

September 14, 2023

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  
Hibit Technology Ltd. (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 applies to crypto 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 (**Crypto Contract**) may itself constitute a security and/or a derivative.

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 environment, 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 intends to operate a CTP and is applying for registration as a restricted dealer in accordance with Staff Notice 21-329 in each of the Jurisdictions. While registered as a restricted dealer, the Filer will, as required, seek membership with the Canadian Investment Regulatory Organization (CIRO). This Decision (as defined below) 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**) exempting the Filer from:

- (a) the prospectus requirements under the Legislation in respect of the Filer entering into Crypto Contracts with clients relating to anything commonly considered a crypto asset, digital or virtual currency, or digital or virtual token (a **Crypto Asset**) (the **Prospectus Relief**); and
- (b) the requirement in section 13.3 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) that, before it opens an account, takes investment action for a client, or makes a recommendation or exercises discretion to take investment action, to determine on a reasonable basis that the action is suitable for the client and puts the client's interest first (the **Suitability Relief**).

The securities regulatory authority or regulator in the jurisdictions referred to in **Appendix A** (collectively with the Principal Regulator, 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 collectively with the Prospectus Relief and the Suitability Relief, the **Requested Relief**).

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 Suitability 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, 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.

Further, for the purposes of this Decision, the following terms have the following meaning:

**“Acceptable Third-Party Custodian”** means an entity that:

- (a) is one of the following:
  - (i) a Canadian Custodian or Canadian Financial Institution;

- (ii) a custodian qualified to act as a custodian or sub-custodian for assets held in Canada pursuant to section 6.2 [*Entities Qualified to Act as Custodian or Sub-Custodian for Assets Held in Canada*] of National Instrument 81-102 *Investment Funds*;
  - (iii) a custodian that meets the definition of an “acceptable securities location” in accordance with the Investment Dealer and Partially Consolidated Rules and Form 1 of CIRO;
  - (iv) an entity that does not meet the criteria under subparagraphs (i), (ii) or (iii) and for which the Filer has obtained the prior written consent from the Principal Regulator and the regulator or securities regulatory authority of the Jurisdictions;
- (b) is functionally independent of the Filer as described in the Companion Policy to NI 31-103;
- (c) has obtained audited financial statements within the last 12 months, which
- (i) are audited by a person or company that is authorized to sign an auditor’s report under the laws of a jurisdiction of Canada or a foreign jurisdiction and that meets the professional standards of that jurisdiction,
  - (ii) are accompanied by an auditor’s report that expresses an unqualified opinion, and
  - (iii) unless the Filer has obtained the prior written consent of the Principal Regulator, discloses on its statement of financial position or in the notes of the audited financial statements the amount of liabilities that it owes to its clients for holding their assets, and the amount of assets held by the custodian to meet its obligations to those custody clients, broken down by asset;
- (d) has obtained a Systems and Organization Controls (SOC) 2 Type 1 or SOC 2 Type 2 report within the last 12 months, or has obtained a comparable report recognized by a similar accreditation board satisfactory to the Filer’s Principal Regulator and the regulator or securities regulatory authority of the Jurisdiction(s).

“**Canadian Custodian**” has the meaning ascribed to that term in NI 31-103;

“**Canadian Financial Institution**” has the meaning ascribed to that term in National Instrument 45-106 *Prospectus Exemptions*;

“**Foreign Custodian**” has the meaning ascribed to that term in NI 31-103;

“**Qualified Custodian**” has the meaning ascribed to that term in NI 31-103;

“**Staking**” means the act of committing or locking Crypto Assets in smart contracts to permit the owner or the owner’s delegate to act as a validator for a particular proof-of-stake consensus algorithm blockchain;

“**Staking Services**” means any and all services conducted by the Filer and third parties in order to enable the Staking of Crypto Assets that are held on the Filer’s Platform (as defined below) for the benefit of clients; and

“**Value-Referenced Crypto Asset**” means a Crypto Asset that is designed to maintain a stable value over time by referencing the value of a fiat currency or any other value or right, or combination thereof.

In this Decision, a person or company is an affiliate (an “**Affiliate**”) of the Filer if

- (a) one of them is, directly or indirectly, a subsidiary of the other, or
- (b) each of them is controlled, directly or indirectly, by the same person.

### **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 federal laws of Canada, with its head office in Richmond, British Columbia.
2. The Filer intends to operate a proprietary and fully automated internet-based platform (the **Platform**) and is seeking the required registrations and approval from applicable securities regulatory authorities to carry on that business.
3. An Affiliate of the Filer, Hibit Blockchain Inc., currently provides over-the-counter (OTC) trading services through a physical branch (the **OTC Trading Desk**) that provides for immediate delivery of the Crypto Asset being traded, and in the future intends to operate an OTC trading platform (the **Affiliate OTC Platform**) that provides for immediate delivery of the Crypto Asset being traded. The Filer completed an assessment of the Crypto Assets traded through the OTC Trading Desk, as well as the intended OTC trading services through the Affiliate OTC Platform, and determined that the assets are not securities or derivatives. Clients of the Affiliate are not required to open an account with the Filer unless they want to access the Platform.
4. The Filer does not have any Affiliates located outside of Canada that trade Crypto Assets or Crypto Contracts as a part of their business.
5. The Filer has designated an individual as its Chief Compliance Officer (**CCO**) who:
  - (a) has the education, training and experience that a reasonable person would consider necessary to perform the role of a CCO competently,
  - (b) is responsible for the maintenance and application of written policies and procedures for assessing compliance by the Filer and individuals acting on behalf of the Filer, with securities legislation,
  - (c) monitors and assesses compliance by the Filer and individuals acting on its behalf, with securities legislation, and
  - (d) has direct access to the board of directors, or individuals acting in such capacity for the Filer, at such times as the CCO may consider necessary or advisable in view of the CCO’s responsibilities.

