B.3.11   Ndax Canada Inc.

Headnote

Application for time-limited relief from the prospectus requirement, trade reporting requirements and certain provisions of National Instrument 21-101 Marketplace Operation – relief to allow the Filer to distribute Crypto Contracts and operate a platform that facilitates the buying, selling, holding and staking of crypto assets – relief granted subject to certain conditions set out in the decision, including investment limits, disclosure and reporting requirements – relief will expire upon two (2) years – relief granted based on the particular facts and circumstances of the application with the objective of fostering innovative businesses in Canada – decision should not be viewed as precedent for other filers.

Statute cited

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

Instrument, Rule or Policy cited

Multilateral Instrument 11-102 Passport System, s. 4.7.
National Instrument 21-101 Marketplace Operation, s. 15.1.
OSC Rule 91-506 Derivatives: Product Determination, ss. 2 & 4.
OSC Rule 91-507 Trade Repositories and Derivatives Data Reporting, Part 3.

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA,
ONTARIO,
BRITISH COLUMBIA,
MANITOBA,
NEW BRUNSWICK,
NEWFOUNDLAND AND LABRADOR,
NORTHWEST TERRITORIES,
NOVA SCOTIA,
NUNAVUT,
PRINCE EDWARD ISLAND,
QUEBEC,
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
NDAX CANADA INC.
(the Filer)**

DECISION

Background

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

To foster innovation and respond to novel circumstances, the CSA has considered an interim, time-limited registration that would allow CTPs to operate within a regulated framework, with regulatory requirements tailored to the CTP's operations. The overall

goal of the regulatory framework is to ensure that there is a balance between the need to be flexible and facilitate innovation in the Canadian capital markets, while upholding the regulatory mandate of promoting investor protection and fair and efficient capital markets.

The Filer operates a proprietary and fully automated Dealer Platform and Marketplace Platform (as described in Staff Notice 21-329) (the **Ndax Platform**) that enables clients to enter into Crypto Contracts with the Filer to purchase, sell, hold, deposit, withdraw and stake crypto assets, such as Bitcoin, Ether and anything commonly considered to be a crypto asset, digital or virtual currency, or digital or virtual token (**Crypto Asset** and collectively, **Crypto Assets**). Prior to the date of this Decision, the Filer operated under a pre-registration undertaking dated March 24, 2023 in favour of the Principal Regulator (as defined below) and the other members of the CSA. The Filer has filed an application to be registered in the category of investment dealer and approved as a dealer and marketplace member with the Canadian Investment Regulatory Organization (**CIRO**) and for approval to operate an alternative trading system as a registered investment dealer. The Filer has also filed an application to be exempted from certain requirements under applicable securities legislation.

This Decision 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.

Relief Requested

The securities regulatory authority or regulator in Alberta and Ontario (the **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 the prospectus requirement under the Legislation in respect of the Filer entering into Crypto Contracts with clients to purchase, sell, hold, deposit, withdraw and stake, as applicable, Crypto Assets (the **Prospectus Relief**).

The securities regulatory authority or regulator in each of the jurisdictions where required (the **Coordinated Review Decision Makers**), has 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:

(a)   certain reporting requirements under the Local Trade Reporting Rules (as defined in Appendix A) (the **Trade Reporting Relief**); and

(b)   except in British Columbia, Saskatchewan, New Brunswick and Nova Scotia, relief from the following marketplace requirements:

(i)   section 6.3 of National Instrument 21-101 *Marketplace Operation* (**NI 21-101**), which prohibits an alternative trading system (**ATS**) from trading securities other than "exchange-traded securities", "corporate debt securities", "government debt securities" and "foreign exchange-traded securities", as those terms are defined in NI 21-101;

(ii)   section 6.7 of NI 21-101, which requires an ATS to notify the securities regulatory authority in writing if the total dollar trading value or volume on the ATS exceeds thresholds set out in section 6.7;

(iii)   section 12.3(1)(a) of NI 21-101, which requires an ATS to make available all technology requirements regarding interfacing with or accessing the marketplace prior to commencing operations; and

(iv)   section 13.1 of NI 21-101, which requires trades on a marketplace to be reported to and settled through a clearing agency.

(the **Marketplace Relief,** and together with the Prospectus Relief and the Trade Reporting Relief, the **Requested Relief**).

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

(a)   the Alberta Securities Commission is the principal regulator for the Application (the **Principal Regulator**);

(b)   the decision in respect of the Prospectus Relief 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, 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 Jurisdictions except Ontario; and

(d)   the decision in respect of the Trade Reporting Relief and the Marketplace Relief is the decision of the Principal Regulator and evidences the decision of each Coordinated Review Decision Maker.

Interpretation

For the purposes of this Decision:

(a)   "Acceptable Third-party Custodian" means an entity that:

    (i)   is one of the following:

        1.   a Canadian custodian or Canadian financial institution;

        2.   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*;

        3.   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;

        4.   a foreign custodian (as defined in NI 31-103) for which the Filer has obtained the prior written consent from the Principal Regulator and the regulator or securities regulatory authority of the Jurisdiction(s); or

        5.   an entity that does not meet the criteria for a qualified custodian (as defined in NI 31-103) and for which the Filer has obtained the prior written consent from the Principal Regulator and the regulator or securities regulatory authority of the Jurisdiction(s);

    (ii)   is functionally independent of the Filer within the meaning of NI 31-103;

    (iii)   has obtained audited financial statements within the last twelve months which

        1.   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;

        2.   are accompanied by an auditor's report that expresses an unqualified opinion, and

        3.   unless otherwise agreed to by the Principal Regulator, discloses on their 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; and

    (iv)   has obtained a Systems and Organization Controls (**SOC**) 2 Type 1 or SOC 2 Type 2 report within the last twelve months or has obtained a comparable report recognized by a similar accreditation board satisfactory to the Principal Regulator and the regulator or securities regulatory authority of the Jurisdiction(s);

(b)   "Accredited Crypto Investor" means

    (i)   an individual

        1.   who, alone or with a spouse, beneficially owns financial assets (as defined in section 1.1 of NI 45-106) and Crypto Assets, if not included in financial assets, having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$1,000,000,

        2.   whose net income before taxes exceeded \$200,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that net income level in the current calendar year,

        3.   whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that net income level in the current calendar year, or

        4.   who, alone or with a spouse, beneficially owns net assets of at least \$5,000,000,

    (ii)   a person or company described in paragraphs (a) to (i) of the definition of "accredited investor" as defined in subsection 73.3(1) of the *Securities Act* (Ontario) or section 1.1 of NI 45-106, or

    (iii)   a person or company described in paragraphs (m) to (w) of the definition of "accredited investor" as defined in section 1.1 of NI 45-106;

(c)   "Act" means the *Securities Act* (Alberta);

(d)   "Account Appropriateness Factors" has the meaning ascribed to that term in representation 29(a);

(e)   "Apps" means iOS and Android applications that provide access to the Ndax Platform;

(f)   "Audited financial statements" means either consolidated financial statements of the Filer's parent company prepared in accordance with International Financial Reporting Standards (**IFRS**), or the non-consolidated statements of CIRO Form 1 special purpose report, prepared in accordance with IFRS except for the prescribed IFRS departures as specified in the Form and at the direction of CIRO;

(g)   "Canadian custodian" has the meaning ascribed to that term in NI 31-103;

(h)   "Canadian financial institution" has the meaning ascribed to that term in NI 45-106;

(i)   "Client Account" means an account opened by a client of the Filer using the Filer's website and/or Apps to access the Ndax Platform;

(j)   "Client Limit" has the same meaning as in representation 29(b);

(k)   "Crypto Asset Statement" has the meaning ascribed to that term in representation 29(c)(v);

(l)   "Dealer Platform" has the meaning ascribed to that term in Staff Notice 21-329;

(m)   "Eligible Crypto Investor" means

    (i)   a person whose

        1.   net assets, alone or with a spouse, in the case of an individual, exceed $400,000,

        2.   net income before taxes exceeded $75,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year, or

        3.   net income before taxes, alone or with a spouse, in the case of an individual, exceeded $125,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year, or

    (ii)   an Accredited Crypto Investor;

(n)   "foreign custodian" has the meaning ascribed to that term in NI 31-103;

(o)   "IOSCO" means the International Organization of Securities Commissions;

(p)   "KYP Policy" has the meaning ascribed to that term in representation 18;

(q)   "Liquidity Provider" means a crypto asset trading platform or marketplace or other entity that the Filer uses to fulfill its obligations under Crypto Contracts;

(r)   "Marketplace Platform" has the meaning ascribed to that term in Staff Notice 21-329;

(s)   "NI 31-103" means National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

(t)   "NI 45-106" means National Instrument 45-106 *Prospectus Exemptions*;

(u)   "permitted client" has the meaning ascribed to that term in NI 31-103;

(v)   "Proprietary Token" means a Crypto Asset that is not a Value-Referenced Crypto Asset, and for which the person or company or an affiliate of the person or company acted as the issuer (and mints or burns the Crypto Asset) or a promoter (as defined under Canadian securities legislation);

(w)   "Risk Statement" has the meaning ascribed to that term in representation 29(c);

(x)   "Specified Crypto Asset" means the Crypto Assets listed in Appendix B to this Decision;

(y)   "Specified Foreign Jurisdiction" means any of the following: Australia, Brazil, any member country of the European Union, Hong Kong, Japan, the Republic of Korea, New Zealand, Singapore, Switzerland, the United Kingdom of Great Britain and Northern Ireland, the United States of America and any other jurisdiction that the Principal Regulator may advise;

(z)   "Stakeable Crypto Assets" means (i) Crypto Assets of blockchains that use a proof-of-stake consensus mechanism and (ii) the staked Crypto Assets that are used to guarantee the legitimacy of new transactions the Validator adds to the blockchain;

(aa)   "Staking" means the act of committing or locking Stakeable Crypto Assets in smart contracts to permit the owner or the owner's agent to act as a Validator for a particular proof-of-stake consensus algorithm blockchain;

(bb)   "Staking Services" means any and all services conducted by the Filer and third parties in order to enable the staking of Stakeable Crypto Assets that are held on the Ndax Platform for the benefit of clients;

(cc)   "Validator" means in connection with a particular proof-of-stake consensus algorithm blockchain, an entity that operates nodes that meet protocol requirements for a Crypto Asset and participates in consensus by broadcasting votes and committing new blocks to the blockchain;

(dd)   "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; and

(ee)   "Website" means the website www.ndax.io or such other website as may be used, among other things, to host the Ndax Platform from time to time.

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

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 the province of Alberta with its head office in Calgary, Alberta.

2.   The Filer operates under the business name "Ndax".

3.   The Filer is registered as a money services business (**MSB**) under regulations made under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada).

4.   The Filer does not have any securities listed or quoted on an exchange or marketplace in any jurisdiction inside or outside of Canada.

5.   The Filer has applied to be a registered dealer in the category of investment dealer with the Jurisdictions and a member of CIRO. The Filer's books and records, financial controls and compliance systems (including its policies and procedures) are in compliance with CIRO requirements and the Legislation.

6.   The Filer's personnel consists of software engineers, compliance professionals, finance professionals and customer support representatives who each have experience operating in a regulated environment as an MSB and expertise in blockchain technology. All of the Filer's personnel have passed, and new personnel will pass, criminal records and credit checks.

7.   The Filer is not in default of securities legislation of any of the Jurisdictions, other than in respect of the subject matter to which the Decision relates. Prior to obtaining investment dealer registration and CIRO membership, the Filer operated under a pre-registration undertaking dated March 24, 2023.

The Ndax Platform

8.   The Filer operates a proprietary and fully automated internet-based platform for the trading of Crypto Assets in Canada that, if applicable, enables clients to buy, sell, hold, deposit, withdraw and stake Crypto Assets.

9.   Clients' buy and sell orders for Crypto Assets are either matched with other clients on the Ndax Platform or are entered into with the Filer. In either case, the Filer enters into Crypto Contracts with its clients in respect of the Crypto Assets that are bought or sold, whether as counterparty to the trades or for purposes of settlement. The Crypto Contract is a bilateral contract between a client and the Filer.

10.   To use the Ndax Platform or the over-the-counter (**OTC**) trading desk, each client must open a Client Account using the Filer's Website or the Apps. Client Accounts are governed by a user agreement (**Ndax User Agreement**) that is accepted by clients at the time of account opening. The Ndax User Agreement governs all activities in Client Accounts, including with respect to all Crypto Assets purchased on, or transferred to, the Ndax Platform (**Client Assets**). While clients are entitled to transfer Client Assets out of their Client Accounts immediately after purchase, many clients choose to leave their Client Assets in their Client Accounts.

11.   The Filer also offers Staking Services for the Stakeable Crypto Assets through the Ndax Platform.

12.   Under the Ndax User Agreement, the Filer maintains certain controls over Client Accounts to ensure compliance with applicable law and with the by-laws, rules, regulations and policies of CIRO (**CIRO Rules**) and to provide secure custody of Client Assets.

13.   The Filer displays client orders for Crypto Assets and its own orders as principal on the Ndax Platform, which functions as a Dealer Platform and Marketplace Platform as described under "Operation of the Ndax Platform".

