

## **Headnote**

Application for time-limited relief from prospectus requirement, suitability requirement and trade reporting requirement – the Filer is registered as a restricted dealer as the staff review of the Filer's application for registration as a restricted dealer was sufficiently advanced prior to the media release dated August 6, 2024 – suitability relief to allow the Filer to distribute Crypto Contracts and operate a platform that facilitates the buying, selling, and holding of crypto assets – relief granted subject to certain conditions set out in the decision, including investment limits, account appropriateness, disclosure and reporting requirements – relief is time-limited – relief granted based on the particular facts and circumstances of the application with the objective of fostering capital raising by innovative businesses in Ontario – decision should not be viewed as precedent for other filers in the jurisdictions of Canada.

### Statute cited

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

### Instrument, Rule or Policy cited

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

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

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

**January 17, 2025**

**In the Matter of  
the Securities Legislation of Ontario  
(the Jurisdiction)**

**and**

**In the Matter of  
Cybrid 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 (IIROC)

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 anything commonly considered a crypto asset, digital or virtual currency, or digital or virtual token (a **Crypto Asset**) because the user's contractual right to the crypto asset may itself constitute a security and/or a derivative (a **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 environment, with regulatory requirements tailored to the CTP's operations. The overall goal of the regulatory framework is to ensure there is a balance between the need to be flexible and facilitate innovation in the Canadian capital markets, while upholding the regulatory mandate of promoting investor protection and fair and efficient capital markets.

The Filer intends to operate a platform through which the Filer's clients may enter into Crypto Contracts with the Filer to purchase, hold, sell, withdraw and deposit Crypto Assets. Currently, the Filer will only provide services to clients in Ontario (**Clients**, and each, a **Client**). The Filer has applied for registration as a restricted dealer in Ontario. While registered as a restricted dealer, the Filer intends to seek membership with the Canadian Investment Regulatory Organization (**CIRO**), a successor entity to IIROC.

This decision (the **Decision**) has been tailored for the specific facts and circumstances of the Filer, and the regulator in the Jurisdiction will not consider this Decision as constituting a precedent for other filers.

### **Relief Requested**

The Ontario Securities Commission (the **Commission**) has received an application from the Filer for a decision under the securities legislation of Ontario (the **Legislation**) exempting the Filer from:

- a) the prospectus requirements under the Legislation in respect of the Filer entering into Crypto Contracts with Clients to purchase, hold, sell, deposit and withdraw Crypto Assets (the **Prospectus Relief**);
- b) the requirement in section 13.3 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103)* to take reasonable steps to ensure that, before it opens an account, takes investment action for a Client, or makes a recommendation to or exercises discretion to take an investment action, to determine on a reasonable basis that the action is suitable for the Client (the **Suitability Relief**); and
- c) the requirement in Part 3, Data Reporting of the Ontario Securities Commission Rule 91-507 *Trade Repositories and Derivatives Data Reporting (Local Trade Reporting Rule)* exempting the Filer from certain reporting requirements under the Local Trade Reporting Rule (the **Trade Reporting Relief**).

The Prospectus Relief, the Suitability Relief and the Trade Reporting Relief are collectively referred to as the **Requested Relief**.

## Interpretation

Terms defined in National Instrument 14-101 *Definitions* and the Legislation have the same meaning if used in this Decision, unless otherwise defined.

For the purposes of this Decision, the following terms have the following meaning:

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

- a) is one of the following:
  - i. a Canadian custodian or Canadian financial institution, as those terms are defined in NI 31-103;
  - ii. a custodian qualified to act as a custodian or sub-custodian for assets held in Canada pursuant to section 6.2 [*Entities Qualified to Act as Custodian or Sub-Custodian for Assets Held in Canada*] of National Instrument 81-102 *Investment Funds*;
  - iii. a custodian that meets the definition of an “acceptable securities location” in accordance with the Investment Dealer and Partially Consolidated Rules and Form 1 of CIRO;
  - iv. a foreign custodian for which the Filer has obtained the prior written consent from a Director of the Commission; or
  - v. an entity that does not meet the criteria for a qualified custodian and for which the Filer has obtained the prior written consent from a Director of the Commission;
- b) is functionally independent of the Filer within the meaning of NI 31-103;
- c) has obtained audited financial statements within the last twelve months, which
  - i. are audited by a person or company that is authorized to sign an auditor’s report under the laws of a jurisdiction of Canada or a foreign jurisdiction and that meets the professional standards of that jurisdiction,
  - ii. are accompanied by an auditor’s report that expresses an unqualified opinion, and
  - iii. unless otherwise agreed to by a Director of the Commission, disclose 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

- d) 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 a Director of the Commission;

“**Act**” means the *Securities Act* (Ontario);

“**Canadian AML / ATF Law**” means *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and any regulations made thereunder;

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

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

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

“**Promoter**” has the meaning ascribed to that term in the securities legislation;

“**Proprietary Token**” means, with respect to a person or company, 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;

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

“**Registered CTP**” means a CTP that is registered as a restricted dealer or an investment dealer under securities legislation in the Jurisdiction;

“**Specified Crypto Assets**” means the Crypto Assets listed in Appendix A to this Decision;