6. 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. The Filer will not have any dealing representatives.
7. The Filer does not have any securities listed or quoted on an exchange or marketplace in any jurisdiction inside or outside of Canada.
8. The Filer will be registered as a restricted dealer in the Jurisdictions.
9. The Filer is not in default of securities legislation of any of the Jurisdictions.

*The Platform*

10. The Platform will enable clients to trade Crypto Contracts through the Filer.
11. The Filer's role under the Crypto Contracts will be to hold Crypto Assets to allow it to perform its obligations under Crypto Contracts held in accounts on the Platform.
12. The Filer's trading of Crypto Contracts is consistent with activities described in Staff Notice 21-327 and constitutes the trading of securities or derivatives as described in Staff Notice 21-327.
13. The Filer will not
  - (a) offer or provide clients with advice or recommendations regarding transactions in Crypto Contracts or Crypto Assets,
  - (b) act on a discretionary basis on behalf of clients, or
  - (c) offer or provide discretionary investment management services relating to Crypto Assets.
14. Each transaction executed on the Platform results in a Crypto Contract. A Crypto Contract imposes rights and obligation on the Filer and each client. These rights and obligations are set out in the terms of service that govern the Platform (the **Terms of Service**). A client is required to review and accept the Terms of Service at the time the client opens an account. When the Filer wishes to make a change to the Terms of Service, the Filer will provide client with advance notice of the revised Terms of Service.
15. Under the Terms of Service, the Filer maintains certain controls over Crypto Assets relating to Crypto Contracts to ensure compliance with applicable law and provide secure custody of the Crypto Assets.
16. The Filer will operate the Platform in accordance with the terms and conditions of the Decision granting the Requested Relief.
17. The Filer is not a member firm of the Canadian Investor Protection Fund (**CIPF**) and the Crypto Assets custodied on the Platform and with third parties 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.

18. Upon the Filer's registration as a restricted dealer, the Filer will make available to clients the services of the Ombudsman for Banking Services and Investments to resolve complaints made by clients in each Jurisdiction other than Québec, and in Québec, the Filer will comply with sections 168.1.1 to 168.1.8 of the *Securities Act* (Québec).

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

19. The Filer has established and applies written policies and procedures to review Crypto Assets and to determine whether to allow clients on the Platform to enter into Crypto Contracts on the Platform in accordance with the know-your-product (**KYP**) provisions in NI 31-103 (**KYP Policy**). Such review will include, but will not be limited to, publicly-available information concerning:
  - (a) the creation, governance, usage and design of the Crypto Assets, 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 Assets;
  - (b) the supply, demand, maturity, utility and liquidity of the Crypto Assets;
  - (c) material technical risks associated with the Crypto Assets, including any code defects, security breaches and other threats concerning the Crypto Assets and their supporting blockchains (such as the susceptibility to hacking and impact of forking), or the practices and protocols that apply to them;
  - (d) legal and regulatory risks associated with the Crypto Assets, including any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of the Crypto Assets.
20. As of the date of the Decision, the Filer only offers and only allows clients to enter into Crypto Contracts in relation to Crypto Assets that are not each themselves a security and/or a derivative but may, in the future, offer and allow clients to enter into Crypto Contracts in relation to Value-Referenced Crypto Assets in compliance with paragraph 4 of the Conditions.
21. The Filer does not allow clients to enter into a Crypto Contract unless the Filer has taken steps to
  - (a) assess the relevant aspects of the Crypto Asset, including the information specified in paragraph 19 of the 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.

22. 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.
23. 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 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 or derivative under securities legislation of the Jurisdictions.
24. The Filer monitors ongoing developments related to Crypto Assets available on its Platform that may cause a Crypto Asset's status as a security and/or derivative or, the determination made by the Filer pursuant to its KYP Policy and as described in paragraphs 19 and 23 of these Representations, above, to change.
25. The Filer acknowledges that any determination made by the Filer, as set out in paragraphs 19 and 23 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.
26. As set out in the Filer's KYP Policy, the Filer applies written policies and procedures to promptly stop the trading of any Crypto Asset available on the Platform and to allow clients to liquidate, in an orderly manner, their positions in Crypto Contracts based on Crypto Assets that the Filer ceases to make available on its Platform.

#### *Account Opening and Risk Disclosure*

27. Each client must open an account (a **Client Account**) using the Filer's website or mobile application to access the Platform. Client Accounts are governed by the Terms of Service that are accepted by clients at the time of account opening.
28. In addition to the factors that the Filer considers in determining that it is appropriate for a Client 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 a MSB under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and its regulations (**Canadian AML/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 Canadian citizen or permanent resident, and 18 years or older.