14.   In each case, the Filer enters into Crypto Contracts with its clients to facilitate trading in Crypto Assets, which is consistent with activities described in Staff Notice 21-327 and constitutes the trading of securities and/or derivatives.

15.   The Filer provides order execution only (**OEO**) account services as a CIRO dealer under CIRO Rules.

16.   The Filer does not have any authority to act on a discretionary basis on behalf of clients and does not offer or provide discretionary investment management services relating to Crypto Assets.

17.   The Filer will be a member firm of the Canadian Investor Protection Fund (**CIPF**), but the Crypto Assets in the Filer's custody will not qualify for CIPF coverage. The Risk Statement includes disclosure that there will be no CIPF coverage for the Crypto Assets and clients must acknowledge that they have read and understood the Risk Statement before opening a Client Account with the Filer.

Crypto Assets Made Available through the Ndax Platform

18.   The Filer has established and applies policies and procedures to review Crypto Assets and to determine whether to allow clients on the Ndax Platform to enter into Crypto Contracts to buy, sell or hold a Crypto Asset on the Ndax Platform (**KYP Policy**). Such review includes, but is not limited to, publicly available information concerning:

    (a)   the creation, governance, usage and design of the Crypto Asset, including the source code, security and roadmap for growth in the developer community and, if applicable, the background of the developer(s) that created the Crypto Asset;

    (b)   the supply, demand, maturity, utility and liquidity of the Crypto Asset;

    (c)   material technical risks associated with the Crypto Asset, including any code defects, security breaches and other threats concerning the Crypto Asset and its supporting blockchain (such as the susceptibility to hacking and impact of forking), or the practices and protocols that apply to them; and

    (d)   legal and regulatory risks associated with the Crypto Asset, including any pending, potential or prior civil, regulatory, criminal or enforcement action relating to the issuance, distribution or use of the Crypto Asset.

19.   The Filer only offers and trades Crypto Contracts based on (a) Crypto Assets that are not in and of themselves securities or derivatives, or (b) Value-Referenced Crypto Assets in accordance with conditions CC and DD of this Decision.

20.   The Filer will not allow clients to enter into a Crypto Contract to buy, sell or stake Crypto Assets unless the Filer has taken steps to:

    (a)   assess the relevant aspects of each of the Crypto Assets pursuant to the KYP Policy and as described in representation 18 to determine whether it is appropriate for its clients;

    (b)   approve the Crypto Asset, and Crypto Contracts to buy, sell and stake such Crypto Asset, as applicable, 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 on the Ndax Platform 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 the 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 and/or derivative; and

    (b) if the Filer determines it to be necessary, obtaining legal advice as to whether the Crypto Asset is a security and/or derivative under securities legislation of the Jurisdictions.

23. The Filer monitors ongoing developments related to the Crypto Assets available on the Ndax Platform that may cause a Crypto Asset's status as a security and/or derivative or the assessment conducted by the Filer pursuant to its KYC Policy and as described in representations 18 to 22 to change.

24. The Filer acknowledges that any determination made by the Filer 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 available on the Ndax Platform is a security and/or derivative.

25. The Filer has established and applies policies and procedures to promptly stop the trading of any Crypto Asset available on the Ndax Platform and to allow clients to liquidate, in an orderly manner, their positions in Crypto Assets and Crypto Contracts with underlying Crypto Assets that the Filer ceases to make available on the Ndax Platform.

Account Opening

26. Subject to the Filer determining that it is appropriate for a Client Account to be opened, the Ndax Platform is available to any individual, and any legal entity where the instructions are authorized to be given by any individual, who is a Canadian citizen, permanent resident or temporarily legally resident in Canada based on a work or student visa and who has reached the age of majority in the jurisdiction in which they are resident and who has the legal capacity to open a securities brokerage account. Each potential client must also hold an account with a Canadian financial institution. The Filer also conducts know-your-client information which satisfies the identity verification requirements applicable to reporting entities under Canadian anti-money laundering and anti-terrorist financing laws and CIRO requirements.

27. Clients of the Filer can access the Ndax Platform through its Website and on its Apps.

28. The Filer does not provide recommendations or advice to clients or conduct a trade-by-trade suitability determination for clients, but rather performs account appropriateness assessments and applies Client Limits.

29. As part of the account opening process:

    (a) in addition to the account opening assessment required under CIRO Rules and guidance for dealer members offering OEO account services, the Filer assesses "account appropriateness." Specifically, the Filer collects know-your-client (**KYC**) information and will, prior to opening a Client Account, use electronic questionnaires to collect information that the Filer will use to determine whether it is appropriate for a prospective client to buy and sell Crypto Assets, enter into Crypto Contracts and participate in the Staking Service, if applicable. The account appropriateness assessment conducted by the Filer considers the following factors (the **Account Appropriateness Factors**):

        (i) the client's experience and knowledge in investing in Crypto Assets;

        (ii) the client's financial assets and income;

        (iii) the client's risk and loss tolerance; and

        (iv) the Crypto Assets approved to be made available to a client by entering into Crypto Contracts on the Ndax Platform.

        The Account Appropriateness Factors are used by the Filer to evaluate whether and to what extent entering into Crypto Contracts on the Ndax Platform is appropriate for a prospective client before the opening of a Client Account. After completion of the account-level appropriateness assessment, a prospective client receives electronically appropriate messaging about using the Ndax Platform to buy and sell Crypto Assets, enter into Crypto Contracts and participate in the Staking Services, if applicable, which, in circumstances where the Filer has evaluated that buying and selling Crypto Assets, entering into Crypto Contracts or engaging in the Staking

Services 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 a Client Account with the Filer;

(b) the Filer has adopted and applies policies and procedures to conduct an assessment to establish appropriate limits on the losses that a client that is not a permitted client can incur, what limits will apply to such client based on the Account Appropriateness Factors (**Client Limit**), and what steps the Filer will take when the client approaches or exceeds their Client Limit. After completion of the assessment, the Filer implements controls to monitor and apply the Client Limit;

(c) the Filer provides a prospective client with a separate Risk Statement that clearly explains the following in plain language:

   (i) the Crypto Contracts;

   (ii) the risks associated with the Crypto Contracts;

   (iii) a prominent 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 Ndax Platform;

   (iv) the due diligence performed by the Filer before making a Crypto Asset available through the Ndax Platform, including the due diligence undertaken by the Filer to assess whether the Crypto Asset is a security and/or derivative under the securities legislation of each of the Jurisdictions and the securities and derivatives laws of the foreign jurisdiction with which the Crypto Asset has the most significant connection, and the risks if the Filer has incorrectly determined that the Crypto Asset is not a security and/or derivative;

   (v) that the Filer has prepared a plain language description of each Crypto Asset and the risks of each Crypto Asset made available through the Ndax Platform, with instructions as to where on the Ndax Platform the client may obtain the descriptions (each, a **Crypto Asset Statement**);

   (vi) the Filer's policies for halting, suspending and withdrawing a Crypto Asset from trading on the Ndax Platform, including criteria that would be considered by the Filer, options available to clients holding such a Crypto Asset, any notification periods and any risks to clients;

   (vii) the location and manner in which Crypto Assets are held for the client, the risks and benefits to the client of the Crypto Assets being held in that location and in that manner, including the impact of insolvency of the Filer or the Acceptable Third-party Custodian;

   (viii) the manner in which the Crypto Assets are accessible by the Filer, and the risks and benefits to the client arising from the Filer having access to the Crypto Assets in that manner;

   (ix) that the Filer is a member of CIPF, but the Crypto Contracts issued by the Filer 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 204(1) of the Act, and, if applicable, similar statutory rights under securities legislation of 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 in the Decision;

   (xi) prior to a client deciding to stake Stakeable Crypto Assets through the Ndax Platform, the disclosure referred to in condition L; and

   (xii) the date on which the information was last updated.

30. The Filer will require clients to agree to the Ndax Platform's access requirements, which are available on the Website and include the following:

(a) trading hours of the Ndax Platform;

(b) procedures for funding purchases and withdrawing funds from the Ndax Platform;

(c) the fees charged to a client on the Ndax Platform;

(d) requirement that the client must comply with any restrictions on use of the Ndax Platform, including complying with trading requirements applicable to CIRO members, such as CIRO's Universal Market Integrity Rules and all applicable laws;

     (e)   the possible consequences of any unauthorized use or non-compliance; and

     (f)   the Filer's conflict of interest policies and procedures.

31.   In order for a prospective client to open and operate a Client 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 acknowledgement will be prominent and separate from other acknowledgements provided by the prospective client as part of the account opening process.

32.   A copy of the Risk Statement acknowledged by a client will be made available to the client in the same place as the client's other statements on the Ndax Platform.

33.   The Filer has policies and procedures for updating the Risk Statement and each Crypto Asset Statement to reflect any material changes to the disclosure or include any material risks that may develop with respect to the Crypto Contracts, Crypto Assets generally, or a specific Crypto Asset, as the case may be. In the event the Risk Statement is updated, existing clients of the Filer will be promptly notified of the update 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 or in-App disclosures, with links provided to the updated Crypto Asset Statement.

34.   For clients with pre-existing Client Accounts with the Filer at the time of this Decision and to the extent that the Filer has not previously done all of the following, the Filer will do the following at the earlier of (a) the next time they log in to their Client Account and (b) before placing their next trade or deposit of Crypto Assets on the Ndax Platform:

     (a)   confirm prior KYC information on file;

     (b)   assess the "account appropriateness" for the client;

     (c)   establish the Client Limit for the client; and

     (d)   deliver to the client a Risk Statement and require the client to provide electronic acknowledgement of having received, read and understood the Risk Statement. The Risk Statement will be prominent and separate from other disclosures given to the client at that time and the acknowledgment will be separate from other acknowledgements by the client at that time.

35.   Each Crypto Asset Statement will include in plain language:

     (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 Ndax Platform;

     (b)   a description of the Crypto Asset, including the background of the creation of the Crypto Asset, including the background of the developer(s) that created the Crypto Asset, if applicable;

     (c)   a description of the due diligence performed by the Filer with respect to the Crypto Asset;

     (d)   any risks specific to the Crypto Asset;

     (e)   a direction to the client to review the Risk Statement for additional discussion of general risks associated with the Crypto Contracts and Crypto Assets made available through the Ndax Platform;

     (f)   a statement that the statutory rights in section 204(1) 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 in this Decision; and

     (g)   the date on which the information was last updated.

36.   Before a client enters into a Crypto Contract to buy a Crypto Asset, the Filer will provide instructions for the client to read the Crypto Asset Statement for the Crypto Asset, which will include a link to the Crypto Asset Statement on the Website or Apps.

37.   In addition to any monitoring required by CIRO, the Filer monitors and will continue to monitor Client Accounts after opening to identify activity inconsistent with the client's Client Account and Crypto Asset assessment. If warranted, the client may receive further messaging about the Ndax Platform and the Crypto Assets, specific risk warnings and/or receive direct outreach from the Filer about their activity. The Filer monitors compliance with the Client Limits established in representation 29(b).

38.   The Filer also periodically prepares and makes 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 Ndax Platform and the ongoing development of Crypto Assets and Crypto Asset trading markets.

Operation of the Ndax Platform

39.   The Ndax Platform uses an order book that matches buy and sell orders on a non-discretionary basis based on strict price-time priority. In some Jurisdictions the Ndax Platform constitutes an ATS under applicable securities legislation, while in other Jurisdictions it constitutes an exchange under applicable securities legislation and will be regulated as an exempt exchange. The Filer has filed an exemptive relief application requesting relief from the obligation to be recognized as an exchange in those Jurisdictions.

40.   Trading pairs available on the Ndax Platform include Crypto Asset-for-fiat and Crypto Asset-for-Crypto Asset.

41.   Clients will be able to submit buy and sell orders, either in units of the applicable Crypto Asset or in fiat currency, 24 hours a day, 7 days a week. Clients will be able to deposit and withdraw Crypto Assets and fiat currency, 24 hours a day, 7 days a week (or where applicable, for fiat currency during banking hours).

42.   Certain clients may be granted permission to access the Ndax Platform via Ndax's application programming interface (**API**). API access will be provided in accordance with CIRO requirements and the Legislation.

43.   In addition to complying with the same onboarding requirements as clients who do not use an API, API clients are required to complete an additional questionnaire, are subject to additional terms and conditions, and are required to read and acknowledge the Crypto Asset Statement for each Crypto Asset on the Ndax Platform. Such clients are only permitted to use Ndax's API to trade as principal, and may not trade on behalf of any other person.

44.   The Filer does not provide direct electronic access to a person or company that is acting as a dealer (whether registered or otherwise), unless permitted under the CIRO Rules and the Legislation and in compliance with the CIRO Rules and the Legislation.

45.   Clients can enter orders to the Ndax Platform in two ways: (i) Quick Trade is a "Request for Quote" system that allows a client to enter a market order that specifies the desired trading pair and quantity; and (ii) Advanced Trade allows a client to enter a variety of limit orders (limit, stop, stop limit, trailing stop, trailing stop limit, iceberg, fill or kill and IOC (defined below)) or market orders and provides clients with a full-depth view of the two-sided displayed order book.

46.   All Crypto Contracts entered into by clients to buy, sell and hold Crypto Assets through Quick Trade and Advanced Trade will be placed with the Filer through the Website or its Apps or through an API.

