loss of any amount of Crypto Asset or of any fiat currency held on behalf of a client will be considered a material breach or failure.
35. The Filer will ensure that clients have access to information relating to their accounts and to past transaction activity that is updated continuously. The Filer will notify the Principal Regulator if the information is not available to a client for a material period of time.

#### *Data Reporting*

36. The Filer will provide the following information to the Principal Regulator, and to the securities regulatory authority or regulator in each of the other 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 transactions each month in the quarter;
    - (iv) average value of the transactions each month in the quarter;
    - (v) number of client accounts that hold Crypto Contracts with net acquisitions exceeding \$30,000 of Crypto Assets at the end of each month in the quarter;
    - (vi) number of client accounts with no transactions during the quarter;
    - (vii) number of client accounts that have not been funded at the end of each month in the quarter;
    - (viii) number of client accounts that hold Crypto Contracts at 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 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 to satisfy the Filer's crypto obligations to clients held in hot wallets and not held in BitGo custodial cold storage outlined in section 66 of the Representations, as of the end of the quarter,
  - (e) the amount of the coverage described in section 84 of the Representations, as of the end of the quarter;
  - (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 client crypto obligations held only in the Filer's hot wallets and not held in BitGo custodial cold storage outlined in paragraph 69 of the Representations.
  - (g) the details of the transaction volume per Liquidity Provider, per Crypto Asset during the quarter.
37. The Filer will deliver to the regulator or the securities regulatory authority in each of the 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) unrealized gains/losses since account opening in CAD;
  - (e) the amount of fiat currency held with the Filer at the beginning and end of the reporting period;
  - (f) cumulative gains/losses as of the report end date in CAD;
  - (g) quantity of Crypto Contracts transacted, deposited and withdrawn during the quarter, in number of units of the underlying Crypto Asset;
  - (h) the type of Crypto Assets that underlie the Crypto Contracts transacted, deposited or withdrawn by the client during the quarter;
  - (i) quantity of each Crypto Asset that a client has rights to under openCrypto Contracts, in units, as of the report end date;

- (j) CAD equivalent aggregate value of Crypto Contracts transacted by the client, calculated by multiplying the amount in (g) by the market price of the Crypto Asset, as of the report end date.
38. The Filer will deliver to the regulator or the securities regulatory authority in each of the Jurisdictions, in a form and format acceptable to the regulator or the securities regulatory authority, within 30 days of the end of each March, June, September and December, a report that describes, if applicable, the Client Limits established by the Filer for each account.
39. If applicable, 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 Jurisdictions, a report of all accounts for which the loss limits that may be established pursuant to paragraph 30 of the Representations were exceeded during that month.
40. Until such time as the Filer can reasonably deliver annual audited financial statements in accordance with subsection 12.10(2) of NI 31-103, the Filer will deliver to the Principal Regulator for each financial year, as soon as they are available,
- (a) annual unaudited financial statements of the Filer,
  - (b) annual audited financial statements of BIGG for each financial year, and
  - (c) a completed Form 31-103F1 *Calculation of Excess Working Capital (Form 31-103F1)*.
41. 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) 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.
42. 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 and the Crypto Assets held by the Filer's custodian, that may be requested by the Principal Regulator from time to time as reasonably necessary for the purpose of monitoring compliance with Legislation and the Conditions, in a format acceptable to the Principal Regulator.

43. Upon request, the Filer will provide the Principal Regulator, the securities regulatory authority or regulator in Ontario and the securities regulatory authorities or regulators of each of the Non-Principal Jurisdictions with aggregated and/or anonymized data concerning client demographics and activity on the Platform that may be useful to advance the development of the Canadian regulatory framework for trading crypto assets.
44. The Filer will, if it wishes to operate the platform in Ontario and Québec after the expiry of the Decision, take the following steps:
  - (a) submit an application to the Principal Regulator, 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 Decision;
  - (b) submit an application to become an IIROC dealer member no later than 12 months after the date of the Decision;
  - (c) work actively and diligently with the Principal Regulator, the OSC, AMF and IIROC to transition the platform to investment dealer registration and obtain IIROC membership.
45. This Decision shall expire on September 29, 2023.
46. 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 Platform.
47. This Decision may be amended by the Principal Regulator upon prior written notice to the Filer.

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*“Mark Wang”*

Mark Wang  
Director, Capital Markets Regulation  
British Columbia Securities Commission

## **Appendix A - Local Trade Reporting Rules**

In this Decision the “Local Trade Reporting Rules” collectively means each of the following:

- a. Part 3, Data Reporting, of Ontario Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting (OSC Rule 91-507)*;
- b. Part 3, Data Reporting, of Manitoba Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting (MSC Rule 91-507)*; and

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**)