29. The Filer does not provide recommendations or advice to clients nor does it conduct a trade-by-trade suitability determination for clients, but rather performs product assessments pursuant to the KYP Policy and account appropriateness 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 circumstances (for example, financial assets and income);
  - (c) the client's risk tolerance as established by the client's risk profile; and
  - (d) the Crypto Assets approved to be made available to a client by entering into Crypto Contracts on the Platform.
30. In order for a prospective client to open and operate a Client Account, the Filer uses the Account Appropriateness Factors to evaluate whether it is appropriate for the prospective client to use the Platform to enter into Crypto Contracts with the Filer.
31. The Filer has adopted and will apply written policies and procedures to conduct an assessment to establish appropriate limits on the losses that a client that is not a permitted client or registered dealer (as each term is defined in NI 31-103) can incur and what loss 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 the Client Limit. After completion of the assessment, the Filer will implement controls to monitor and apply Client Limits.
32. After completion of the account-level appropriateness assessment, the Filer will provide a prospective client with 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.
33. Additionally, the Filer monitors and will continue to monitor Client Accounts after opening to identify activity inconsistent with the client's account appropriateness and product assessment. If warranted, the client may receive further messaging about the Platform and the Crypto Assets, specific risk warnings and/or receive direct outreach from the Filer about his, her or its activity. The Filer will monitor compliance with the Client Limits established in paragraph 31 of these Representations. If warranted, the client will receive messaging when his, her or its account is approaching its Client Limit and will receive information on how to implement a stop loss order to prevent further losses.
34. As part of the account opening process:
- (a) the Filer will collect KYC information to verify the identity of the client in accordance with Canadian AML/ATF Law;
  - (b) the Filer will provide a prospective client with a statement of risks (the **Risk Statement**) that includes the following, in plain language:



- (i) a description of the Crypto Contracts;
- (ii) a description of the risks associated with the Crypto Contracts;
- (iii) prominently, a statement that no securities regulatory authority or regulator in Canada has assessed or endorsed the Crypto Contracts or any of the Crypto Assets made available through the Platform;
- (iv) a description of 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 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) a statement that the Filer has prepared a plain language description of each Crypto Asset made available through the Platform and the risks of the Crypto Asset, with instructions as to where on the Platform the client may obtain the descriptions (each, a **Crypto Asset Statement**);
- (vi) a description of 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;
- (vii) a description of the location and manner in which Crypto Assets are held for the client and the risks and benefits to the client of the Crypto Assets being held in that location and manner, including the impact of insolvency of the Filer or an Acceptable Third-Party Custodian;
- (viii) a description of 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) a statement that the Filer is not a member of CIPF and the Crypto Assets held by the Filer (directly or indirectly through third parties) will not qualify for CIPF protection;
- (x) a statement that the statutory rights in section 131 and 132.2 of the *Securities Act* (British Columbia) (the **Act**), and, if applicable, similar statutory rights under securities legislation of the other 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;
- (xi) the date on which the information was last updated.

35. In order for a prospective client to open and operate a Client 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.
36. 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. The most recent Risk Statement will be available on the Platform.
37. Before a client is able to enter 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 mobile application.
38. The Crypto Asset Statement will include, in plain language, the following:
  - (a) a prominent statement that no securities regulatory authority in Canada has assessed or endorsed the Crypto Contracts or any of the Crypto Assets made available through the Platform;
  - (b) a description of the Crypto Asset, including the background of the creation of the Crypto Asset, and any risks specific to the Crypto Asset;
  - (c) a description of the due diligence performed by the Filer with respect to the Crypto Asset;
  - (d) a description of 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 Platform;
  - (f) a statement that the statutory rights in section 131 and 132.2 of the Act, and, if applicable, similar statutory rights under securities legislation of other Jurisdictions, do not apply in respect of the Crypto Asset Statement to the extent a Crypto Contract is distributed under the Prospectus Relief; and
  - (g) the date on which the information was last updated.
39. The Filer has written policies and procedures for updating the Risk Statement and each Crypto Asset Statement to reflect any material change to the disclosure or to include any material risk 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-mobile app disclosures, with links provided to the updated Crypto Asset Statement.

40. If the Filer determines that it is reasonable to do so, the Filer will also periodically prepare and make available to its client 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*

41. Clients can fund their accounts with fiat currencies (currently, CAD) or supported Crypto Assets, and can use those funds to execute transactions of Crypto Contracts related to Crypto Assets made available through the Platform. A client cannot execute a transaction until they have deposited sufficient assets to fund their obligations under the Crypto Contract transacted.
42. The Filer allows clients to fund their accounts with fiat currency by way of e-transfers and, electronic fund transfers (EFTs).
43. Additionally, 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 Filer’s 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.

#### *Operation of the Platform*

44. The Platform operates 24 hours a day, seven days a week.
45. Clients on the Platform enter orders to transact Crypto Contracts with the Filer through the Platform.
46. A Crypto Contract is a bilateral contract between a client and the Filer. Accordingly, the Filer will be the counterparty to each transaction initiated by a client. For each client transaction, the Filer will also enter into a transaction to buy or sell corresponding Crypto Assets relating to Crypto Contracts with a crypto asset trading firm or marketplace (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.
47. The Filer relies upon multiple Liquidity Providers. 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.
48. When a client enters an order in relation to a Crypto Contract they will receive a price. 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 has the option to accept the price and agree to the trade.