47.   When a client enters a market order, the Filer presents an indicative average price calculated based on the available displayed contra-side bids or asks, as applicable (**Contra-Side Orders**) on the Ndax Platform that are required to fill the client's market order. If the client finds the price agreeable, the client then agrees to the entry of an order to the Ndax Platform against the available Contra-Side Orders.

48.   When a client enters a limit order using Advanced Trade, the limit order is partially or completely filled if there is one or more Contra-Side Orders at or better than the price of the limit order. Any unfilled portion of a limit order remains open as a displayed Contra-Side Order on the Ndax Platform, and is eligible to participate in subsequent matches of orders on a strict price-time priority basis, until modified or cancelled by the client or completely filled.

49.   The Contra-Side Orders against which a client's order may be matched in the automated order book may be orders entered by other clients or may be orders entered by the Filer as a passive liquidity provider.

50.   The Ndax Platform does not support contingent orders, dark orders, or indications of interest. The Ndax Platform also does not support short sale orders.

51.   The following designations or markers are recorded in respect of orders, as appropriate: trading participant number; marketplace number; account type - OEO client / non-client / principal; client identifier (i.e., legal entity identifier or client account number, as applicable); and time in force - good till cancelled / fill or kill / immediate execution or cancel (**IOC**).

52.   To ensure sufficient liquidity on the Ndax Platform, the Filer acts as a passive liquidity provider that automatically generates and enters orders on both sides of the market using an algorithm operated by the Filer. The Filer obtains buy and sell prices for Crypto Assets from crypto asset trading firms, after which the Filer incorporates a spread to compensate the Filer, and presents these adjusted prices as open buy and sell orders on the Ndax Platform.

53.   The Filer also operates an OTC trading desk for larger orders and for orders where the client has the option to elect to take immediate delivery of the Crypto Assets or keep the purchased Crypto Assets in the Client Account. These services

are subject to securities legislation, including the terms and conditions of this Decision. The OTC services are used by institutional and high-net-worth clients to execute orders that are generally larger than Quick Trade or Advanced Trade orders and provide more personalized execution assistance and greater access to liquidity through designated representatives of the Filer. The OTC services are also used by clients who want to immediately withdraw their Crypto Assets from the Ndax Platform. In respect of its OTC business, the Filer will be the counterparty to each buy or sell transaction initiated by a client. The OTC trading desk trades in the same Crypto Assets as the Ndax Platform.

54. The Filer is compensated by the spread earned on trades it enters into as a result of its passive liquidity provision activities, trading commissions associated with trades occurring on the Ndax Platform, and fees charged for Crypto Asset withdrawals.

55. All fees payable by a client, including transaction fees, are clearly disclosed on the Website and the Apps on the "Fees" page and through the trade confirmation summary page. Clients can verify pricing for Crypto Assets on the Ndax Platform against publicly available pricing information on other CTPs.

56. The Filer does not allow clients to enter into a Crypto Contract to buy and sell a particular Crypto Asset unless the Filer has taken steps:

    (a)   to review the Crypto Asset, including the information specified in representation 18;

    (b)   to approve the Crypto Asset, and Crypto Contracts to buy and sell such Crypto Asset, to be made available to clients;

    (c)   as set out in representation 23, to monitor the Crypto Asset for significant changes and review its approval under (b) where a significant change occurs.

57. The Filer maintains an internal ledger that records all of the trades executed via the Ndax Platform. The Filer's internal ledger records all of the transactions executed on the Ndax Platform. No order is accepted by the Filer unless there are sufficient assets available in the Client Account to fund the trade. When client orders are executed through the Ndax Platform, the internal ledger is updated. All Crypto Contracts are settled directly between the Filer using its own Crypto Assets and each of the buyers and sellers when the matching takes place on the Ndax Platform with respect to Advanced Trade orders, since the Filer has verified that assets are available prior to order entry.

58. For each trade entered into by the Filer with clients on the Ndax Platform resulting from a match between a client's order and an available order at a Liquidity Provider, the Filer uses its own Crypto Assets to execute the trade in real time. Transactions settle in real time and balances of the Filer's clients and proprietary assets are immediately adjusted. Periodically, the Filer reviews the balances of its proprietary Crypto Assets and, in accordance with its liquidity and risk management policies, may arrange for cash or Crypto Assets to be transferred to or from a Liquidity Provider. Currently, the Filer uses six Liquidity Providers and may use additional Liquidity Providers, as necessary after reasonable due diligence, when considering the interest of the Filer's clients. The Filer will not submit orders on a proprietary basis, other than in connection with offsetting trades relating to client orders that are executed on a riskless principal basis, or as it otherwise deems appropriate for the delivery of its services. For clarity, at no time shall the Filer trade against its clients for speculative purposes.

59. The Filer periodically evaluates the price obtained from its Liquidity Providers against appropriate benchmarks relating to Crypto Assets to confirm that in using its Liquidity Providers it is providing fair and reasonable pricing to the Filer's clients. If the Filer concludes from its review that it is not providing fair and reasonable pricing to its clients, the Filer will take steps to address this.

60. The Filer has taken, and will take, reasonable steps to verify that each Liquidity Provider is appropriately registered and/or licensed to trade in the Crypto Assets in their home jurisdiction, or that their activities do not require registration in their home jurisdiction, and that they are not in default of securities legislation in the Jurisdictions. The Filer also assesses liquidity and concentration risks posed by its Liquidity Providers.

61. Clients have real time access to a complete record of all transactions in their Client Account, including all transfers in of fiat or Crypto Assets, all purchases, sales and withdrawals, and the relevant prices, commissions and withdrawal fees charged in respect of such transactions.

62. The Filer does not extend margin, credit or other forms of leverage to clients in connection with trading of Crypto Assets on the Ndax Platform and will not offer derivatives based on Crypto Assets to clients other than Crypto Contracts. For this purpose, the ability of clients to fund their fiat requirements through the use of credit cards is not considered to be the offering of credit or leverage by the Filer.

63. Clients can fund their Client Account by transferring in fiat currency or Crypto Assets they obtained outside the Ndax Platform. Clients can, or will be able to, transfer in fiat currency by cash, Interac e-transfer, bank wire, bank draft or credit

card payment, with the maximum amount for each transfer type set out on the Ndax Platform. Credit card payments are subject to fees disclosed on the Ndax Platform on the "Fees" page and incorporated by reference into the Ndax User Agreement. No quote or order will be accepted unless there are sufficient assets available in the Client Account to complete the trade. Crypto Assets deposited with the Filer will be promptly delivered by the Filer to one of the Filer's Acceptable Third-party Custodians to be held in trust and for the benefit of the client.

64. The Filer will promptly, and generally no later than one business day after the trade, settle transactions with the Liquidity Providers on a net basis. When there are net purchases of Crypto Assets, the Filer will arrange for consideration to be transferred to the Liquidity Provider and Crypto Assets to be sent by the Liquidity Provider to the Filer. Where there are net sales of Crypto Assets, the Filer will arrange for Crypto Assets to be sent from the Filer to the Liquidity Provider in exchange for consideration received by the Filer from the Liquidity Provider. Defaults in settlement are avoided by building into each trading work flow a step to make sure that adequate assets of a client are present to effect the trade.

65. Clients will receive electronic trade confirmations and monthly statements setting out the details of the transaction history in their Client Account with the Filer in compliance with CIRO Rules. Clients will also be able to view their transaction history and account balances in real time by accessing their Client Account with the Filer.

66. Upon request by a client, the Filer will promptly deliver possession and/or control of the Crypto Assets purchased under a Crypto Contract to a blockchain address specified by the client. Clients are charged a withdrawal fee when transferring Crypto Assets out of their Client Account to a blockchain address specified by the client. The withdrawal fee varies by Crypto Asset and is disclosed on the Ndax Platform on the "Fees" page. The total withdrawal fee payable in respect of a withdrawal is disclosed to the client prior to confirmation of the withdrawal.

67. Prior to transferring Crypto Assets out of a Client Account to a blockchain address specified by the client, the Filer will satisfy all applicable legal and regulatory requirements, including anti-money laundering requirements. The Filer conducts a second verification of the blockchain address and screens the blockchain address specified by the transferring client using blockchain forensics software.

68. The Filer has expertise in and has developed anti-fraud and anti-money laundering monitoring systems, for both fiat and Crypto Assets, to reduce the likelihood of fraud, money laundering, or client error in sending or receiving Crypto Assets to incorrect wallet addresses.

69. Clients can transfer fiat currency out of their Client Accounts by Interac e-transfer, electronic funds transfer or bank wire, subject to a withdrawal fee disclosed on the Ndax Platform on the "Fees" page and incorporated by reference into the Ndax User Agreement. 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.

70. In addition to the Risk Statement, Crypto Asset Statement and ongoing education initiatives, and the account appropriateness assessment, the know-your-product assessments, and the Client Limits, the Filer also monitors client activity, and contacts 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.

Custody of Cash and Crypto Assets

71. Each client of the Filer has a Client Account for the purposes of holding cash and Crypto Assets that the client may use to engage in transactions on the Ndax Platform. All cash in Client Accounts will be held in accordance with CIRO requirements.

72. Not less than 80% of Crypto Assets held on behalf of clients are held with Acceptable Third-party Custodians that are regulated as trust companies. The Filer primarily uses Coinbase Custody Trust Company LLC (**Coinbase**), a limited purpose trust company with the New York Department of Financial Services, Tetra Trust Company (**Tetra**), a licensed Alberta trust company regulated by the Alberta Treasury Board and Finance, and BitGo Trust Company (**BitGo**), a licensed trust company with the South Dakota Division of Banking, as the custodians (Coinbase, Tetra and BitGo, collectively, the **Custodians**), and will use other custodians as necessary after reasonable due diligence. In addition, the Filer has its own custody solution for Crypto Assets in order to facilitate client deposit and withdrawal requests, to facilitate trade settlement with Liquidity Providers and to hold certain of the Stakeable Crypto Assets that have been staked by clients.

73. The Filer has conducted due diligence on the Custodians, including, among others, their policies and procedures for holding Crypto Assets and a review of their respective SOC 2 Type 2 examination reports. The Filer has not identified any material concerns. The Filer has also assessed whether each Custodian meets the definition of an Acceptable Third-party Custodian.

74. The Custodians will operate custody accounts for the Filer to use for the purpose of holding the clients' Crypto Assets in trust for clients of the Filer. The Filer is not permitted to pledge, re-hypothecate or otherwise use any Crypto Assets owned by its clients.

75. Those Crypto Assets that the Custodians hold in trust for clients of the Filer are held in segregated omnibus accounts in the name of the Filer in trust for or for the benefit of the Filer's clients and are held separate and distinct from the assets of the Filer, the Filer's affiliates, and the Custodians' other clients.

76. Each Custodian has established and applies policies and procedures that manage and mitigate the custodial risks, including, but not limited to, an effective system of controls and supervision to safeguard the Crypto Assets for which it acts as custodian and to mitigate security breaches and cyber incidents. Each Custodian has established and applies written disaster recovery and business continuity plans.

77. The Filer considers it prudent to maintain relationships with more than one Custodian so that it can provide back-up custodial services in appropriate circumstances for Crypto Assets supported by the Filer.

78. Each of the Custodians maintains an appropriate level of insurance for Crypto Assets held by the Custodian. Coinbase currently maintains US$320 million *in specie* coverage for digital assets, including the Crypto Assets owned by clients of the Filer, held in Coinbase's cold storage system. Tetra's security technology provider currently maintains US$150 million *in specie* coverage for digital assets, including the Crypto Assets owned by clients of the Filer, held in Tetra's cold storage system. Tetra intends to maintain a dedicated limit to the Filer of *in specie* coverage for Crypto Assets owned by clients of the Filer in accordance with CIRO requirements. BitGo currently maintains US$250 million *in specie* coverage for digital assets, including the Crypto Assets owned by clients of the Filer, held in BitGo's cold storage system. The Filer has assessed the Custodians' insurance policies and has determined, based on information that is publicly available and on information provided by the Custodians and considering the controls of the Custodians' business, that the amount of insurance is appropriate.

79. The Filer is proficient and experienced in holding Crypto Assets and has established and applies policies and procedures that manage and mitigate custodial risks, including an effective system of controls and supervision to safeguard the Crypto Assets. The Filer also maintains appropriate policies and procedures related to information technology security, cyber-resilience, disaster recovery capabilities and business continuity plans.

80. Crypto Assets held by the Filer for its clients are held separate and apart from the assets of the Filer and the Filer's affiliates. The Filer is not permitted to pledge, re-hypothecate or otherwise use any Crypto Assets owned by its clients, although the Filer uses Crypto Assets owned by its clients in respect of the Staking Service as directed by the clients.

81. The insurance obtained by the Filer includes coverage for loss or theft of the Crypto Assets in accordance with the terms of the Filer's insurance policies. Specifically, the Filer has coverage under a financial institution bond that provides insurance against losses of Crypto Assets held by the Filer as custodian. The Filer intends to obtain additional vault insurance coverage for the Crypto Assets held by the Filer through the Custodians, where the Custodians do not provide the Filer with its own dedicated limit. The Filer has assessed the insurance coverage to be sufficient to cover the loss of Crypto Assets held directly by the Filer.