“**Specified Foreign Jurisdiction**” means any of the following: Australia, Brazil, any member country of the European Union, Hong Kong, Japan, Republic of Korea, New Zealand, Singapore, Switzerland, United Kingdom of Great Britain and Northern Ireland, the United States of America, and any other jurisdiction that a Director of the Commission may advise; and

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

In this Decision, a person or company is an affiliate (an **Affiliate**) of another person or company if:

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

## Representations

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

### The Filer

1. The Filer is a corporation incorporated under the federal laws of Canada with its head office in Toronto, Ontario.
2. The Filer operates under the business name “**Cybrid**”.
3. The Filer is registered as a money services business (**MSB**) with the Financial Transactions and Reports Analysis Centre of Canada under regulations made under Canadian AML / ATF Law.
4. The Filer has appointed MNP LLP as its auditors.
5. The Filer does not have any securities listed or quoted on an exchange or marketplace in any jurisdiction inside or outside of Canada.
6. The Filer is a wholly owned subsidiary of Cybrid Technology Inc. (**Cybrid Technology**), a corporation incorporated under the federal laws of Canada. Cybrid Technology is a software company, the software is licensed to its subsidiaries. Cybrid Inc. performs payment processing and remittance services in the United States.
7. The Filer’s personnel consist of software engineers, compliance professionals and client support representatives who each have experience operating in a regulated financial services environment such as an MSB and expertise in blockchain technology. All of the Filer’s personnel have passed criminal records checks, and new personnel will have passed criminal records and credit checks.
8. The Filer is not in default of securities legislation in Ontario or any other jurisdiction in Canada, other than in respect of the subject matter to which this Decision relates.

### **The Platform and Services**

9. The Filer intends to operate an automated and proprietary internet-based platform available through the Filer’s website and mobile application (the **Platform**), enabling Clients to enter into Crypto Contracts that allow them to buy, sell, hold, deposit and withdraw Crypto Assets and to hold them through the Platform.
10. Through the Platform, the Filer will offer Clients the ability to enter into Crypto Contracts to:
  - (a) buy, sell, hold, deposit and withdraw Crypto Assets, including custody of Crypto Assets and fiat currency; and
  - (b) send or receive fiat currency or Crypto Assets to another Client or to any external address.(together, the **Cybrid Services**).
11. The rights and obligations of the Filer and of each Client under the Crypto Contracts are set out in the Filer’s terms of use (the **Terms of Use**), which are accepted by the Client at

the time the Client opens an account (each, a **Client Account**). When the Filer makes a change to the Terms of Use, the Filer provides the Client with notice of the revised Terms of Use.

12. The Filer's role under the Crypto Contract is to facilitate buying and selling of Crypto Assets and to provide custodial and transfer services for all Crypto Assets held in Client Accounts.
13. The Filer's trading of Crypto Contracts is consistent with activities described in Staff Notice 21-327 and constitutes the trading of securities and/or derivatives.
14. The Filer may buy, sell, borrow or hold Crypto Assets in its inventory for operational purposes, such as payment of network or transaction fees required to transfer Crypto Assets and testing. Otherwise, the Filer does not and will not hold any proprietary positions in Crypto Assets for itself and does not take a long or short position in a Crypto Asset with any party, including Clients.
15. The Filer does not and will not offer Clients any advice or recommendations regarding transactions in Crypto Contracts or Crypto Assets, nor does the Filer have, offer or provide discretionary investment management services relating to Crypto Contracts or Crypto Assets for or on behalf of Clients.
16. The Filer is not a member firm of the Canadian Investor Protection Fund (**CIPF**) and the Crypto Contracts and the Crypto Assets custodied on the Platform do not qualify for CIPF coverage. The Risk Statement (as defined below) will include disclosure that there is no CIPF coverage for the Crypto Assets and Clients must acknowledge that they have received, read and understood the Risk Statement before opening an account with the Filer.
17. Upon the Filer's registration as a restricted dealer, the Filer will make available to Clients the services of the Ombudsman for Banking Services and Investments to resolve complaints made by Clients.

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

18. The Filer has established and will apply policies and procedures to review the Crypto Assets and to determine whether to allow Clients on the Platform to enter into Crypto Contracts to buy or sell the Crypto Assets on the Platform in accordance with the know-your-product (**KYP**) provisions in NI 31-103 (**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 will only offer and allow Clients the ability to enter into Crypto Contracts based on Crypto Assets that (a) are not each themselves a security and/or a derivative, or (b) are Value-Referenced Crypto Assets, in accordance with condition G of this Decision.
20. The Filer does not and will not allow Clients to enter into a Crypto Contract to buy or sell Crypto Assets unless the Filer has taken steps to:
- (a) assess the relevant aspects of each Crypto Asset 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 and sell such Crypto Asset, to be made available to Clients; and
  - (c) as set out in representation 23, 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 without the prior written consent of a Director of the Commission, in trades that are part of, or designed to facilitate, the design, creation, issuance or distribution of Crypto Assets by the developer(s) of the Crypto Asset or its issuers or Affiliates or associates of such persons.
22. As set out in the Filer's KYP Policy, the Filer determines whether a Crypto Asset available to be bought or sold through a Crypto Contract is a security and/or derivative and is being offered in compliance with securities and derivatives laws, which include but are not limited to:
- (a) consideration of statements made by the Commission, any regulators or securities regulatory authorities of any province or territory of Canada or other regulators in International Organization of Securities Commissions jurisdictions, or the regulator with the most significant connection to a Crypto Asset about whether the Crypto Asset, or generally about whether the type of Crypto Asset, is a security and/or derivative; and
  - (b) if the Filer determines it to be necessary, obtaining legal advice as to whether the Crypto Asset is a security and/or derivative under the securities legislation.
23. The Filer monitors ongoing developments related to the Crypto Assets available on its Platform that may cause a Crypto Asset's status as a security and/or derivative or the assessment conducted by the Filer pursuant to its KYP Policy and as described in representations 18 to 22 to change.