49. When a client initiates a transaction with the Filer, the Filer will in turn enter into a corresponding 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 corresponding transaction with the Liquidity Provider and the spread or transaction fees that the Filer 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, if application instructs the Filer's custodian to transfer Crypto Assets to the Liquidity Provider, or in the case of cash, to the Filer to be held in a trust account with a Canadian Financial Institution, in the Filer's name, in trust for the benefit of its clients.
50. The Filer does not offer margin, credit or other forms of leverage to clients in connection with trading of Crypto Assets or Crypto Contracts on the Platform and will not offer derivatives based on Crypto Assets to clients other than Crypto Contracts. Additionally, the Filer will not allow clients to enter into Crypto Contracts that would result in a "short position" with respect to any Crypto Assets.
51. In accordance with the Filer's written policies and procedures, the Filer evaluates and will continue to 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, written 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 taken or will take reasonable steps to verify that each Liquidity Provider has effective written policies and procedures to address concerns relating to fair price, fraud and market manipulation.
54. The Filer confirms the transaction with the Liquidity Providers.
55. The Filer records in its books and records the particulars of each transaction.
56. The Filer promptly, and no later than two days after the Crypto Contract transaction, settles 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 arranges 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 arranges 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 below.
57. Each client will be charged a withdrawal fee when transferring Crypto Assets out of his, her or its Client Account to a blockchain address specified by the client. The withdrawal fee will vary by Crypto Asset and, in accordance with paragraph 60 of these

Representations, will be disclosed on the Platform. The total withdrawal fee payable in respect of a withdrawal will be disclosed to the client prior to confirmation of the withdrawal.

58. Prior to transferring Crypto Assets out of a Client Account, the Filer will conduct second verification of the blockchain address and will screen the blockchain address specified by the transferring client using blockchain forensics software. The Filer will develop anti-fraud and anti-money laundering monitoring systems for Crypto Assets to reduce the likelihood of fraud, money laundering.
59. Clients will be able to transfer fiat currency out of their Client Accounts by electronic funds transfer, subject to a withdrawal fee, disclosed on the Platform in accordance with paragraph 60 of these Representations. 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.

#### *Fees Payable by Clients*

60. The Filer is compensated through trading fees and withdrawal fees on withdrawals of Crypto Assets and fiat currency. All fees charged to clients will be clearly disclosed on the Platform and incorporated by reference into the terms and conditions in the Decision granting the Requested Relief.

#### *Reports to Clients*

61. 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.
62. Clients will receive electronic transaction confirmations and monthly statements setting out the details of the transaction history in their account with the Filer.
63. 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 under Crypto Contracts, including the value of the Crypto Assets;
  - (b) transaction details and history;
  - (c) the amount of all fiat currency in the client's account denominated in Canadian fiat currency (**CAD**);
  - (d) value of all Crypto Assets deposited to the client's account determined based on the current market price of the Crypto Asset; and

- (e) the fees paid per transaction.
64. 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 CAD, 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 CAD;
  - (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; and
  - (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 CAD.
65. 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.

#### *Custody of Crypto Assets, Cash and Other Assets*

66. The Filer will hold client cash in a designated trust account with a Canadian Financial Institution. Initially the Filer will use Tetra Trust Company (**Tetra**) as its cash custodian but may use other Canadian Financial Institutions, when appropriate, considering the interest of the Filer's clients. Despite the forgoing requirement to use a Canadian Financial Institution, the Filer may hold client cash in a designated trust account with a Foreign Custodian if a reasonable person would conclude, considering all of the relevant circumstances, including, for greater certainty, the nature of the regulation and the sufficiency of the equity of the Foreign Custodian, that using the Foreign Custodian is more beneficial to the client than using a Canadian Financial Institution.