82. The Filer licenses software from Fireblocks Inc. (**Fireblocks**), which includes a crypto asset wallet that stores private and public keys and interacts with various blockchains to send and receive Crypto Assets and monitor balances. Fireblocks uses secure multiparty computation to share signing responsibility for a particular blockchain address among multiple independent persons.

83. Fireblocks has obtained a SOC report under the SOC 2 Type 2 standards from a 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.

84. Fireblocks has insurance coverage which, in the event of theft of Crypto Assets from hot wallets secured by Fireblocks due to an external cyber breach of Fireblocks' software or any malicious or intentional misbehaviours or fraud committed by employees, will be distributed among applicable Fireblocks customers, which could include the Filer, pursuant to an insurance settlement agreement.

85. In accordance with the CIRO requirements, the Filer confirms on a monthly basis that clients' Crypto Assets held with the Custodians and held by the Filer reconcile with the Filer's books and records to ensure that all clients' Crypto Assets are accounted for. To the best knowledge of the Filer, after due inquiry, clients' Crypto Assets held in trust for them or for their benefit in hot wallets and with Custodians are deemed to be the clients' Crypto Assets in case of the insolvency and/or bankruptcy of the Filer or of its Custodians.

Staking Service

86. The Filer also offers Staking Services to its clients resident in each of the Jurisdictions.

87. The Filer offers clients the Staking Services only for certain Crypto Assets that are also Stakeable Crypto Assets.

88. The Filer is proficient and knowledgeable about staking Stakeable Crypto Assets.

89. The Filer itself does not, and will not, without the prior written consent of CIRO, act as a Validator or contract with a staking services provider under terms requiring the Filer to authorize the delegation of validator keys. The Filer has written agreements with certain of its Custodians and has or will have written agreements with third party Validators to provide services in respect of staking Stakeable Crypto Assets. These Custodians and Validators are proficient and experienced in staking Stakeable Crypto Assets.

90. Before engaging a Validator, the Filer conducts due diligence on the Validator, with consideration for the Validator's management, infrastructure and internal control documentation, security measures and procedures, reputation of operating nodes, use by others, measures to operate nodes securely and reliably, amount of crypto assets staked by the Validator on its own nodes, quality of work, including any slashing incidents or penalties, financial status and insurance, and registration, licensing or other compliance under applicable laws, particularly securities laws. Where the Filer engages a Custodian to provide Staking Services, the Filer will conduct due diligence on how the Custodian provides the Staking Services and selects the Validators.

91. The Filer offers the Staking Services in respect of the Ethereum, Solana, Cardano, Polkadot, Polygon, Near and Cosmos blockchains. The Filer may offer the Staking Services in respect of other Stakeable Crypto Assets in the future.

92. The Filer, as part of its KYP Policy, reviews the Stakeable Crypto Assets made available to clients for staking and staking protocols related to those Stakeable Crypto Assets prior to offering those Stakeable Crypto Assets as part of the Staking Services. The Filer's review includes the following:

   (a) the Stakeable Crypto Assets that the Filer proposes to offer for staking;

   (b) the operation of the proof-of-stake blockchain for the Stakeable Crypto Assets that the Filer proposes to offer for staking;

   (c) the staking protocols for the Stakeable Crypto Assets that the Filer proposes to offer for staking;

   (d) the risks of loss of the staked Stakeable Crypto Assets, including from software bugs and hacks of the protocol;

   (e) the Validators engaged by the Filer or the Filer's Custodians, including, but not limited to, information about:

      (i) the persons or entities that manage and direct the operations of the Validator,

      (ii) the Validator's reputation and use by others,

      (iii) the amount of Crypto Assets the Validator has staked on its own nodes,

      (iv) the measures in place by the Validator to operate the nodes securely and reliably,

      (v) the financial status of the Validator,

      (vi) the performance history of the Validator, including but not limited to the amount of downtime of the Validator, past history of "double signing" and "double attestation/voting",

      (vii) any losses of Stakeable Crypto Assets related to the Validator's actions or inactions, including losses resulting from slashing, jailing or other penalties incurred by the Validator, and

      (viii) any guarantees offered by the Validator against losses including losses resulting from slashing or other penalties and any insurance obtained by the Validator that may cover this risk.

93. The Filer, as part of its account appropriateness assessment, evaluates whether offering the Staking Services is appropriate for a client before providing access to an account that makes available the Staking Services and, on an ongoing basis, at least once in each 12-month period.

94. If, after completion of an account appropriateness assessment, the Filer determines that providing the Staking Services is not appropriate for the client, the Filer will notify the client that this is the case and the Filer will not make available the Staking Services to the client.

95.   The Filer only stakes the Stakeable Crypto Assets of those clients who have agreed to the Staking Services and have allocated Stakeable Crypto Assets to be staked. Where a client no longer wishes to stake all or a portion of the allocated Stakeable Crypto Assets, subject to any Lock-Up Periods (as defined below) or any terms of the Staking Services that permit the client to remove Stakeable Crypto Assets from the Staking Services prior to the expiry of any Lock-Up Periods, the Filer will cease to stake those Stakeable Crypto Assets.

96.   Before the first time a client allocates any Stakeable Crypto Assets to be staked, the Filer will deliver to the client the Risk Statement that includes the risks with respect to staking and the Staking Services described in representation 97 below and requires the client to provide electronic acknowledgement of having received, read and understood the Risk Statement.

97.   The Filer will clearly explain in the Risk Statement the risks with respect to staking and the Staking Services in plain language, which includes:

(a)   the details of the Staking Services and the role of all third parties involved;

(b)   the due diligence performed by the Filer with respect to the proof-of-stake consensus protocol for each Stakeable Crypto Asset for which the Filer provides the Staking Services;

(c)   the details of the Validators that are used for the Staking Services and the due diligence performed by the Filer with respect to the Validators;

(d)   the details of whether and how the custody of staked Stakeable Crypto Assets differs from Stakeable Crypto Assets held on behalf of the Filer's clients that are not engaged in staking;

(e)   the general risks related to staking and any risks arising from the arrangements used by the Filer to offer the Staking Services (e.g., reliance on third parties; risk of loss due to technical errors or bugs in the protocol; hacks or theft from the crypto assets being held in hot wallets, etc.) and how any losses are allocated to clients;

(f)   whether any of the staked Stakeable Crypto Assets are subject to any lock-up, unbonding, unstaking, or similar periods imposed by the Crypto Asset protocol, custodian or Validator, where such Crypto Assets will not be accessible to the client or will be accessible only after payment of additional fees or penalties or forfeiture of any rewards (**Lock-up Periods**); and

(g)   how rewards are calculated on the staked Stakeable Crypto Assets, including any fees charged by the Filer or any third party, how rewards are paid out to clients, and any associated risks.

98.   Immediately before each time that a client allocates Stakeable Crypto Assets to be staked under the Staking Services, the Filer requires the client to acknowledge the risks of staking Stakeable Crypto Assets as may be applicable to the particular Staking Services or each particular Stakeable Crypto Asset, including, but not limited to:

(a)   that the staked Stakeable Crypto Asset may be subject to a Lock-up Period and, consequently, the client may not be able to sell or withdraw their Stakeable Crypto Asset for a predetermined or unknown period of time, with details of any known period, if applicable;

(b)   that given the volatility of Crypto Assets, the value of a client's staked Stakeable Crypto Asset when they are able to sell or withdraw, combined with the value of any Stakeable Crypto Asset earned through staking, may be significantly less than the current value;

(c)   how rewards are calculated and paid out to clients and any risks inherent in the calculation and payout of any rewards;

(d)   unless the Filer has clearly indicated the reward yield is fixed and unconditional, that there is no guarantee that the client will receive any rewards on the staked Stakeable Crypto Asset, and that past rewards are not indicative of expected future rewards;

(e)   whether rewards may be changed at the discretion of the Filer;

(f)   that the client may lose all or a portion of the client's staked Stakeable Crypto Assets if the Validator does not perform as required by the network; and

(g)   that additional risks can be found in the Risk Statement and Crypto Asset Statement, including the names and other information regarding the Validators and information regarding Lock-up Periods and rewards, with a link to the Risk Statement and Crypto Asset Statement.

99.   To stake Stakeable Crypto Assets, a client instructs the Filer to stake a specified amount of Stakeable Crypto Assets held by the client on the Ndax Platform.

100.   For certain Stakeable Crypto Assets, the Filer also allows clients to automatically stake those Stakeable Crypto Assets under existing opt-ins when purchasing more of the asset. If a client turns on this "auto-stake" feature, Stakeable Crypto Assets are automatically staked upon being purchased by the client. The client can disable this feature at any time.

101.   Immediately before each time a client buys Stakeable Crypto Assets that are automatically staked, the Filer will provide prominent disclosure to the client that the Stakeable Crypto Asset the client is about to buy will be automatically staked.

102.   Subject to any Lock-up Periods that may apply, the client may at any time instruct the Filer to unstake a specified amount of Stakeable Crypto Assets that the client had previously staked.

103.   The Filer will stake and unstake Crypto Assets on an omnibus basis by calculating the total amount of a Stakeable Crypto Asset that clients wish to stake or unstake and adjusting the amount actually staked to reconcile with the net amount that clients have, in total, instructed the Filer to stake or unstake.

104.   The Filer has established and will apply policies and procedures to address how staking rewards, fees and losses will be calculated and allocated to clients that have staked Stakeable Crypto Assets under the Staking Services.

105.   Staking rewards are issued periodically and automatically by the blockchain protocol of the Stakeable Crypto Asset and received directly into addresses or wallets where the Stakeable Crypto Assets are held. Other than any "validator commission" that may be received by a Validator under the rules of the blockchain protocol, Validators will not receive or otherwise have control over staking rewards earned by clients.

106.   Staking rewards are typically issued for a specific time period, often referred to as an "epoch". For each epoch, the Filer promptly determines the amount of staking rewards earned by each client that had staked Stakeable Crypto Assets under the Staking Services.

107.   When staking rewards for a Stakeable Crypto Asset are earned, the Filer promptly calculates the amount of the staking reward earned by each client using the Staking Services in respect of that asset and credits each client's Client Account accordingly. Staking reward distributions are shown on clients' account statements.

108.   For certain Stakeable Crypto Assets, staking rewards are automatically staked by the blockchain protocol to compound rewards. Clients must unstake some or all of these rewards if they wish to sell or transfer them.

109.   Where staking rewards are not compounded by the blockchain protocol, the Filer transfers staking rewards to the omnibus wallets holding client Crypto Assets.

110.   Certain Stakeable Crypto Assets are subject to a so-called "warm-up" or "bonding" period after being staked, during which time the Stakeable Crypto Assets do not earn any staking rewards. A client will not receive staking rewards in respect of any of their staked Stakeable Crypto Assets that are still subject to "warm-up" periods.

111.   Similarly, a client will not receive staking rewards in respect of Stakeable Crypto Assets that have been unstaked by the client, but are still subject to Lock-up Periods.

112.   The Filer may show on the Ndax Platform the current estimated reward rate for Stakeable Crypto Assets. This estimated reward rate is based on data derived from the blockchain for the Stakeable Crypto Asset and adjusted for any applicable validator commission or fees payable to the Filer.

113.   The Filer offers a fixed reward to clients, which is subject to change at any time and to certain terms and conditions. This reward is paid even if the Filer does not receive the applicable reward. The Filer's policies and procedures provide for the accrual of reward obligations and for the maintenance of sufficient inventory to offset reward obligations at the time of accrual.

114.   The Filer estimates the rewards it has earned on behalf of its clients and proprietary positions in Crypto Assets, compares the estimate to rewards received, investigates significant discrepancies, and takes appropriate corresponding actions.

115.   The Filer charges a fee to each client using Staking Services based on a percentage of the client's staking rewards. The Filer clearly discloses the fees charged by the Filer for the Staking Services and provides a clear calculation of the rewards earned by each client that agrees to the Staking Services.

116.   When staking rewards are received into staking wallets each epoch, the Filer promptly calculates the total amount of the fee payable by clients using the Staking Services for that epoch and transfers an amount of Stakeable Crypto Assets equal to the fee to a separate wallet exclusively holding Crypto Assets belonging to the Filer.

117.   For certain Stakeable Crypto Assets, a Validator can, as part of the blockchain consensus protocol, set a percentage of the staking rewards earned by Stakeable Crypto Assets staked with the Validator to be received by the Validator. This is typically referred to as the "validator commission". The validator commission is deducted automatically by the underlying blockchain protocol from staking rewards and transferred by the protocol directly to the Validator. Where a validator commission applies, the Filer will clearly disclose the existence and amount of the validator commission to clients using the Staking Services.

118.   Under the commercial agreements between the Filer and Validators, Validators may pay some of the validator commission to the Filer for arranging the staking of clients' Stakeable Crypto Assets with the Validators. The Filer discloses to clients that it receives a share of validator commissions. Further, the Filer has adopted policies and procedures for the selection of Validators and staking of clients' Stakeable Crypto Assets to Validators to ensure that these decisions are based on factors other than the Filer's financial considerations under these commercial agreements.

119.   For Stakeable Crypto Assets that do not have validator commissions, the Filer pays a fee to the Validator for activating and operating nodes for the Filer's clients using the Staking Services. This fee is included in the fee paid by clients to the Filer in connection with the Staking Services.