24. The Filer acknowledges that any determination made by the Filer as set out in representations 18 to 22 of this Decision does not prejudice the ability of any of the regulators or securities regulatory authorities of any province or territory of Canada to determine that a Crypto Asset that a Client may enter into a Crypto Contract to buy and sell is a security and/or derivative.
25. The Filer has established and will apply policies and procedures to promptly stop the trading of any Crypto Asset available on the Platform and to allow Clients to liquidate in an orderly manner their positions in Crypto Contracts with underlying Crypto Assets that the Filer ceases to make available on the Platform.

### **Know-Your-Client and Account Appropriateness Assessment**

26. Each Client who is an individual and each Client who is authorized to give instructions for a Client that is a legal entity must be a resident of Canada, hold an account with a Canadian financial institution, have reached the age of eighteen (18), and have the legal capacity to open a securities brokerage account. Each Client of the Platform that is a corporation, partnership or other legal entity must be Canadian-registered, hold an account with a Canadian financial institution and be in good standing.
27. In order to open a Client Account on the Platform, all Clients must agree to and comply with the Filer's Terms of Use, which are publicly available on the Platform. In summary:
  - (a) the Terms of Use constitute a service agreement whereby the Filer agrees to offer the Cybrid Services to its Clients;
  - (b) in order to use the Cybrid Services, each Client must open a Client Account;
  - (c) the Client Account allows Clients to benefit from one or more Crypto Asset accounts which allow the Clients to store Crypto Assets through the Platform;
  - (d) the Filer processes instructions received from its Clients on their Client Account; and
  - (e) Clients can transfer Crypto Assets and fiat held through the Platform to other Clients as well as to external blockchain addresses at any time.
28. Under the Terms of Use, the Filer maintains certain controls over Client Accounts to ensure compliance with applicable law and ensure secure custody of Client assets.
29. The Filer does not provide recommendations or advice to Clients or conduct a trade-by-trade suitability determination for Clients, but rather performs product assessments pursuant to the KYP Policy, performs account appropriateness assessments and applies Client Limits (as defined in representation 30 below).
30. As part of the account-opening process:



- (a) The Filer complies with the applicable “know-your-client” (**KYC**) account-opening requirements under securities legislation and Canadian AML/ATF Law by collecting KYC information which satisfies the identity verification requirements applicable to reporting entities.
- (b) The Filer assesses “account appropriateness.” Specifically, prior to opening a Client Account, the Filer uses electronic questionnaires to collect information that the Filer will use to determine whether and to what extent it is appropriate for a prospective Client to enter into Crypto Contracts with the Filer to buy and/or sell Crypto Assets. The Filer conducts the account appropriateness assessment by taking into account the following factors (**Account Appropriateness Factors**):
  - (i) the Client’s experience and knowledge in investing in Crypto Assets;
  - (ii) the Client’s financial circumstances;
  - (iii) the Client’s risk tolerance; and
  - (iv) the Crypto Assets approved to be made available to a Client on the Platform.
- (c) The Account Appropriateness Factors are used by the Filer to evaluate whether and to what extent entering into Crypto Contracts with the Filer is appropriate for a prospective Client before opening a Client Account. After completion of the account appropriateness assessment, a prospective Client that is not a permitted client or a Registered CTP will receive appropriate messaging about using the Platform to enter into Crypto Contracts, which, in circumstances where the Filer has evaluated that entering into Crypto Contracts with the Filer is not appropriate for the Client, will include prominent messaging to the prospective Client that this is the case and that the Client will not be permitted to open a Client Account.
- (d) The Filer has adopted and will apply policies and procedures to conduct an assessment to establish appropriate limits on the losses that a Client that is not a permitted client can incur and what limits will apply to such Client based on the Account Appropriateness Factors (the **Client Limit**), and what steps the Filer will take when the Client approaches or exceeds their Client Limit. After completion of the assessment, the Filer will implement controls to monitor and apply the Client Limits.
- (e) the Filer provides a prospective Client with a statement of risks (the **Risk Statement**) that clearly explains or includes 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 Platform;