67. The Filer holds Crypto Assets (i) in an account clearly designated for the benefit of clients or in trust for clients, (ii) separate and apart from the assets of non-Canadian clients and (iii) separate and apart from its own assets and from the assets of any custodial service provider. The Filer will not pledge, re-hypothecate or otherwise use any Crypto Assets held for the benefit of clients.
68. The Filer has retained, and will continue to retain, the services of one or more Acceptable Third-Party Custodians to hold not less than 80% of the total value of Crypto Assets that are the underlying interest of Crypto Contracts. These Crypto Assets will be held in the Acceptable Third-Party Custodians cold storage system. Initially the Filer will primarily use Tetra as custodian but may, after carrying out reasonable due diligence, use other Acceptable Third-Party Custodians. Up to 20% of the Filer's total client Crypto Assets may be held online in a multi-party computation (**MPC**) wallet services system (i.e., hot wallets) secured by Fireblocks Inc. (**Fireblocks**).
69. Tetra is licensed as a trust company in Alberta regulated by the Alberta Treasury Board and Finance and is a Qualified Custodian, as defined in section 1.1 of NI 31-103.
70. Tetra has completed SOC 2 - Type 2 examination by a leading global audit firm. Additionally Tetra's security technology provider has completed a SOC 3 examination. The Filer has conducted due diligence on Tetra, including reviewing a copy of the SOC 2 - Type 2 audit reports prepared by Tetra's auditors, and the SOC 3 audit report for Tetra's security technology services provider and has not identified any material concerns. The Filer has also reviewed the SOC 2 – Type 2 audit report completed by Fireblocks' auditors regarding the multi-party computation (**MPC**) wallet services system (i.e., hot wallets) offered by Fireblocks., and has not identified any material concerns.
71. Tetra maintains an appropriate level of insurance for Crypto Assets held by it. The Filer has assessed Tetra's insurance policies and has determined, based on information that is publicly available and on information provided by Tetra and considering the controls of Tetra's business, that the amount of insurance is appropriate.
72. The Crypto Assets held by Tetra will be held in trust for the benefit of the clients of the Filer in a segregated omnibus account in the name of the Filer. The Crypto Assets in this account are held in this manner to ensure that they are separate and distinct from the assets of the Filer, the Filer's Affiliates and Tetra's other clients.
73. When a client opens a Client Account with the Filer, the Filer creates a new hot wallet secured by Fireblocks for such Client Account. The wallet will have a unique address to receive deposits of Crypto Assets from such client. Upon receipt of any Crypto Assets into the hot wallet by the Filer from a client, the Filer immediately transfers at least 80% of the Crypto Assets into the segregated omnibus account with Tetra in accordance with paragraph 72 of these Representations. A client will be able to track their interest in the specific Crypto Asset deposited with the Filer through the unique address generated for their Client Account in the hot wallet secured by Fireblocks.
74. Tetra 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 and to mitigate security breaches and cyber incidents.

75. Tetra has established and applies written disaster recovery and business continuity plans.
76. The Filer has established, and will maintain and apply, written policies and procedures that are reasonably designed to ensure Tetra's records related to Crypto Assets that Tetra holds in trust for clients of the Filer are accurate and complete.
77. The Filer has licensed software from Digital Assets Services Limited (operating as Coincover) (**Coincover**) to provide additional security for keys to Crypto Assets held by the Filer in its Fireblocks hot wallets, 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.
78. Backup key material, consisting of the encrypted three key shards used to access the Filer's Fireblocks hot wallets and the recovery passphrase to decrypt the key shards in the case that the Filer is required to regain access to the hot wallet, for the Filer's Fireblocks hot wallets is secured by Coincover. Coincover provides a guarantee against theft or loss of the backup key material. This guarantee is backed by an insurance policy issued by a leading global insurance provider. Coincover also acts as a backup provider ensuring access to hot wallets secured by Fireblocks should access to these wallets be compromised.
79. Where the Filer holds Crypto Assets for operational purposes, it does so separate and distinct from the assets held for its clients.
80. Any person that provides services to the Filer relating to the Filer holding Crypto Assets for operational purposes will have obtained a SOC report under the SOC 2 – Type 1 or SOC 2 – Type 2 standards from a leading global audit firm. The Filer will review a copy of the SOC report prepared by the auditors of the service provider to ensure that it does not identify any material concerns.
81. The Filer will establish and apply written 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 will also maintain appropriate written policies and procedures related to IT security, cyber resilience, disaster recovery capabilities and business continuity plans.
82. The Filer has obtained, and will maintain, third-party insurance that includes coverage for the Crypto Assets held by the Filer in cold storage and for the Crypto Assets held by the Filer in its hot wallets secured by Fireblocks, in the event of loss or theft in accordance with the terms of the insurance policy in question.
83. Any hot wallet service provider and technology security provider that will be used by the Filer will have insurance coverage in the event of loss or theft of Crypto Assets.
84. The Filer is proficient and experienced in holding Crypto Assets and has established and applied written 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 and a mechanism for the return of Crypto Assets to clients in the event of bankruptcy or insolvency of the Filer. The Filer also maintains appropriate written policies and procedures related to information technology – security, cyber-resilience, disaster recovery capabilities and a business continuity plan.

85. Crypto Assets held by the Filer in its hot wallets are secured by using MPC provided by Fireblocks. In addition to the insurance coverage available through the Filer's insurance provider and through Fireblocks, the Filer has obtained a guarantee through Coincover for the backup key material for the hot wallets. The funds from the Coincover guarantee, the Filer's insurance coverage or the insurance coverage of its hot wallet service provider will, in the aggregate, be sufficient to cover the value of Crypto Assets held in the Filer's hot wallets and will be available in the event of the loss of assets held in these wallets.
86. All fiat currency owned by clients that is being held by the Filer will be held by Tetra or such other Canadian Financial Institution in a designated trust account, in the name of the Filer in trust for the benefit of the Filer's clients.