120.   The Filer has engaged its auditor to perform procedures, satisfactory to CIRO, designed to verify that the Filer maintains books and records reflecting:

(a)   rewards earned from all proof of stake networks on which it participates in the Staking Services; and

(b)   the allocation of rewards to clients and the Filer in a manner that is consistent with the Filer's policies and procedures.

121.   Certain proof of stake blockchain protocols impose penalties where a validator fails to comply with protocol rules. This penalty is often referred to as "slashing" or "jailing". If a Validator is slashed or jailed, a percentage of the tokens staked with that Validator and/or a percentage of staking rewards earned by clients staking to that Validator is permanently lost and/or the Validator will not be selected to participate in transaction validation and any Stakeable Crypto Assets staked with that Validator will not be eligible to earn staking rewards. Accordingly, if a Validator fails to comply with protocol rules, a percentage of Crypto Assets staked or earned by the Filer's clients may be lost (i.e., the balance of the staking wallet will be reduced automatically by the blockchain protocol) and/or the Filer's clients will not earn staking rewards for a period of time.

122.   The Filer will not provide any guarantee against slashing or other penalties imposed due to validator error, action or inactivity. The Ndax User Agreement clearly discloses that the Filer will not provide any reimbursement in respect of a Stakeable Crypto Asset. The unavailability of any reimbursement is also described in the Risk Statement.

123.   To mitigate the risk of penalties imposed due to Validator error, action or inactivity, the Filer may, where feasible, arrange to stake Stakeable Crypto Assets across multiple Validators, so that any penalty resulting from the actions or inaction of a specific Validator does not affect all staked Crypto Assets and the Filer can, if appropriate, re-stake with alternative Validators.

124.   In addition, the Filer will monitor its Validators for, among other things, downtime, jailing and slashing events and will take any appropriate action to protect Stakeable Crypto Assets staked by clients.

125.   For certain Stakeable Crypto Assets that are subject to Lock-up Periods, the Filer may permit clients using the Staking Services to remove assets from the Staking Services prior to the expiry of the Lock-up Period. However, the Filer will extend this permission only on a best-efforts basis, and this condition is expressly disclosed to and acknowledged by the client.

126.   Where the Filer provides this service in connection with a Stakeable Crypto Asset, the Filer will provide the liquidity necessary for clients to sell or withdraw Crypto Assets prior to the expiry of Lock-up Periods from the Filer's own inventory of Stakeable Crypto Assets in accordance with its liquidity management policies and procedures. When the Lock-up Period applicable to a client's unstaked Crypto Assets expires, the Filer will return the now freely transferable assets to its inventory. The Filer will establish and maintain internal controls to:

(a)   promptly segregate positions from its inventory equal to the amount the Filer has permitted to be unstaked; and

(b)   prevent the Filer from using client assets to settle delivery obligations related to positions it has permitted to be unstaked.

127.   Where the Filer does not provide this liquidity for a Stakeable Crypto Asset, a client that unstakes Stakeable Crypto Assets must wait until the applicable Lock-up Period expires before the client can sell or transfer those assets.

Conflict of Interest

128.   The Filer carries out its passive liquidity provision activities on the Ndax Platform, as described in representations 49 and 52, through an API exclusively for the purposes of providing liquidity to the Filer's clients. Orders entered by the Filer through the API are the same order types available to clients. The Filer's orders are also handled in the same manner as client limit orders entered on the Ndax Platform, with no preference given to the handling of the Filer's orders.

129.   The Filer's passive liquidity provision activities do not have an advantage over clients as the matching engine on the central limit order book that powers the Ndax Platform does not distinguish between the Filer's orders and the orders of the Filer's clients. The Filer's passive liquidity provision algorithm also does not analyze or consider, or have any advanced knowledge of, any existing orders on the centralized order book when determining the bids or asks to place. In determining what bids or asks to place, the Filer relies on current market pricing provided to it by the Liquidity Providers.

130.   The Filer earns the same fee from a client regardless of whether that client's order is filled on the Ndax Platform as a result of a match against the order of another client or the Filer.

131.   All order matching and other functionality of the Ndax Platform is entirely automated. The Filer's automated matching does not favour some clients over others or favour the Filer's own orders over the orders of clients.

132.   The Filer informs clients in the Ndax User Agreement that Ndax participates passively as a liquidity provider on the Ndax Platform by posting bid and ask orders to provide liquidity to the market. The Filer also provides disclosure regarding the nature of its liquidity provision activities on the Ndax Platform, including how it determines pricing for the orders it places and how it may earn profit from its activities as a passive liquidity provider.

133.   The Filer does not trade or otherwise use client Crypto Assets held on the Ndax Platform in the conduct of the Filer's own business.

134.   The Filer is of the view that all potential conflicts of interest arising from the operation of the Ndax Platform are adequately addressed through avoidance, appropriate disclosure or the controls implemented within the operational model of the Ndax Platform.

135.   The Filer has established and maintains, and ensures compliance with, policies and procedures that identify and manage conflicts of interest arising from the operation of the Ndax Platform and its related services, including conflicts between the interests of its owners, its commercial interests, and the responsibilities and sound functioning of the Ndax Platform and related services.

136.   The Filer's policies and procedures to identify and manage conflicts of interest address those that arise from the trading activities of the Filer or its affiliates as principal on the Ndax Platform, as described above.

137.   These policies and procedures also include an appropriate level of disclosure of the specific conflicts to clients against whom the Filer or its affiliates may trade, and the circumstances in which they may arise. This disclosure is included in the Ndax User Agreement and other disclosures made to clients that specifically address conflicts of interest.

Fair Access

138.   The Filer has established and applies written standards for access to the Ndax Platform and related services, as described in representations 26 through 28 and representation 29(a), and has established and maintains and ensures compliance with policies and procedures to ensure clients are onboarded to the Ndax Platform and related services in accordance with those written standards.

Market Integrity

139.   The Filer has taken reasonable steps to ensure that it operates a fair and orderly marketplace for Crypto Contracts, including the establishment of price and volume thresholds for orders entered on the Ndax Platform.

140.   The Filer does not expect trading on the Ndax Platform to have a material impact on the global market for any Crypto Asset available through the Ndax Platform.

141.   The Filer does not provide a client with access to the Ndax Platform unless it has the ability to terminate all or a portion of a client's access, if required.

142.   The Filer has the ability to cancel, vary or correct trades and makes public, fair and appropriate policies governing the cancellation, variation or correction of trades on the Ndax Platform, including in relation to trades where the Filer acting as principal was a counterparty to the trade.

143. The Filer has established, maintains and ensures compliance with policies and procedures and maintains staff knowledge and expertise, and systems to monitor for and investigate potential instances of trading on the Ndax Platform that does not comply with applicable securities legislation or any trading requirements set out in the Ndax User Agreement, and has appropriate provisions and mechanisms for escalation of identified issues of non-compliance, including referral to the applicable securities regulatory authority where appropriate, to allow the Filer to take any resulting action considered appropriate to promote a fair and orderly market and address potential breaches of securities legislation relating to trading on the Ndax Platform, which may include halting trading or limiting a client's activities on the Ndax Platform.

144. The policies and procedures referred to in the preceding paragraph include policies and procedures to track, review and take appropriate action in the context of complaints and reports from clients of potential instances of abusive trading on the Ndax Platform.

145. The Filer currently conducts surveillance of the Ndax Platform, which includes both automated and manual processes, for detecting abusive trading (including wash trading) and fraudulent activity.

146. The Filer discloses information reasonably necessary to enable a person or company to understand the marketplace operations or services, including:

    (a) access criteria, including how access is granted, denied, suspended, or terminated and whether there are differences between clients in access and trading;

    (b) risks related to the operation of and trading on the Ndax Platform, including loss and cyber-risk;

    (c) hours of trading;

    (d) all fees and any compensation provided to the Filer, including foreign exchange rates, spreads, etc.;

    (e) how orders are entered, handled and interact including:

        (i) the circumstances where orders trade with the Filer acting as principal or Liquidity Provider, including any compensation provided;

        (ii) where entered into the order book, the types of orders, and how orders are matched and executed;

    (f) policies and procedures relating to error trades, cancellations, modifications and dispute resolution;

    (g) a list of all Crypto Assets and products available for trading on the Ndax Platform, along with the associated Crypto Asset Statements;

    (h) conflicts of interest and the policies and procedures to manage them;

    (i) the process for payment and settlement of transactions;

    (j) how the Filer safeguards client assets;

    (k) access arrangements with a third-party services provider, if any; and

    (l) requirements governing trading, including prevention of manipulation and other market abuse.

147. The Filer provides for an appropriate level of transparency regarding the orders and trades on the Ndax Platform, including that:

    (a) the Filer displays on its Website a Canadian dollar price chart for each Crypto Asset traded on which the public can view historic pricing information; and

    (b) the Filer also makes publicly available on its Website a history of the last 50 trades that occurred on the Ndax Platform.

    This information allows clients and prospective clients to make informed investment and trading decisions.

Confidentiality of Clients' Order and Trade Information

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

Books and Records

149.   The Filer keeps books and records and other documents to accurately record its business activities, financial affairs and client transactions, and to demonstrate the Filer's compliance with applicable requirements of securities legislation, including, but not limited to:

(a)   a record of all investors granted or denied access to the Ndax Platform;

(b)   daily trading summaries of all Crypto Assets traded, with transaction volumes and values; and

(c)   records of all orders and trades, including the price, volume, times when the orders are entered, matched, cancelled or rejected, and the identifier of the client that entered the order or that was counterparty to the trade.

Internal Controls over Order Entry and Execution

150.   The Filer maintains effective internal controls over systems that support order entry and execution, including that the Filer:

(a)   has effective controls for system operations, information security, change management, problem management, network support and system software support;

(b)   has effective security controls to prevent, detect and respond to security threats and cyber-attack on its systems that support trading and settlement services;

(c)   has effective business continuity and disaster recovery plans;

(d)   in accordance with prudent business practice, and on a reasonably frequent basis (at least annually):

(i)   makes reasonable current and future systems capacity estimates;

(ii)   conducts capacity stress tests to determine the ability of its order entry and execution systems to process transactions in an accurate, timely and efficient manner;

(iii)   tests its business continuity and disaster recovery plans, and

(iv)   reviews system vulnerability and its cloud-hosted environment to mitigate internal and external cyber threats; and

(e)   continuously monitors and maintains internal controls over its systems.

Marketplace Filings

151.   In certain jurisdictions, the Filer will operate a "marketplace" as that term is defined in NI 21-101 and in Ontario, subsection 1(1) of the *Securities Act* (Ontario).

152.   The Filer has filed with the Principal Regulator all completed exhibits to the Form 21-101F2 – *Information Statement Alternative Trading System*.

Clearing Agency

153.   In some of the Jurisdictions, but not in Ontario, the Filer may be operating a "clearing agency," a "clearing house" or a "settlement system," as those terms are defined or referred to in securities or commodities futures legislation and may need relief from recognition as a "clearing agency," a "clearing house" or a "settlement system." In Alberta, the Filer may rely on Blanket Order 24-506, *Re Exemption for certain CTPs to be recognized as clearing agencies*, 2022 ABASC 115, for such relief.

Decision

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 and the Marketplace Relief, as applicable, satisfies the tests set out in the securities legislation of its jurisdiction for the Coordinated Review Decision Maker to make the Decision in respect of the Trade Reporting Relief and the Marketplace Relief, as applicable.

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 in its jurisdiction is that the Trade Reporting Relief and the Marketplace Relief, as applicable, are granted, provided that:

Dealer Activities

A.   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, 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, the Filer complies with all of the terms, conditions, restrictions and requirements set out in this Decision.

B.   The Filer is registered as an investment dealer in Alberta and the jurisdiction where the client is resident and is a member of CIRO.

C.   The Filer only engages in the business of trading Crypto Contracts in relation to Crypto Assets, performing its obligations under those contracts, and offering Staking Services in respect of Stakeable Crypto Assets.

D.   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 one or more custodians that meets the definition of 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 or has obtained the prior written approval of the Principal Regulator and the regulator or securities regulatory authority of the other Jurisdictions to hold at least 80% of the total value of the Crypto Assets with an entity that does not meet certain criteria of an Acceptable Third-party Custodian.

E.   Before the Filer holds Crypto Assets with a custodian, the Filer will take reasonable steps to verify that the custodian:

   (i)   will hold the Crypto Assets for the Filer's clients (a) in an account clearly designated for the benefit of the Filer's clients or in trust for the Filer's clients, (b) separate and apart from the assets of the custodian's other clients, and (c) separate and apart from the custodian's own assets and from the assets of any custodial service provider;

   (ii)   has appropriate insurance to cover the loss of Crypto Assets held at the custodian;

   (iii)   has established and applies written policies and procedures that manage and mitigate the custodial risks, including, but not limited to, an effective system of controls and supervision to safeguard the Crypto Assets for which it acts as custodian;

   (iv)   has obtained a SOC 2 Type 2 report within the last 12 months, unless the Filer has obtained the prior written approval of the Principal Regulator to alternatively verify that the custodian has obtained a SOC 1 Type 1 or Type 2 report or a SOC 2 Type 1 report within the last 12 months; and

   (v)   meets each of the requirements to be an Acceptable Third-party Custodian, except for those criteria in respect of which the custodian does not meet and the Principal Regulator and the regulator or securities regulatory authority of the other Jurisdictions have provided prior written approval for use of the custodian.