- (iv) the due diligence performed by the Filer before making a Crypto Asset available through the Platform, including the due diligence performed by the Filer to assess whether the Crypto Asset is a security and/or derivative under the securities and derivatives legislation of each of the jurisdictions of Canada and the securities and derivatives laws of the foreign jurisdiction with which the Crypto Asset has the most significant connection, and the risks if the Filer has incorrectly determined that the Crypto Asset is not a security and/or derivative;
  - (v) that the Filer has prepared a plain language description of each Crypto Asset and of the risks of the Crypto Asset made available through the Platform, with instructions as to where on the Platform the Client may obtain the descriptions (each, a **Crypto Asset Statement**);
  - (vi) the Filer's policies for halting, suspending and withdrawing a Crypto Asset from trading on the Platform, including criteria that would be considered by the Filer, options available to Clients holding such a Crypto Asset, any notification periods and any risks to Clients;
  - (vii) 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 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) the Filer is not a member of CIPF and 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 130.1 of the Act do not apply in respect of the Risk Statement or a Crypto Asset Statement to the extent a Crypto Contract is distributed under the Prospectus Relief in this Decision; and
  - (xi) the date on which the information was last updated.
31. In order for a prospective Client to open and operate a Client Account on the Platform, the Filer will deliver the Risk Statement to the Client and obtain an electronic acknowledgement from the prospective Client confirming that the prospective Client has received, read and understood the Risk Statement. Such acknowledgement will be prominent and separate from other acknowledgements provided by the prospective Client as part of the account opening process.
32. A copy of the Risk Statement acknowledged by a Client in accordance with representation 31 will be electronically delivered to the Client and easily available to the Client upon

request. The most recent version of the Risk Statement will be continuously and easily available to Clients on the Platform and upon request.

33. The Filer has, and will apply, written policies and procedures for updating the Risk Statement and each Crypto Asset Statement to reflect any material changes to the disclosure or include any material risks that may develop with respect to the Crypto Contracts, crypto assets generally, or a specific Crypto Asset, as the case may be. In the event the Risk Statement is updated, existing Clients of the Filer will be promptly notified and provided with a copy of the updated Risk Statement. In the event a Crypto Asset Statement is updated, existing Clients of the Filer will be promptly notified through an email notification, with links provided to the updated Crypto Asset Statement.
34. Before a Client enters into a Crypto Contract to buy a Crypto Asset, the Filer will provide instructions for the Clients to read the Crypto Asset Statement for the Crypto Asset, which will include a link to the Crypto Asset Statement on the Platform.
35. Each Crypto Asset Statement will include:
  - (a) 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 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 first created the Crypto Asset, if applicable;
  - (c) a description of the due diligence performed by the Filer with respect to the Crypto Asset;
  - (d) any risks specific to the Crypto Asset;
  - (e) a direction to the Client to review the Risk Statement for additional discussion of general risks associated with the Crypto Contracts and the Crypto Assets made available through the Platform;
  - (f) a statement that the statutory rights in section 130.1 of the Act 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. The Filer will monitor Client Accounts after opening to identify activity inconsistent with the Client Account, the account appropriateness assessment and Crypto Asset assessment. If warranted, the Client may receive further messaging about the Platform and the Crypto Assets, specific risk warnings and/or receive direct outreach from the Filer about their activity. The Filer will monitor compliance with the Client Limits established in representation 30(d). If warranted, the Client will receive a warning when their Client

Account is approaching its Client Limit, which will include information on steps the Client may take to prevent the Client from incurring further losses.

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

### **Platform Operations**

38. All Crypto Contracts entered into by Clients and orders to buy or sell Crypto Assets are placed with the Filer through the Platform.
39. Clients are able to submit buy and sell orders, either in units of the Crypto Assets or in Canadian dollars, and hold, deposit and withdraw units of the Crypto Assets, 24 hours a day, seven days a week (or where applicable, for fiat currency, during banking hours).
40. Clients purchasing Crypto Assets through the Platform can send funds by wire transfer or e-transfer, and the funds received are held in the manner described in representation 80.
41. Clients deposit their Crypto Assets to unique hot wallet addresses assigned to them by the Platform and the Filer moves the Crypto Asset from this wallet after receipt and assigns the value of the Crypto Asset in the Clients' respective account balances on the Platform.
42. The Filer does not maintain inventory of the Crypto Assets offered on the Platform, but instead, relies on third-party crypto asset trading firms or marketplaces (**Liquidity Providers**) to act as sellers of Crypto Assets that may be purchased by the Filer for its Clients. Liquidity Providers also buy any Crypto Assets from the Filer that Clients wish to sell.
43. The Filer evaluates and will continue to evaluate the price obtained from its Liquidity Providers on an ongoing basis against global benchmarks to provide fair and reasonable pricing to its Clients.
44. Clients can enter orders to the Platform by way of a market order which specifies the desired trading pair and quantity.
45. When a Client enters a market order, the Platform's algorithm will obtain current prices for the Crypto Asset from its Liquidity Providers, after which it will incorporate a spread to compensate the Filer and will present this adjusted price to the Client as a firm quote of the price at which the Filer is willing to transact against the Client. If the Client finds the price agreeable, the Client will confirm that it wishes to proceed and the Client's market order at the quoted price will be filled on the Platform. As indicated on the Platform, the price will be refreshed based on new pricing obtained from a Liquidity Provider every 30 seconds, and the Client will be able to transact against the new price. The Filer confirms the transaction with the Liquidity Providers and records in its books and records the particulars of each trade.