#### *Marketplace and Clearing Agency*

88. 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).
89. 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 and 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 Requested Relief is granted, and the Decision of each Coordinated Review Decision Maker under the securities legislation of its jurisdiction is 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 applicable securities legislation in the jurisdiction of the Principal Regulator, 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, and any representatives of the Filer, will not provide recommendations or advice to any client or prospective client on the Platform.
4. The Filer will only engage in the business of trading Crypto Contracts based on Crypto Assets that (a) are not themselves securities or derivatives, or (b) are Value-Referenced Crypto Assets in accordance with paragraph 31 of these Conditions, and performing its obligations under those contracts, and will 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 Jurisdiction, prior to undertaking any other activity governed by securities legislation.
5. 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” or “clearing house” as the terms are defined or referred to in securities legislation.
6. 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 an Acceptable Third-Party Custodian, unless the Filer has obtained the prior written approval of the Principal Regulator to hold a different percentage with an Acceptable Third-Party Custodian.
7. The Filer will, before allowing an Acceptable Third-Party Custodian to hold Crypto Assets relating to obligation under Crypto Contracts, take reasonable steps to verify that the Acceptable Third-Party Custodian:
  - (a) will hold the Crypto Assets for its clients (i) in an account clearly designated for the benefit of clients or in trust for clients, (ii) separate and apart from the assets of non-Canadian clients, and (iii) separate and apart from its own assets and from the assets of any custodial service provider;
  - (b) has appropriate insurance to cover the loss of Crypto Assets held at the custodian;
  - (c) 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 the Acceptable Third-Party Custodian; and
  - (d) 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 Acceptable Third-Party Custodian has obtained a SOC 1 - Type 1 or Type 2 or a SOC 2 - Type 1 report within the last 12 months.
8. The Filer will promptly notify the Principal Regulator if the Alberta Treasury Board and Finance makes a determination that Tetra is not permitted by that regulatory authority to hold client Crypto Assets. In such case, the Filer will retain the services of a suitable

alternative custody provider that meets the definition of an Acceptable Third-Party Custodian;

9. For the Crypto Assets held by the Filer, the Filer:
  - (a) will hold the Crypto Assets
    - (i) in an account designated for the benefit of clients or in trust for clients,
    - (ii) separate and distinct from the assets of any non- Canadian clients and
    - (iii) separate and distinct from the assets 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.
10. To ensure that the Filer has reasonable access to liquidity in relation to Crypto Assets, the Filer will use multiple Liquidity Providers, at least two, that are not Affiliates of the Filer and verify that each Liquidity Provider is
  - (a) 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,
  - (b) not a Liquidity Provider in respect of a Crypto Asset promoted or issued by the Liquidity Provider, and
  - (c) not in default of securities legislation in any of the Jurisdictions.
11. The Filer will cease using a Liquidity Provider upon the direction of the Principal Regulator when the Principal Regulator has concerns relating to the Liquidity Provider, including but not limited to concerns relating to the Liquidity Provider's compliance with securities legislation.
12. The Filer will establish, maintain and apply written policies and procedures to ensure that Liquidity Providers that it uses are able to provide adequate liquidity for the Crypto Assets which are the basis for the Crypto Contracts traded by the Filer.
13. The Filer has established, and will maintain and apply, written 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 a Client 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.
15. The disclosures referred to in paragraph 14 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.
16. 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.
17. 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 Filer's website and mobile application and includes the information set out in paragraph 38 of the Representations, above. The instructions will include a link to the Crypto Asset Statement on the Filer's website or mobile application.
18. 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 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 will require the client to provide electronic acknowledgement of having received, read and understood 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 Platform, with links provided to the updated Crypto Asset 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 the Risk Statement delivered to the client to the Principal Regulator.
20. For each client, the Filer will perform an account appropriateness assessment as described in paragraphs 28 to 32 of the Representations above, prior to opening an account and on an ongoing basis at least annually.
21. 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.
22. 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 (**Specified Crypto Assets**), 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.

23. The Filer has established and will apply and monitor the Client Limits set out in paragraph 31 of the Representations above. If applicable, the Filer will establish the limits of losses for each client before account opening and on an ongoing basis, at least annually.
24. 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.
25. The Filer will establish, maintain and apply written policies and procedures that establish a system of controls and supervision sufficient to
  - (a) provide reasonable assurance that the Filer and each individual acting on its behalf complies with securities legislation, and
  - (b) manage the risks associated with its business, including operations that are not related to trading securities or derivatives, in accordance with prudent business practices.
26. Further to paragraph 25(a) of the Conditions, the Filer's written policies and procedures will reflect that the Filer has obtained exemptive relief from certain regulatory requirements under the Filer's Application for Relief.
27. 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 or its business, activities, operations, including its systems, or its business model.
28. The Filer will notify the Principal Regulator, promptly, of any material breach or failure of its or its Acceptable Third-Party Custodian's system of controls or supervision, and, if a material breach or failure does occur, what steps have been taken by the Filer [or the Acceptable Third-Party Custodian] to address each such breach or failure. The loss of any amount of Crypto Assets will be considered a material breach or failure.
29. The Filer will notify the Principal Regulator, promptly, of any material breach or failure of the Filer's system of controls or supervision, the system of controls or supervision or each Affiliate of the Filer that could have a material impact on the Filer, and if a breach or failure does occur, what 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.
30. If, in the future, the Filer has Affiliates located outside of Canada that trade Crypto Assets or Crypto Contracts as a part of their business or that provide services to or have an intercompany arrangement with the Filer, the Filer will provide the following:
  - (a) relevant information, as determined by the Principal Regulator, about Affiliates and material service providers to the Filer. For greater certainty, relevant information includes written policies and procedures relating to how existing or

potential conflicts with the Filer are addressed and material contracts pertaining to each Affiliate and entity that provides material services to the Filer;