F.   The Filer will promptly notify the Principal Regulator if the Alberta Ministry of Treasury Board and Finance, the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission, the Financial Industry Regulatory Authority, the National Futures Association, the South Dakota Division of Banking or the New York State Department of Financial Services or any other regulatory authority applicable to a custodian of the Filer makes a determination that (i) the Filer's custodian is not permitted by that regulatory authority to hold client Crypto Assets, or (ii) if there is a change in the status of the custodian as a regulated financial institution. In such a case, the Filer will take immediate steps to identify a suitable alternative custody provider that meets the definition of an Acceptable Third-party Custodian to hold the Crypto Assets.

G.   For the Crypto Assets held by the Filer, the Filer will:

   (i)   hold the Crypto Assets in trust for the benefit of its clients, and separate and distinct from the assets of the Filer;

   (ii)   ensure there is appropriate insurance for the loss of Crypto Assets held by the Filer; and

   (iii)   have established 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.

H.   The Filer uses or will only use Liquidity Providers that it has verified are registered and/or licensed, to the extent required in their respective home jurisdictions, to execute trades in the Crypto Assets and are not in default of securities legislation in any of the Jurisdictions, and will promptly stop using a Liquidity Provider if (i) the Filer is made aware that the Liquidity Provider is, or (ii) a court, regulator or securities regulatory authority in any jurisdiction of Canada has determined it to be, not in compliance with securities legislation.

I.   When the Filer trades with its clients on a principal basis in its capacity as a dealer, the Filer will abide by policies it has adopted with a view to providing fair and reasonable prices to its clients.

J.   The Filer will evaluate the price obtained from its Liquidity Providers on an ongoing basis against global benchmarks and will provide fair and reasonable prices to its clients.

K.   The Filer will assess liquidity risk and concentration risk posed by its Liquidity Providers. The liquidity and concentration risks assessment will consider trading volume data (as provided in paragraph 1(e) of Appendix E) and complete a historical analysis of each Liquidity Provider and a relative analysis between the Liquidity Providers. Consideration will be given to whether the Liquidity Provider has issued its own Proprietary Tokens and to consider limiting reliance on those Liquidity Providers.

L.   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.

M.   For each client with a pre-existing Client Account at the date of the Decision, the Filer will deliver to the client a Risk Statement, and will require the client to provide electronic acknowledgement of having received, read and understood the Risk Statement, at the earlier of (i) before placing their next trade or deposit of Crypto Assets on the Ndax Platform and (ii) the next time they log into their Client Account with the Filer.

N.   The Risk Statement delivered as set out in conditions L and M 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.

O.   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 Ndax Platform.

P.   Before a client enters into a Crypto Contract to buy a Crypto Asset, the Filer will provide the client with the Crypto Asset Statement for the applicable Crypto Asset for review, including a link to the Crypto Asset Statement on the Website or Apps and includes the information set out in representation 35.

Q.   Existing clients at the time of the Decision will be provided with links to the Crypto Asset Statements.

R.   The Filer will promptly update the Risk Statement and each Crypto Asset Statement to reflect any material changes to the disclosure or include any material risks that may develop with respect to the Crypto Contracts and Crypto Assets, and,

     (i)   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

     (ii)   in the event of any update to a Crypto Asset Statement, will promptly notify clients through electronic disclosures on the Ndax Platform and the Apps with links to the updated Crypto Asset Statement.

S.   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.

T.   For each client, the Filer will perform an appropriateness assessment as described in representation 29(a) prior to opening a Client Account on an ongoing basis and at least every 12 months.

U.   For each client with a pre-existing Client Account at the date of the Decision, the Filer will conduct the account appropriateness assessment and establish the appropriate Client Limit for the client as set out in representations 29 and 34 the next time the client uses their account. The client will not be permitted to trade until the completion of the account appropriateness assessment and a determination that the Client Account is appropriate.

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

W.   The Filer has established and will apply and monitor the Client Limits as set out in representation 29(b).

X. The Filer will ensure that the maximum amount of Crypto Assets, excluding Specified Crypto Assets, that a client, except those clients resident in Alberta, British Columbia, Manitoba and Québec, may enter Crypto Contracts to purchase and sell on the Ndax Platform (calculated on a net basis and is an amount not less than $0) in the preceding 12 months:

    (i) in the case of a client that is not an Eligible Crypto Investor, does not exceed a net acquisition cost of $30,000;

    (ii) in the case of a client that is an Eligible Crypto Investor, but is not an Accredited Crypto Investor, does not exceed a net acquisition cost of $100,000; and

    (iii) in the case of an Accredited Crypto Investor, is not limited.

Y. 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.

Z. The Filer will ensure that clients that are granted permission to access the Ndax Platform via Ndax's API only use Ndax's API to trade as principal, and not on behalf of any other person. The Filer will not provide an API access to a client that is acting as a dealer (whether registered or otherwise), unless permitted under the CIRO Rules and the Legislation and in compliance with the CIRO Rules and the Legislation.

AA. The Filer will provide the Principal Regulator with at least 10 days' prior written notice of any:

    (i) change of or use of a new custodian; and

    (ii) material changes to the Filer's ownership, its business operations, including its systems, or its business model.

BB. The Filer will notify CIRO and the Principal Regulator, promptly, of any material breach or failure of its or its custodian's system of controls or supervision, and what steps have been taken by the Filer to address each such breach or failure. The loss of any amount of Crypto Assets will be considered a material breach or failure.

CC. The Filer will only trade with clients Crypto Assets or Crypto Contracts based on Crypto Assets that are:

    (i) not in and of themselves securities or derivatives; or,

    (ii) Value-Referenced Crypto Assets that comply with the terms and conditions set out in Appendix C.

DD. Notwithstanding condition CC(ii), the Filer may allow clients to buy or deposit Value-Referenced Crypto Assets, or to enter into Crypto Contracts to buy or deposit Value-Referenced Crypto Assets, subject to the following conditions:

    (i) the Value-Referenced Crypto Asset complies with the conditions set out in section (1) of Appendix C; and,

    (ii) the ability for any client to buy or deposit, or enter into Crypto Contracts to buy or deposit, any such Value-Referenced Crypto Assets must cease on or before December 31, 2024.

EE. The Filer will evaluate Crypto Assets as set out in its KYP Policy and described in representation 18.

FF. The Filer will not trade Crypto Assets or Crypto Contracts based on Crypto Assets with a client 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 a publicly announced order, judgment, decree, sanction, fine or administrative penalty imposed by, or has entered into a publicly announced 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 or analogous conduct.

GG. Except to allow clients to liquidate their positions, in an orderly manner, 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 asset is a Crypto Asset that (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) a security and/or derivative, or (b) a Value Referenced Crypto Asset that does not satisfy the conditions set out in conditions CC and DD.

HH. 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 issuers or affiliates or associates of such persons.

Books and Records

II.   The Filer will keep books, records and other documents reasonably necessary for the proper recording of its businesses and to demonstrate compliance with the Legislation and the conditions of this Decision, including, but not limited to, records of all orders and trades, including the product, quotes, executed price, volume, time when the order is entered, matched, cancelled or rejected, and the identifier of any authorized user that entered the order.

JJ.   The Filer will maintain the aforementioned books, records and other documents in electronic form and promptly provide them in the format and at the time requested by the Principal Regulator pursuant to the Legislation. Such books, records and other documents will be maintained by the Filer for a minimum of seven years.

Staking

KK.   The Filer will comply with the terms and conditions in Appendix D in respect of the Staking Services.

Reporting

LL.   The Filer will deliver the reporting as set out in Appendix E.

MM.   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 aggregated quarterly information relating to trading activity on the Ndax Platform within 30 days of the end of each March, June, September and December:

   (i)   total number of trades and total traded value on a by pair basis, with each such reported value further broken out by the proportion of trades and traded value that were a result of trades between two clients compared to trades between a client and the Filer or affiliate of the Filer; and

   (ii)   total number of executed client orders and total value of executed client orders on a by pair basis, with each such reported value further broken out by the proportion of executed market orders compared to executed limit orders.

NN.   The Filer will provide to the Principal Regulator quarterly summary statistics on its trade monitoring and complaint handling activities in relation to the Platform, including the following:

   (i)   the number of instances of improper trading activity identified, by category, and the proportion of each such category that arose from client complaints/reports;

   (ii)   the number of instances in (i) that were further investigated or reviewed, by category;

   (iii)   the number of investigations in (ii), by category, that were closed with no action;

   (iv)   a summary of each investigation in (ii) that was escalated for action to be taken, including a description of the action taken in each case; and

   (v)   a summary of the status of any open investigations.

OO.   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 Client Accounts for which the Client Limits established pursuant to representation 29(b) were exceeded during that month.

PP.   The Filer will provide certain reporting in respect of the preceding calendar quarter to its Principal Regulator and CIRO within 30 days of the end of March, June, September and December in connection with the Staking Services, including, but not limited to:

   (i)   the total number of clients to which the Filer provides the Staking Services;

   (ii)   the Crypto Assets for which the Staking Services are offered;

   (iii)   for each Crypto Asset that may be staked:

      A.   the amount of Crypto Assets staked,

      B.   the amount of each such Crypto Assets staked that is subject to a Lock-up Period and the length of the Lock-up Period;

C.   the amount of Crypto Assets that clients have requested to unstake; and

D.   the amount of rewards earned by the Filer and the clients for the Crypto Assets staked under the Staking Services;

(iv)   the names of any third parties used to conduct the Staking Services;

(v)   any instance of slashing, jailing or other penalties being imposed for validator error;

(vi)   the details of why these penalties were imposed;

(vii)   any reporting regarding the Filer's liquidity management as requested by the Principal Regulator; and

(viii) the value, at the end of each period, of the Filer's residual proprietary interest in segregate staked omnibus wallets or addresses for each Crypto Asset staked.

QQ.   The Filer will deliver to the Principal Regulator, within 30 days of the end of each March, June, September and December, either (i) 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 (ii) a nil report stating no changes have been made to its policies and procedures on the operations of its wallets in the quarter.

RR.   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. Unless otherwise prohibited under applicable law, the Filer will share with the Principal Regulator information relating to regulatory and enforcement matters that will materially impact its business.

SS.   Upon request, the Filer will provide the Principal Regulator and the regulators or securities regulatory authorities of each of the other Jurisdictions with aggregated and/or anonymized data concerning client demographics and activity on the Ndax Platform that may be useful to advance the development of the Canadian regulatory framework for trading crypto assets.

TT.   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 or CIRO arising from the operation of the Ndax Platform.

Financial Viability

UU.   The Filer will maintain sufficient financial resources for the proper performance of the marketplace services and the clearing or settlement services, and for the performance of these functions in furtherance of its compliance with these terms and conditions.

VV.   The Filer will notify the Principal Regulator immediately upon becoming aware that the Filer does not or may not have sufficient financial resources in accordance with the requirements of condition UU.

Trading Limitations

WW.   The Filer will not submit orders on a proprietary basis, other than in connection with offsetting trades relating to client orders that are executed on a riskless principal basis, or as it otherwise deems appropriate for the delivery of its services. For clarity, at no time shall the Filer trade against its clients for speculative purposes.

XX.   The Filer must not implement a significant change to the information in the Form 21-101F2 unless it has delivered an amendment of the Form 21-101F2 describing the significant change to the Principal Regulator at least 45 days prior to implementing the significant change.

Marketplace Activities

Fair Access

YY.   The Filer will not unreasonably prohibit, condition or limit access to the Ndax Platform and related services.

ZZ.   The Filer will not permit unreasonable discrimination among clients of the Ndax Platform.

Market Integrity

AAA.   The Filer will take reasonable steps to ensure its operations do not interfere with fair and orderly markets in relation to the Ndax Platform.

BBB.   The Filer will not provide access to the Ndax Platform unless it has the ability to terminate all or a portion of a client's access, if required.

CCC.   The Filer will maintain accurate records of all of its trade monitoring and complaint handling activities in relation to the Ndax Platform, and of the reasons for actions taken or not taken. The Filer will make such records available to the Principal Regulator upon request.

DDD.   The Filer must monitor each client's compliance with restrictions relating to its use of the Ndax Platform, including complying with the trading requirements and applicable securities laws and report breaches of securities law, as appropriate, to the applicable securities regulatory authority or regulator.

Conflicts of Interest

EEE.   When the Filer or an affiliate trades with the Filer's clients on a principal basis, the Filer will ensure that its clients receive fair and reasonable prices.

FFF.   The Filer will annually review compliance with the policies and procedures that identify and manage conflicts of interest described in representations 128 to 131 and will document in each review any deficiencies that were identified and how those deficiencies were remedied.

Transparency of Operations and of Order and Trade Information

GGG.   The Filer will publicly disclose information outlined in representation 146 in a manner that reasonably enables a person or company to understand the marketplace operations or services.

HHH.   The Filer will maintain public disclosure of the information outlined in condition GGG in a manner that reasonably enables a person or company to understand the marketplace operations or services.

III.   For orders and trades entered to and executed on the Ndax Platform, the Filer will make available an appropriate level of information regarding those orders and trades in real-time to facilitate clients' investment and trading decisions, as described in representation 147.