46. The Filer has taken and will continue to 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 Canada. The Filer will cease using a Liquidity Provider upon the direction of a Director of the Commission when the Commission has concerns relating to the Liquidity Provider.
47. The Filer has verified that each Liquidity Provider has effective policies and procedures to address concerns relating to fair price, fraud and market manipulation.
48. A Crypto Contract is a bilateral contract between a Client and the Filer. The Filer will be the counterparty to all trades entered into by the Clients on the Platform. For each Client transaction, the Filer will be a counterparty to a corresponding Crypto Asset buy or sell transaction with a Liquidity Provider. For each buy or sell transaction initiated by a Client, the Filer buys or sells Crypto Assets with the Liquidity Providers.

### **Pre-Trade Controls and Settlement**

49. The Filer does not, and will not, extend margin, credit or other forms of leverage to Clients in connection with trading Crypto Assets on the Platform, and will not offer derivatives based on Crypto Assets to Clients other than Crypto Contracts.
50. 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. Where there are net purchases of Crypto Assets from Liquidity Providers, the Filer arranges for the cash to be transferred to the Liquidity Providers and Crypto Assets to be sent by the Liquidity Providers to the Filer's hot wallets. Where there are net sales of Crypto Assets, the Filer arranges for Crypto Assets to be sent from the Filer's custodian to the Liquidity Providers in exchange for cash received by the Filer from the Liquidity Providers.
51. The Filer is compensated by the spread on trades. The Filer does not currently charge any account opening or maintenance fees, commissions, or other charges of any kind to its Clients. The Filer's Clients can check the quoted prices for Crypto Assets on the Platform against the prices available on other Registered CTPs in Canada.
52. Clients are permitted to transfer into their Client Account with the Filer Crypto Assets purchased outside the Platform and withdraw from their Client Account with the Filer any Crypto Assets they have purchased or received through the Platform.
53. Clients have the option to instruct the Filer to transfer their Crypto Assets held by the Filer to any wallet address on the relevant blockchain specified by the Client.
54. Prior to transferring Crypto Assets out of a Client Account, the Filer conducts a secondary verification of the blockchain address and screens the blockchain address specified by the transferring Client using blockchain forensics software. The Filer has expertise in and has developed anti-fraud and anti-money laundering monitoring systems, for both fiat and Crypto Assets, to reduce the likelihood of fraud, money laundering, or client error in sending or receiving Crypto Assets to incorrect wallet addresses.

55. Consistent with industry best practice, the Filer will maintain only a small portion of Clients' Crypto Assets in hot wallets to serve the liquidity needed to immediately deliver Client transactions to the blockchain, and will maintain at least 80% in cold storage with its Acceptable Third-party Custodian (as is further described in representation 70).
56. The Filer's books and records record all of the trades executed on the Platform. No order will be accepted by the Filer unless there are sufficient cash balances or Crypto Assets available in the Client Account to complete the transaction.
57. The Filer does not allow Clients to enter short sell orders with respect to any Crypto Asset.
58. The Filer has established written standards for access to the Platform and related services, and will establish, maintain and ensure compliance with policies and procedures to ensure participants are onboarded to the Platform and related services in accordance with those written standards.
59. The Filer has established and maintains and ensures compliance with policies and procedures that identify and manage material conflicts of interest arising from the operation of the Platform and the related services it provides, including conflicts between the interests of its owners, its commercial interests and the responsibilities and sound functioning of the Platform and related services.
60. In addition to the Risk Statement, the Crypto Asset Statement, the account appropriateness assessment described in representations 30 to 37, the KYP assessments described in representations 18 to 23, the Client Limits described in representations 30(d) and 36, and the ongoing education initiatives described in representations 30 to 37, 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.
61. The Filer keeps books, records and other documents to accurately record its business activities, financial affairs and Client transactions and to demonstrate the extent of the firm's compliance with applicable requirements of securities legislation including, but not limited to:
  - (a) records of all investors granted or denied access to the Platform;
  - (b) daily trading summaries of all Crypto Assets traded, with transaction volumes and values;
  - (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; and

- (d) records of assets held on behalf of Clients, including the location of such assets, with such assets regularly reconciled to the records of the Acceptable Third-party Custodians or to the assets held by Cybrid.

### Reports to Clients

62. As of the date of this Decision, Clients will receive electronic trade confirmations and monthly statements setting out the details of the transaction history in their Client Account with the Filer. Using the website, Clients will also have access to a complete record of all transactions in their account, including all transfers in of fiat or Crypto Assets, all purchases, sales and withdrawals, and the relevant prices in respect of such transactions.
63. On a continuous basis, except during rare moments where the Platform is not available to allow for systems maintenance, Clients have access to information relating to their Client Accounts, including a list of all Crypto Assets, transaction details and history.