- (b) disclosure of any and all transactions involving Affiliate and confirmation that any transactions and services with Affiliate are for appropriate business reasons; and
  - (c) confirmation that the Principal Regulator may contact and discuss the Filer and its Affiliates with other international regulators.
31. The Filer will not permit its clients to buy or deposit a Value-Referenced Crypto Asset or trade a Crypto Contract based on a Value-Referenced Crypto Asset without the prior written consent of the Principal Regulator and the regulator or securities regulatory authority of the other Jurisdiction(s) and subject to such terms and conditions as may be imposed on the Filer and the issuer of the Value-Referenced Crypto Assets by the regulator or securities regulatory authority.
32. The Filer will not offer Crypto Asset lending products or services or Staking Services to clients without the prior written consent of the Principal Regulator and the regulator or securities regulatory authority of any Jurisdiction(s) in which such products or services are offered. The Filer will evaluate Crypto Assets as set out in its KYP Policy and described in paragraphs 19 to 24 of the Representations above.
33. 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 anti-money laundering 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 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, or any other jurisdiction that the Principal Regulator shall advise.
34. The Filer 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, its issuer or Affiliates or associates of such persons unless it has obtained the prior written approval of and subject to such terms and conditions as may be imposed by the Principal Regulator.
35. 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.

36. 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.
37. The Filer will not be liable for the debt of an Affiliate or Affiliates that could have a material negative effect on the Filer.
38. The Filer will exclude from the excess working capital calculation all the Crypto Assets it holds for which there is no offsetting by a corresponding current liability.

#### *Data Reporting*

36. The Filer will provide the Principal Regulator for each client, and each 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, the data described in Appendix B.
37. 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 Client Limits that may be established pursuant to paragraph 31 of the Representations were exceeded during that month.
38. 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 written policies and procedures on the operations of its wallets that were previously delivered to the Principal Regulator; or
  - (b) a nil report stating no changes have been made to its written policies and procedures on the operations of its wallets in the quarter.
39. In addition to any other reporting required by the 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.
40. Upon request, the Filer will provide the Principal Regulator, the Coordinated Review Decision Makers 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.

41. The Filer will promptly make any changes to its business practices or written 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.
42. The Filer will, if it intends to operate the platform in Ontario and Québec after the date 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 a CIRO 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 CIRO to transition the platform to investment dealer registration and obtain CIRO membership.
43. This Decision shall expire two years following the date of this Decision.
44. This Decision may be amended by the Principal Regulator upon prior written notice to the Filer in accordance with applicable securities legislation.

9/14/2023 | 4:17 PM PDT

DocuSigned by:  
**Mark Wang**  
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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**), and the power to grant exemption orders set out in Section 42 of 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 the power to grant exemption orders set out in Section 42 of MSC Rule 91-507; and
- c. 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.

## Appendix B – Reporting Requirements

### Part A - Data Reporting

1. Commencing with the quarter ending September 30, 2023, the Filer will deliver the following information to the Principal Regulator and each of the Coordinated Review Decision Makers in an agreed form and manner specified by the Principal Regulator and each of the Coordinated Review Decision Makers with respect to Clients residing in the Jurisdiction of such Coordinated Review Decision Maker, within 30 days of the end of each March, June, September and December:
  - (a) aggregate reporting of activity conducted pursuant to the Platform's operations that will include the following:
    - i. number of Client Accounts opened each month in the quarter;
    - ii. number of Client Accounts frozen or closed each month in the quarter;
    - iii. number of Client Account applications rejected by the platform each month in the quarter based on the account appropriateness factors described in paragraph 29 of the Representations;
    - iv. number of trades each month in the quarter;
    - v. average value of the trades in each month in the quarter;
    - vi. 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;
    - vii. number of Client Accounts that in the preceding 12 months, excluding Specified Crypto Assets, exceeded a net acquisition cost of \$30,000 at the end of each month in the quarter;
    - viii. number of Client Accounts at the end of each month in the quarter;
    - ix. number of Client Accounts with no trades during the quarter;
    - x. number of Client Accounts that have not been funded at the end of each month in the quarter;
    - xi. number of Client Accounts that hold a positive amount of Crypto Assets at end of each month in the quarter;
    - xii. number of Client Accounts that exceeded their Client Limit 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) a listing of all blockchain addresses, except for deposit addresses, that hold Crypto Assets on behalf of Clients, including all hot and cold wallets;
  - (d) 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;
  - (e) the details of the transaction volume per Liquidity Provider, per Crypto Asset during the quarter.
2. The Filer will deliver to the Principal Regulator and each of the Coordinated Review Decision Makers, in an agreed form and manner specified by the Principal Regulator and each of the Coordinated Review Decision Makers, a report that includes the anonymized account-level data for the Platform's operations for each client residing in the Jurisdiction of such Coordinated Review Decision Maker, within 30 days of the end of each March, June, September and December for data elements outlined below in Part B.