Confidentiality

JJJ.   The Filer will not release a client's order or trade information to a person or company, other than the client, a securities regulatory authority or a regulation services provider unless:

    (i)   the client has consented in writing to the release of the information;

    (ii)   the release is made under applicable law; or

    (iii)   the information has been publicly disclosed by another person or company and the disclosure was lawful.

Clearing and Settlement Activities

KKK.   For any clearing or settlement activity conducted by the Filer, the Filer will:

    (i)   maintain adequate procedures and processes to ensure the provision of accurate and reliable settlement services in connection with Crypto Assets;

    (ii)   maintain appropriate risk management policies and procedures and internal controls to minimize the risk that settlement will not take place as expected;

    (iii)   limit the provision of clearing and settlement services to Crypto Assets and fiat currency which underlie the Crypto Contracts traded on the Platform; and

    (iv)   limit the provision of clearing and settlement services to clients of the Filer.

Notification to Principal Regulator

LLL.   The Filer will promptly notify the Principal Regulator and indicate what steps have been taken by the Filer to address the situation should any of the following occur:

(i)   any failure or breach of systems of controls or supervision that has a material impact on the Filer, including when they:

    (a)   involve the Filer's business;

    (b)   involve the services or business of an affiliate of the Filer;

    (c)   involve the Acceptable Third-party Custodian;

    (d)   are cybersecurity breaches of the Filer, an affiliate of the Filer, or services that impact the Filer;

    (e)   are a malfunction, delay, or security breach of the systems or controls relating to the operation of the marketplace, clearing or settlement functions; or

    (f)   any amount of specified Crypto Assets are identified as lost;

(ii)   any investigations of, or regulatory action against, the Filer, or an affiliate of the Filer, by a regulatory authority in any jurisdiction in which it operates which may impact the operations of the Filer;

(iii)   details of any litigation instituted against the Filer, or an affiliate of the Filer, which may impact the operation of the Filer;

(iv)   notification that the Filer, or an affiliate of the Filer, has instituted a petition for a judgment of bankruptcy, insolvency, or similar relief, or to wind up or liquidate the Filer, or an affiliate of the Filer, or has a proceeding for any such petition instituted against it; and

(v)   the appointment of a receiver or the making of any voluntary arrangement with a creditor.

Systems and internal controls

MMM.   The Filer will maintain, update and test a business continuity plan, including emergency procedures, and a plan for disaster recovery that provides for the timely recovery of operations and fulfilment of its obligations with respect to the Ndax Platform, including in the event of a wide-scale or major disruption.

Additional Relief

NNN.   The Filer will establish, maintain and ensure compliance with appropriate policies and procedures as required under NI 23-103 for clients that access the Ndax Platform via an API. In the event that the Filer requires relief from regulatory requirements in support of providing API access to its clients, the Filer will make an application for relief through its Principal Regulator.

Time Limited Relief

OOO.   This Decision shall expire on December 19, 2026.

PPP.   This Decision may be amended by the Principal Regulator and, if required under securities legislation, the regulator or securities regulatory authority of any other Jurisdiction, upon prior written notice to the Filer in accordance with applicable securities legislation.

In respect of the Prospectus Relief

Date: December 19, 2024

"Tom Cotter"   "Kari Horn, K.C."
Vice-Chair   Vice-Chair
Alberta Securities Commission   Alberta Securities Commission

In respect of granting the Marketplace Relief and the Trade Reporting Relief

Date: December 19, 2024

"Signed by"

"Lynn Tsutsumi"
Director, Market Regulation
Alberta Securities Commission

APPENDIX A

LOCAL TRADE REPORTING RULES

In the Decision, the "**Local Trade Reporting Rules**" means each of the following:

(i)　　　Part 3, Data Reporting of Ontario Securities Commission Rule 91-507 Trade Repositories and Derivatives Data Reporting (**OSC Rule 91-507**);

(ii)　　　Part 3, Data Reporting of Manitoba Securities Commission Rule 91-507 Trade Repositories and Derivatives Data Reporting (**MSC Rule 91-507**); and

(iii)　　　Part 3, Data Reporting of Multilateral Instrument 96-101 Trade Repositories and Derivatives Data Reporting in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Saskatchewan, and Yukon (**MI 96-101**).

APPENDIX B

LIST OF SPECIFIED CRYPTO ASSETS

- Bitcoin

- Ether

- Bitcoin Cash

- Litecoin

- A Value-Referenced Crypto Asset that complies with conditions CC and DD of this Decision.

APPENDIX C

TERMS AND CONDITIONS FOR TRADING VALUE-REFERENCED CRYPTO ASSETS WITH CLIENTS

(1)   The Filer establishes that all of the following conditions are met:

(a)   the Value-Referenced Crypto Asset references, on a one-for-one basis, the value of a single fiat currency (the "reference fiat currency").

(b)   the reference fiat currency is the Canadian dollar or United States dollar.

(c)   the Value-Referenced Crypto Asset entitles a Value-Referenced Crypto Asset holder who maintains an account with the issuer of the Value-Referenced Crypto Asset to a right of redemption, subject only to reasonable publicly disclosed conditions, on demand directly against the issuer of the Value-Referenced Crypto Asset or against the reserve of assets, for the reference fiat currency on a one-to-one basis, less only any fee that is publicly disclosed by the issuer of the Value-Referenced Crypto Asset, and payment of the redemption proceeds within a reasonable period as disclosed by the issuer of the Value-Referenced Crypto Asset.

(d)   the issuer of the Value-Referenced Crypto Asset maintains a reserve of assets that is:

(i)   in the reference fiat currency and is comprised of any of the following:

1.   cash;

2.   investments that are evidence of indebtedness with a remaining term to maturity of 90 days or less and that are issued, or fully and unconditionally guaranteed as to principal and interest, by the government of Canada or the government of the United States;

3.   securities issued by one or more Money Market Funds licensed, regulated or authorized by a regulatory authority in Canada or the United States of America; or

4.   such other assets that the Principal Regulator of the Filer and the regulator or securities regulatory authority in each Canadian jurisdiction where clients of the Filer reside has consented to in writing;

(e)   all of the assets that comprise the reserve of assets are:

(i)   measured at fair value in accordance with Canadian GAAP for publicly accountable enterprises or U.S. GAAP at the end of each day,

(ii)   held with a Qualified Custodian,

(iii)   held in an account clearly designated for the benefit of the Value-Referenced Crypto Asset holders or in trust for the Value-Referenced Crypto Asset holders,

(iv)   held separate and apart from the assets of the issuer of the Value-Referenced Crypto Asset and its affiliates and from the reserve of assets of any other Crypto Asset, so that, to the best of the knowledge and belief of the Filer after taking steps that a reasonable person would consider appropriate, including consultation with experts such as legal counsel, no creditors of the issuer other than the Value-Referenced Crypto Asset holders in their capacity as Value-Referenced Crypto Asset holders, will have recourse to the reserve of assets, in particular in the event of insolvency, and

(v)   not encumbered or pledged as collateral at any time; and

(f)   the fair value of the reserve of assets is at least equal to the aggregate nominal value of all outstanding units of the Value-Referenced Crypto Asset at least once each day.

(2)   The issuer of the Value-Referenced Crypto Asset makes all of the following publicly available:

(a)   details of each type, class or series of the Value-Referenced Crypto Asset, including the date the Value-Referenced Crypto Asset was launched and key features and risks of the Value-Referenced Crypto Asset;

(b)   the quantity of all outstanding units of the Value-Referenced Crypto Asset and their aggregate nominal value at least once each business day;

(c)   the names and experience of the persons or companies involved in the issuance and management of the Value-Referenced Crypto Asset, including the issuer of the Value-Referenced Crypto Asset, any manager of the reserve of assets, including any individuals that make investment decisions in respect of the reserve of assets, and any custodian of the reserve of assets;

(d)   the quantity of units of the Value-Referenced Crypto Asset held by the issuer of the Value-Referenced Crypto Asset or any of the persons or companies referred to in paragraph (c) and their nominal value at least once each business day;

(e)   details of how a Value-Referenced Crypto Asset holder can redeem the Value-Referenced Crypto Asset, including any possible restrictions on redemptions such as the requirement for a Value-Referenced Crypto Asset holder to have an account with the issuer of the Value-Referenced Crypto Asset and any criteria to qualify to have an account;

(f)   details of the rights of a Value-Referenced Crypto Asset holder against the issuer of the Value-Referenced Crypto Asset and the reserve of assets, including in the event of insolvency or winding up;

(g)   all fees charged by the issuer of the Value-Referenced Crypto Asset for distributing, trading or redeeming the Value-Referenced Crypto Asset;

(h)   whether Value-Referenced Crypto Asset holders are entitled to any revenues generated by the reserve of assets;

(i)   details of any instances of any of the following:

    (i)   the issuer of the Value-Referenced Crypto Asset has suspended or halted redemptions for all Value-Referenced Crypto Asset holders;

    (ii)   the issuer of the Value-Referenced Crypto Asset has not been able to satisfy redemption rights at the price or in the time specified in its public policies;

(j)   within 45 days of the end of each month, an assurance report from a public accountant that is authorized to sign such a report under the laws of a jurisdiction of Canada or the United States of America, and that meets the professional standards of that jurisdiction, that complies with all of the following:

    (i)   provides reasonable assurance in respect of the assertion by management of the issuer of the Value-Referenced Crypto Asset that the issuer of the Value-Referenced Crypto Asset has met the requirements in paragraphs (1)(d)-(f) as at the last business day of the preceding month and at least one randomly selected day during the preceding month;

    (ii)   the randomly selected day referred to in subparagraph (i) is selected by the public accountant and disclosed in the assurance report;

    (iii)   for each day referred to in subparagraph (i), management's assertion includes all of the following:

        1.   details of the composition of the reserve of assets;

        2.   the fair value of the reserve of assets in subparagraph (1)(e)(i);

        3.   the quantity of all outstanding units of the Value-Referenced Crypto Asset in paragraph (b);

    (iv)   the assurance report is prepared in accordance with the Handbook, International Standards on Assurance Engagements or attestation standards established by the American Institute of Certified Public Accountants;

(k)   starting with the first financial year ending after December 1, 2023, within 120 days of the issuer of the Value-Referenced Crypto Asset's financial year end, annual financial statements of the issuer of the Value-Referenced Crypto Asset that comply with all of the following:

    (i)   the annual financial statements include all of the following:

        1.   a statement of comprehensive income, a statement of changes in equity and a statement of cash flows, each prepared for the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;

2.   a statement of financial position, signed by at least one director of the issuer of the Value-Referenced Crypto Asset, as at the end of the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;

3.   notes to the financial statements;

(ii)   the statements are prepared in accordance with one of the following accounting principles:

1.   Canadian GAAP applicable to publicly accountable enterprises;

2.   U.S. GAAP;

(iii)   the statements are audited in accordance with one of the following auditing standards:

1.   Canadian GAAS;

2.   International Standards on Auditing;

3.   U.S. PCAOB GAAS;

(iv)   the statements are accompanied by an auditor's report that,

1.   if (iii)(1) or (2) applies, expresses an unmodified opinion,

2.   if (iii)(3) applies, expresses an unqualified opinion,

3.   identifies the auditing standards used to conduct the audit, and

4.   is prepared and signed by a public accountant that is authorized to sign such a report under the laws of a jurisdiction of Canada or the United States of America.

(3)   The Crypto Asset Statement includes all of the following:

(a)   a prominent statement that no securities regulatory authority or regulator in Canada has evaluated or endorsed the Crypto Contracts or any of the Crypto Assets made available through the Ndax Platform;

(b)   a prominent statement that the Value-Referenced Crypto Asset is not the same as and is riskier than a deposit in a bank or holding cash with the Filer;

(c)   a prominent statement that although Value-Referenced Crypto Assets may be commonly referred to as "stablecoins", there is no guarantee that the Value-Referenced Crypto Asset will maintain a stable value when traded on secondary markets or that the reserve of assets will be adequate to satisfy all redemptions;

(d)   a prominent statement that, due to uncertainties in the application of bankruptcy and insolvency law, in the event of the insolvency of [Value-Referenced Crypto Asset issuer], there is a possibility that creditors of [Value-Referenced Crypto Asset issuer] would have rights to the reserve assets that could outrank a Value-Referenced Crypto Asset holder's rights, or otherwise interfere with a Value-Referenced Crypto Asset holder's ability to access the reserve of assets in the event of insolvency;

(e)   a description of the Value-Referenced Crypto Asset and its issuer;

(f)   a description of the due diligence performed by the Filer with respect to the Value-Referenced Crypto Asset;

(g)   a brief description of the information in section (2) and links to where the information in that section is publicly available;

(h)   a link to where on its website the issuer of the Value-Referenced Crypto Asset will disclose any event that has or is likely to have a significant effect on the value of the Value-Referenced Crypto Asset or on the reserve of assets;

(i)   a description of the circumstances where the secondary market trading value of the Value-Referenced Crypto Asset may deviate from par with the reference fiat currency and details of any instances where the secondary market trading value of the Value-Referenced Crypto Asset has materially deviated from par with the reference fiat currency during the last 12 months on the Filer's platform;

(j)   a brief description of any risks to the client resulting from the trading of a Value-Referenced Crypto Asset or a Crypto Contract in respect of a Value-Referenced Crypto Asset that may not have been distributed in compliance with securities laws;

(k)   any other risks specific to the Value-Referenced Crypto Asset, including the risks arising from the fact that the Filer may not, and a client does not, have a direct redemption right with the issuer of the Value-Referenced Crypto Asset;

(l)   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 Ndax Platform;

(m)   a statement that the statutory rights in section 204 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 in the Decision;

(n)   the date on which the information was last updated.