### Custody of Fiat Currency and the Crypto Assets

64. The Filer intends to hold Crypto Assets (i) in an account clearly designated for the benefit of Clients or in trust for Clients, (ii) separate and apart from the assets of non-Canadian clients, (iii) separate and apart from its own assets and from the assets of any custodial service provider. The Filer does not and will not pledge, re-hypothecate or otherwise use any Crypto Assets held on behalf of its Clients.
65. The Filer has established and will apply policies and procedures that manage and mitigate custodial risks, including but not limited to, an effective system of controls and supervision to safeguard the Crypto Assets. The Filer also maintains appropriate policies and procedures related to information technology (IT) security, cyber-resilience, disaster recovery capabilities and business continuity plans. The Filer's policies and procedures ensure and will ensure that all Client Crypto Assets held in its hot wallets and with the Custodian are Clients' assets.
66. The Filer intends to retain services of third-party custodians to hold not less than 80% of the total value of Crypto Assets on behalf of the Filer's Clients. The Filer will use Coinbase Custody Trust Company LLC (the **Custodian**) as custodian to hold Clients' Crypto Assets in cold storage and will use other custodians as necessary after reasonable due diligence. Up to 20% of the Filer's total Client Crypto Assets may be held online in hot wallets secured by Fireblocks LLC (**Fireblocks**).
67. The Filer has completed the initial steps to onboard with a qualified custodian in order to custody client's fiat balances. The Filer's ability to complete onboarding is conditional on the Commission's approval of the Filer's application for registration. Subject to the Commission's approval, onboarding will be immediately prioritized and completed prior to commencing business operations.

68. The Custodian is licensed as a limited purpose trust company with the New York State Department of Financial Services.
69. The Custodian has completed a Service Organization Controls (SOC) Report under the SOC 1 – Type 2 and SOC 2 – Type 2 standards from a leading global audit firm.
70. The Filer will not open accounts for Clients or trade in Crypto Assets or Crypto Contracts until it has executed and implemented a custodial agreement with an Acceptable Third-Party Custodian that would permit the Filer to comply with policies and procedures in representation 65 and conditions K and L of this Decision.
71. The Filer has conducted due diligence on the Custodian, including, among others, the Custodian's policies and procedures for holding Crypto Assets and a review of the Custodian's SOC 2 - Type 2 examination reports. The Filer has not identified any material concerns. The Filer has assessed that the Custodian meets the definition of an Acceptable Third-party Custodian.
72. The Filer has established, and will maintain and apply, policies and procedures that are reasonably designed to ensure the Custodian's records related to Crypto Assets that the Custodian holds in trust for Clients of the Filer are accurate and complete.
73. The Custodian operates custody accounts for the Filer to use for the purpose of holding the Clients' Crypto Assets in trust for Clients of the Filer.
74. The Crypto Assets that the Custodian will hold in trust for the Clients of the Filer will be held in segregated omnibus accounts in the name of the Filer in trust for or for the benefit of the Filer's Clients and will be held separate and distinct from the assets of the Filer, the Filer's Affiliates, the Custodian, and the assets of other Clients of the Custodian.
75. The Custodian has established and applies policies and procedures that manage and mitigate the custodial risks, including, but not limited to, an effective system of controls and supervision to safeguard the Crypto Assets for which it acts as custodian and to mitigate security breaches and cyber incidents. The Custodian has established and applies written disaster recovery and business continuity plans.
76. The Filer has assessed the risks and benefits of using the Custodian and has determined that in comparison to a Canadian custodian, it is more beneficial to use the Custodian, a U.S. custodian, to hold Crypto Assets the Custodian supports, for the benefit of Clients than using a Canadian custodian.
77. All Client cash that will be held by the Filer will be held by a Canadian financial institution in a designated trust account, in the name of the Filer in trust for Clients of the Filer and separate and apart from the Filer's fiat currency balances.
78. Coinbase Global Inc., the parent company of the Custodian, maintains US\$320 million of insurance (per-incident and overall) which covers losses of assets held by the Custodian, on behalf of its clients due to third-party hacks, copying or theft of private cryptographic keys, insider theft or dishonest acts by the Custodian's employees or executives and loss



of cryptographic keys. The Filer has assessed the Custodian's insurance policy and has determined, based on information that is publicly available and on information provided by the Custodian and considering the scope of the Custodian's business, that the amount of insurance is appropriate.

79. The Filer confirms on a daily basis that Clients' Crypto Assets held with the Custodian and held by the Filer reconcile with the Filer's books and records to ensure that all Clients' Crypto Assets are accounted for. Clients' Crypto Assets held in trust for their benefit in hot wallets and with the Custodian are deemed to be the Clients' Crypto Assets in case of the insolvency or bankruptcy of the Filer or of the Custodian.
80. Clients are permitted to transfer into their Client Account with the Filer, Crypto Assets they obtained outside the Platform or withdraw from their Client Account with the Filer, Crypto Assets they have purchased pursuant to their Crypto Contracts with the Filer or previously deposited with the Filer. The Filer may not support transfers for all Crypto Assets. 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, subject to first satisfying all applicable legal and regulatory requirements, including anti-money laundering requirements and anti-fraud controls.
81. The Filer licenses software from Fireblocks which includes a crypto asset wallet that stores private and public keys and interacts with various blockchains to send and receive crypto assets and monitor balances. Fireblocks uses secure multiparty computation to share signing responsibility for a particular blockchain address among multiple independent persons.
82. Fireblocks has obtained a SOC report under the SOC 2 Type 2 standards from a leading global audit firm. The Filer has reviewed a copy of the SOC 2 Type 2 audit report prepared by the auditors of Fireblocks, and has not identified any material concerns.
83. Fireblocks has insurance coverage in the amount of US\$30 million in aggregate which, in the event of theft of crypto assets from hot wallets secured by Fireblocks, will be distributed among applicable Fireblocks customers, which could include the Filer, pursuant to an insurance settlement agreement.
84. The Filer has licensed software from Digital Assets Services Limited (trading as Coincover) (**Coincover**) to provide additional security for cryptographic keys to Crypto Assets held by the Filer using Fireblocks, including key pair creation, key pair storage, device access recovery and account access recovery. Coincover is based in the United Kingdom and is regulated by the U.K. Financial Conduct Authority.
85. Backup cryptographic key material for the Filer's hot wallets is secured by Coincover and 100% guaranteed against loss or theft by a leading global insurance provider.
86. Coincover also acts as a backup provider ensuring access to wallets provided by Fireblocks, should access to the wallets provided by Fireblocks be compromised.