## Part B. - Data Element Definitions, Formats and Allowable Values

Number	Data Element Name	Definition for Data Element <sup>1</sup>	Format	Values	Example
<b>Data Elements Related to each Unique Client</b>					
1	Unique Client Identifier	Alphanumeric code that uniquely identifies a customer.	Varchar(72)	An internal client identifier code assigned by the CTP to the client. The identifier must be unique to the client.	ABC1234
2	Unique Account Identifier	Alphanumeric code that uniquely identifies an account.	Varchar(72)	A unique internal identifier code which pertains to the customer's account. There may be more than one Unique Account Identifier linked to a Unique Client Identifier.	ABC1234
3	Jurisdiction	The Province or Territory where the client, head office or principal place of business is, or under which laws the client is organized, or if an individual, their principal place of residence.	Varchar(5)	Jurisdiction where the client is located using ISO 3166-2 - See the following link for more details on the ISO standard for Canadian jurisdictions codes. <a href="https://www.iso.org/obp/ui/#iso:code:3166:CA">https://www.iso.org/obp/ui/#iso:code:3166:CA</a>	CA-ON
<b>Data Elements Related to each Unique Account</b>					
4	Account Open Date	Date the account was opened and approved to trade.	YYYY-MM-DD, based on UTC.	Any valid date based on ISO 8601 date format.	2022-10-27

<sup>1</sup> Note: Digital Token refers to either data associated with a Digital Token, or a Digital Token referenced in an investment contract.

<b>Number</b>	<b>Data Element Name</b>	<b>Definition for Data Element<sup>1</sup></b>	<b>Format</b>	<b>Values</b>	<b>Example</b>
5	Cumulative Realized Gains/Losses	Cumulative Realized Gains/Losses from purchases, sales, deposits, withdrawals and transfers in and out, since the account was opened as of the end of the reporting period.	Num(25,0)	Any value rounded to the nearest dollar in CAD. Use the market value at the time of transfers in, transfers out, deposits and withdrawals of the Digital Token to determine the cost basis or the realized gain or loss.	205333
6	Unrealized Gains/Losses	Unrealized Gains/Losses from purchases, deposits and transfers in as of the end of the reporting period.	Num(25,0)	Any value rounded to the nearest dollar in CAD. Use the market value at the time of transfers in or deposits of the Digital Token to determine the cost basis.	-30944
7	Digital Token Identifier	Alphanumeric code that uniquely identifies the Digital Token held in the account.	Char(9)	Digital Token Identifier as defined by ISO 24165. See the following link for more details on the ISO standard for Digital Token Identifiers. <a href="https://dtif.org/">https://dtif.org/</a>	4H95J0R2X
<b>Data Elements Related to each Digital Token Identifier Held in each Account</b>					
8	Quantity Bought	Number of units of the Digital Token bought in the account during the reporting period.	Num(31,18)	Any value greater than or equal to zero up to a maximum number of 18 decimal places.	4358.326

<b>Number</b>	<b>Data Element Name</b>	<b>Definition for Data Element1</b>	<b>Format</b>	<b>Values</b>	<b>Example</b>
9	Number of Buy Transactions	Number of transactions associated with the Quantity Bought during the reporting period.	Num(25,0)	Any value greater than or equal to zero.	400
10	Quantity Sold	Number of units of the Digital Token sold in the account during the reporting period.	Num(31,18)	Any value greater than or equal to zero up to a maximum number of 18 decimal places.	125
11	Number of Sell Transactions	Number of transactions associated with the Quantity Sold during the reporting period.	Num(25,0)	Any value greater than or equal to zero.	3325
12	Quantity Transferred In	Number of units of the Digital Token transferred into the account during the reporting period.	Num(31,18)	Any value greater than or equal to zero up to a maximum number of 18 decimal places.	10.928606
13	Number of Transactions from Transfers In	Number of transactions associated with the quantity transferred into the account during the reporting period.	Num(25,0)	Any value greater than or equal to zero.	3
14	Quantity Transferred Out	Number of units of the Digital Token transferred out of the account during the reporting period.	Num(31,18)	Any value greater than or equal to zero up to a maximum number of 18 decimal places.	603

<b>Number</b>	<b>Data Element Name</b>	<b>Definition for Data Element1</b>	<b>Format</b>	<b>Values</b>	<b>Example</b>
15	Number of Transactions from Transfers Out	Number of transactions associated with the quantity transferred out of the account during the reporting period.	Num(25,0)	Any value greater than or equal to zero.	45
16	Quantity Held	Number of units of the Digital Token held in the account as of the end of the reporting period.	Num(31,18)	Any value greater than or equal to zero up to a maximum number of 18 decimal places.	3641.25461
17	Value of Digital To- ken Held	Value of the Digital Token held as of the end of the reporting period.	Num(25,0)	Any value greater than or equal to zero rounded to the nearest dollar in CAD. Use the unit price of the Digital Token as of the last business day of the reporting period multiplied by the quantity held as reported in (16).	45177788
18	Client Limit	The Client Limit established on each account.	Num(25,2)	Any value greater than or equal to zero rounded to the nearest dollar in CAD, or if a percentage, in decimal format.	0.50
19	Client Limit Type	The type of limit as reported in (18).	Char(3)	AMT (amount) or PER (percent).	PER