(4)   If the Filer uses the term "stablecoin" or "stablecoins" in any information, communication, advertising or social media related to the Ndax Platform and targeted at or accessible by Canadian investors, the Filer will also include the following statement (or a link to the following statement when impractical to include):

"Although the term "stablecoin" is commonly used, there is no guarantee that the asset will maintain a stable value in relation to the value of the reference asset when traded on secondary markets or that the reserve of assets, if there is one, will be adequate to satisfy all redemptions."

(5)   The issuer of the Value-Referenced Crypto Asset has filed an undertaking acceptable to the CSA in substantially the same form as set out in Appendix B of CSA Notice 21-333 *Crypto Asset Trading Platforms: Terms and Conditions for Trading Value-Referenced Crypto Assets with Clients* (**CSA SN 21-333**).

(6)   The KYP Policy of the Filer requires the Filer to assess whether the Value-Referenced Crypto Asset or the issuer of the Value-Referenced Crypto Asset satisfies the criteria in sections (1), (2) and (5) of this Appendix on an ongoing basis.

(7)   The Filer has policies and procedures to facilitate halting or suspending deposits or purchases of the Value-Referenced Crypto Asset, or Crypto Contracts in respect of the Value-Referenced Crypto Asset, as quickly as is commercially reasonable, if the Value-Referenced Crypto Asset no longer satisfies the criteria in sections (1), (2) and (5) of this Appendix.

(8)   In this Appendix, terms have the same meanings set out in Appendix D of CSA SN 21-333.

APPENDIX D

STAKING TERMS AND CONDITIONS

1.   The Staking Services are offered in relation to the Stakeable Crypto Assets that are subject to a Crypto Contract between the Filer and a client.

2.   Unless the Principal Regulator has provided its prior written consent, the Filer only offers clients the Staking Services only for (i) Crypto Assets of blockchains that use a proof of stake consensus mechanism and (ii) the staked Crypto Assets that are used to guarantee the legitimacy of new transactions the Validator adds to the blockchain (i.e., Stakeable Crypto Assets).

3.   The Filer is proficient and knowledgeable about staking Stakeable Crypto Assets.

4.   The Filer itself does not act as a Validator. The Filer has entered into written agreements with third parties to stake Stakeable Crypto Assets and each such third party is proficient and experienced in staking Stakeable Crypto Assets.

5.   The Filer's KYP Policy includes a review of the Stakeable Crypto Assets made available to clients for staking and staking protocols related to those Stakeable Crypto Assets prior to offering those Stakeable Crypto Assets as part of the Staking Services. The Filer's review includes the following:

   (a)   the Stakeable Crypto Assets that the Filer proposes to offer for staking;

   (b)   the operation of the proof-of-stake blockchain for the Stakeable Crypto Assets that the Filer proposes to offer for staking;

   (c)   the staking protocols for the Stakeable Crypto Assets that the Filer proposes to offer for staking;

   (d)   the risks of loss of the staked Stakeable Crypto Assets, including from software bugs and hacks of the protocol;

   (e)   the Validators engaged by the Filer, including, but not limited to, information about:

      (i)   the persons or entities that manage and direct the operations of the Validator,

      (ii)   the Validator's reputation and use by others,

      (iii)   the amount of Stakeable Crypto Assets the Validator has staked on its own nodes,

      (iv)   the measures in place by the Validator to operate the nodes securely and reliably,

      (v)   the financial status of the Validator,

      (vi)   the performance history of the Validator, including but not limited to the amount of downtime of the Validator, past history of "double signing" and "double attestation/voting",

      (vii)   any losses of Stakeable Crypto Assets related to the Validator's actions or inactions, including losses resulting from slashing, jailing or other penalties incurred by the Validator, and

      (viii)   any guarantees offered by the Validator against losses including losses resulting from slashing or other penalties and any insurance obtained by the Validator that may cover this risk.

6.   The Filer has policies and procedures to assess account appropriateness for a client that include consideration of the Staking Services to be made available to that client.

7.   The Filer applies the account appropriateness policies and procedures to evaluate whether offering the Staking Services is appropriate for a client before providing access to an account that makes available the Staking Services and, on an ongoing basis, at least once in each 12-month period.

8.   If, after completion of an account-level appropriateness assessment, the Filer determines that providing the Staking Services is not appropriate for the client, the Filer will include prominent messaging to the client that this is the case and the Filer will not make available the Staking Services to the client.

9.   The Filer only stakes the Stakeable Crypto Assets of those clients who have agreed to the Staking Services and have allocated Stakeable Crypto Assets to be staked. Where a client no longer wishes to stake all or a portion of the allocated Stakeable Crypto Assets, subject to any Lock-Up Periods (as defined below) or any terms of the Staking Services that

permit the client to remove Stakeable Crypto Assets from the Staking Services prior to the expiry of any Lock-Up Periods, the Filer ceases to stake those Stakeable Crypto Assets.

10. Before the first time a client allocates any Stakeable Crypto Assets to be staked, the Filer delivers to the client the Risk Statement that includes the risks with respect to staking and the Staking Services described in representation 11 below, and requires the client to provide electronic acknowledgement of having received, read and understood the Risk Statement.

11. The Filer clearly explains in the Risk Statement the risks with respect to staking and the Staking Services in plain language, which include, at a minimum:

    (a) the details of the Staking Services and the role of all third parties involved;

    (b) the due diligence performed by the Filer with respect to the proof-of-stake consensus protocol for each Crypto Asset for which the Filer provides the Staking Services;

    (c) the details of the Validators that will be used for the Staking Services and the due diligence performed by the Filer with respect to the Validators;

    (d) the details of whether and how the custody of staked Stakeable Crypto Assets differs from Crypto Assets held on behalf of the Filer's clients that are not engaged in staking;

    (e) the general risks related to staking and any risks arising from the arrangements used by the Filer to offer the Staking Services (e.g., reliance on third parties; risk of loss due to technical errors or bugs in the protocol; hacks or theft from the crypto assets being held in hot wallets, etc.) and how any losses will be allocated to clients;

    (f) whether the Filer will reimburse clients for any Stakeable Crypto Assets lost due to slashing or other penalties imposed due to Validator error, action or inactivity or how any losses will be allocated to clients;

    (g) whether any of the staked Stakeable Crypto Assets are subject to any lock-up, unbonding, unstaking, or similar periods imposed by the Stakeable Crypto Asset protocol, custodian or Validator, where such Stakeable Crypto Assets will not be accessible to the client or will be accessible only after payment of additional fees or penalties or forfeiture of any rewards (**Lock-up Periods**); and

    (h) how rewards are calculated on the staked Stakeable Crypto Assets, including any fees charged by the Filer or any third party, how rewards are paid out to clients, and any associated risks.

12. Immediately before the first time that a client allocates Stakeable Crypto Assets to be staked under the Staking Services, the Filer requires the client to acknowledge the risks of staking Stakeable Crypto Assets as may be applicable to the particular Staking Services or each particular Stakeable Crypto Asset, including, but not limited to:

    (a) that the staked Stakeable Crypto Asset may be subject to a Lock-up Period and, consequently, the client may not be able to sell or withdraw their Stakeable Crypto Asset for a predetermined or unknown period of time, with details of any known period, if applicable;

    (b) that given the volatility of Crypto Assets, the value of a client's staked Stakeable Crypto Asset when they are able to sell or withdraw, and the value of any Stakeable Crypto Asset earned through staking, may be significantly less than the current value;

    (c) how rewards will be calculated and paid out to clients and any risks inherent in the calculation and payout of any rewards;

    (d) that there is no guarantee that the client will receive any rewards on the staked Stakeable Crypto Asset, and that past rewards are not indicative of expected future rewards;

    (e) whether rewards may be changed at the discretion of the Filer;

    (f) unless the Filer guarantees any Stakeable Crypto Assets lost to slashing, that the client may lose all or a portion of the client's staked Stakeable Crypto Assets if the Validator does not perform as required by the network;

    (g) if the Filer offers a guarantee to prevent loss of any Stakeable Crypto Assets arising from the Staking Services, including due to slashing, any limits on that guarantee and requirements for a client to claim under the guarantee; and

(h)   that additional risks can be found in the Risk Statement and Crypto Asset Statement, including the names and other information regarding the Validators and information regarding Lock-up Periods and rewards, with a link to the Risk Statement and Crypto Asset Statement.

13.   Immediately before each time a client buys or deposits Stakeable Crypto Assets that are automatically staked pursuant to an existing agreement by the client to the Staking Services, the Filer provides prominent disclosure to the client that the Stakeable Crypto Asset it is about to buy or deposit will be automatically staked.

14.   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 Staking Services and/or Stakeable Crypto Assets.

15.   In the event of any update to the Risk Statement, for each existing client that has agreed to the Staking Services, the Filer will promptly notify the client of the update and deliver to them a copy of the updated Risk Statement.

16.   In the event of any update to a Crypto Asset Statement, for each existing client that has agreed to the Staking Services in respect of the Stakeable Crypto Asset for which the Crypto Asset Statement was updated, the Filer will promptly notify the client of the update and deliver to the client a copy of the updated Crypto Asset Statement.

17.   The Filer or the Custodians remain in possession, custody and control of the staked Stakeable Crypto Assets at all times.

18.   The Filer holds the staked Stakeable Crypto Assets for its clients in one or more omnibus staking wallets in the name of the Filer for the benefit of the Filer's clients and the staked Stakeable Crypto Assets are held separate and distinct from (i) the assets of the Filer's other clients; and (ii) the Crypto Assets held for the Filer's clients that have not agreed to staking those specific Crypto Assets.

19.   The Filer has established policies and procedures that manage and mitigate custodial risks for staked Stakeable Crypto Assets, including but not limited to, an effective system of controls and supervision to safeguard the staked Stakeable Crypto Assets.

20.   If the Filer permits clients to remove Stakeable Crypto Assets from the Staking Services prior to the expiry of any Lock-up Period, the Filer establishes and applies appropriate liquidity management policies and procedures to fulfill withdrawal requests made, which may include using the Stakeable Crypto Assets it holds in inventory, setting aside cash for the purpose of purchasing such inventory, and/or entering into agreements with its Liquidity Providers that permit the Filer to purchase any required Crypto Assets. The Filer holds Stakeable Crypto Assets in trust for its clients and will not use Stakeable Crypto Assets of those clients who have not agreed to the Staking Services for fulfilling such withdrawal requests.

21.   If the Filer provides a guarantee to clients from some or all of the risks related to the Staking Services, the Filer has established, and will maintain and apply, policies and procedures to address any risks arising from such guarantee.

22.   In the event of bankruptcy or insolvency of the Filer, the Filer will assume and will not pass to clients any losses arising from slashing or other penalties arising from the performance or non-performance of the Validator.

23.   The Filer monitors its Validators for downtime, jailing and slashing events and takes any appropriate action to protect Stakeable Crypto Assets staked by clients.

24.   The Filer has established and applies policies and procedures to address how staking rewards, fees and losses will be calculated and allocated to clients that have staked Stakeable Crypto Assets under the Staking Services.

25.   The Filer regularly and promptly determines the amount of staking rewards earned by each client that has staked Stakeable Crypto Assets under the Staking Services and distributes each client's staking rewards to the client promptly after they are made available to the Filer.

26.   The Filer clearly discloses the fees charged by the Filer for the Staking Services and provides a clear calculation of the rewards earned by each client that agrees to the Staking Services.

APPENDIX E

DATA REPORTING

1. Commencing with the quarter ending September 30, 2024, 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 Ndax 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 Ndax Platform each month in the quarter based on the account appropriateness factors described in representation 29(a) of the Decision;

        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, that: (a) in the case of a client that is not an Eligible Crypto Investor, exceeded a net acquisition cost of $30,000 at the end of each month in the quarter, and (b) in the case of a client that is an Eligible Crypto Investor, but not an Accredited Crypto Investor, exceeded a net acquisition cost of $100,000 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; and

        xi. number of Client Accounts that hold a positive amount of Crypto Assets at end of each month in the quarter; and

        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 Ndax 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; and

    (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 Ndax 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 in Appendix F.

APPENDIX F

DATA ELEMENT DEFINITIONS, FORMATS AND ALLOWABLE VALUES

Number	Data Element Name	Definition for Data Element[1]	Format	Values	Example
Data Elements Related to each Unique Client					
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. https://www.iso.org/obp/ui/#iso:code:3166:CA	CA-ON
Data Elements Related to each Unique Account					
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
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. https://dtif.org/	4H95J0R2X

[1] Note: Digital Token refers to either data associated with a Digital Token, or a Digital Token referenced in an investment contract.

Number	Data Element Name	Definition for Data Element[1]	Format	Values	Example
Data Elements Related to each Digital Token Identifier Held in each Account					
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
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
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

Number	Data Element Name	Definition for Data Element[1]	Format	Values	Example
17	Value of Digital Token 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