87. For Crypto Assets held by the Filer, whether directly in hot wallets secured by Fireblocks or indirectly through the Custodian in cold storage, the Filer:
- (a) holds Crypto Assets or ensures that the Crypto Assets are held in trust for its Clients, and separate and distinct from the assets of the Filer;
  - (b) ensures there is appropriate insurance to cover the loss of Crypto Assets; and
  - (c) has established and applies written policies and procedures that manage and mitigate the custodial risk, 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.
88. 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 policy and the Filer has assessed the insurance coverage to be sufficient to cover the loss of Crypto Assets, whether held directly by the Filer or indirectly through the Custodian.

### **Capital Requirements**

89. The Filer will exclude from the excess working capital calculation all the Crypto Assets, it holds for which there is no offsetting by a corresponding current liability, such as Crypto Assets held for its Clients as collateral to guarantee obligations under Crypto Contracts, included on line 1, Current assets, of Form 31-103F1. This will result in the exclusion of all the Crypto Assets in inventory, held by the Filer from comprising any part of the Filer's excess working capital in Form 31-103F1 (Schedule 1, line 9).

### **No Marketplace or Clearing Agency**

90. The Filer does not and will not operate a "marketplace" as that term is defined in Subsection 1(1) of the Act because it will not:
- (a) perform the activities commonly understood to be acting as an exchange or quotation and trading reporting system,
  - (b) execute trades of exchange-traded securities outside of a marketplace, or
  - (c) constitute, maintain or provide a market or facility for bringing together buyers and sellers of securities (or crypto assets generally, for that matter), bring together the orders for securities (or crypto assets generally) of multiple buyers and sellers, and use established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade.
91. The Filer will not operate a "clearing agency" as that term is defined under the Act. Any clearing or settlement activity conducted by the Filer is incidental to the Filer engaging in the business of a CTP. Any activities of the Filer that may be considered the activities of a

clearing agency are related to the Filer arranging or providing for settlement of obligations resulting from agreements entered into on a bilateral basis without a central counterparty.

## **Decision**

The Commission is satisfied that the Decision satisfies the test set out in the Legislation for the regulator to make the Decision.

The Decision of the Commission under the Legislation is that the Requested Relief is granted, provided that the Filer complies with following conditions:

### *General*

- A. Unless otherwise exempted by a further decision of the Commission, 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 the Commission on the Filer.
- B. The Filer is registered as a restricted dealer or investment dealer in the Jurisdiction in which the Client is resident.
- C. The Filer will not rely on section 4.7(1) of Multilateral Instrument 11-102 *Passport System* to passport this Decision into another Canadian jurisdiction without the prior written consent of the regulator or securities regulatory authority in that jurisdiction.
- D. The Filer will work actively and diligently with the Commission and CIRO to transition the Filer's registration to investment dealer registration and obtain CIRO membership.
- E. The Filer will only engage in business activities governed by securities legislation as described in the representations above. The Filer will seek the appropriate approvals from the Commission and, if required under securities legislation, the regulator or securities regulatory authority of any other jurisdiction of Canada, prior to undertaking any other activity governed by securities legislation. The Filer will not offer derivatives based on Crypto Assets other than Crypto Contracts.
- F. The Filer, and any employee, agent or other representatives of the Filer, will not provide recommendations or advice to any Client or prospective Client.
- G. The Filer will only trade in Crypto Assets or Crypto Contracts based on Crypto Assets that (i) are not securities or derivatives, or (ii) are Value-Referenced Crypto Assets, provided that the Filer does not allow Clients to buy or deposit, or enter into Crypto Contracts to buy or deposit, Value-Referenced Crypto Assets that do not satisfy the terms and conditions set out in Appendix D.
- H. The Filer will not operate a "marketplace" as the term is defined in National Instrument 21-101 *Marketplace Operation* and in subsection 1(1) of the Act, nor will it operate a "clearing agency" as that term is defined in the Act.

- I. The Filer has and will continue to confirm that it is not liable for the debt of an Affiliate or Affiliates that could have a material negative effect on the Filer. The Filer will notify the Commission, promptly, of any material breach or failure of the Filer's or its Affiliate's system of controls or supervision that could have a material impact on the Filer. If a breach or failure does occur, the Filer will notify the Commission of what steps have been taken to address such breach or failure.
- J. Prior to making the Platform available to Clients, the Filer will retain the services of (a) an Acceptable Third-party Custodian to custody Clients' Crypto Assets and (b) a qualified custodian as defined in NI 31-103 to custody Clients' fiat balances.
- K. At all times, the Filer will hold not less than 80% of the total value of all Crypto Assets held on behalf of its 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 a Director of the Commission to hold a different percentage with an Acceptable Third-party Custodian or has obtained the prior written approval of a Director of the Commission to hold at least 80% of the total value of Crypto Assets with an entity that does not meet certain criteria of an Acceptable Third-party Custodian.
- L. Before the Filer holds Crypto Assets with an Acceptable Third-party Custodian, the Filer will take reasonable steps to verify that the custodian:
  - (a) will hold the Crypto Assets for its Clients (i) in an account clearly designated for the benefit of the Filer's Clients or in trust for the Filer's Clients, (ii) separate and apart from the assets of the Filer, the Filer's Affiliates, and the custodian's other clients, and (iii) separate and apart from the custodian's own assets and from the assets of any custodial service provider;
  - (b) has appropriate insurance to cover the loss of Crypto Assets held at the custodian;
  - (c) has established and applies written policies and procedures that manage and mitigate the custodial risks, including, but not limited to, an effective system of controls and supervision to safeguard the Crypto Assets for which it acts as custodian; and
  - (d) 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 a Director of the Commission has provided prior written approval for use of the custodian.
- M. The Filer will promptly notify the Commission if the U.S. Securities and Exchange Commission; the U.S. Commodity Futures Trading Commission, the Financial Industry Regulatory Authority, Inc.; the National Futures Association, 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 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 identify a suitable alternative custody provider that meets the definition of an Acceptable Third-party Custodian to hold the Crypto Assets.

- N. For the Crypto Assets held by the Filer, the Filer will:
- (a) hold the Crypto Assets for the benefit of and in trust for its Clients separate and distinct from the assets of the Filer;
  - (b) ensure there is appropriate insurance to cover the loss of Crypto Assets held by the Filer; and
  - (c) 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.
- O. The Filer 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 Canada, and will promptly stop using a Liquidity Provider if
- (a) the Filer is made aware that the Liquidity Provider is, or
  - (b) a court, regulator or securities regulatory authority in any jurisdiction of Canada determines it to be,
- not in compliance with securities legislation.
- P. 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.
- Q. The Filer will assess liquidity risk and concentration risk posed by Liquidity Providers. The liquidity and concentration risks assessment will consider trading volume data as provided in paragraph 1(e) of Appendix B and complete a historical analysis of each Liquidity Provider and a relative analysis between the Liquidity Providers. Consideration should be given to whether the Liquidity Provider has issued its own Proprietary Tokens and to consider limiting reliance on those Liquidity Providers.
- R. 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.
- S. The Risk Statement delivered as set out in condition R will be prominent and separate from other disclosures given to the Client as part of the account opening process, and the acknowledgement will be separate from other acknowledgements by the Client as part of the account opening process.
- T. A copy of the Risk Statement acknowledged by a Client in accordance with representation 31 will be electronically delivered to the Client, be made available to the Client in the same place as the Client's other statements and easily available to the Client upon request. The

latest version of the Risk Statement will be continuously and easily available to Clients on the Platform and upon request.

- U. 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 Platform and its website and includes the information set out in representation 35.
- V. 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, the Terms of Use or the Crypto Assets and,
  - (a) in the event of any update to the Risk Statement, will promptly notify each existing Client of the update and deliver to them a copy and a link to the updated Risk Statement, and
  - (b) in the event of any update to a Crypto Asset Statement, will promptly notify Clients through email notification of the update on the Platform and, deliver to them a link to the updated Crypto Asset Statement.
- W. 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 Commission.
- X. For each Client, the Filer will perform an account appropriateness assessment as described in representation 30, prior to opening a Client Account, on an ongoing basis and at least every twelve months.
- Y. The Filer will apply and monitor Client Limits as set out in representation 30(d).
- Z. The Filer will monitor client activity and contact Clients to discuss their trading behaviour if it indicates a lack of knowledge or understanding of Crypto Asset trading, in an effort to identify and deter behaviours that may indicate that trading a Crypto Contract is not appropriate for the client, or that additional education is required.
- AA. The Filer will ensure that the maximum amount of Crypto Assets, excluding Specified Crypto Assets, that a Client, other than a permitted client or a Registered CTP, may purchase and sell on the Platform (calculated on a net basis and is an amount not less than \$0) in the preceding 12 months does not exceed a net acquisition cost of \$30,000.
- BB. The first trade of a Crypto Contract is deemed to be a distribution under securities legislation of Ontario.
- CC. The Filer will provide the Commission with at least 30 days' prior written notice of any:
  - (a) change of or use of a new custodian; or

- (b) material changes to the Filer's ownership, its business operations, including its systems, or its business model.
- DD. The Filer will notify the Commission, 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.
- EE. The Filer will evaluate Crypto Assets as set out in its KYP Policy and described in representations 18 to 23.
- FF. The Filer will not trade Crypto Assets or Crypto Contracts based on Crypto Assets with a Client, without the prior written consent of a Director of the Commission, where the Crypto Assets was issued by or on behalf of a person or company that is or has in the last five years been the subject of an order, judgment, decree, sanction, fine, or administrative penalty imposed by, or has entered into a settlement agreement with, a government or government agency, administrative agency, self-regulatory organization, administrative tribunal or court in Canada or in a Specified Foreign Jurisdiction in relation to a claim based in whole or in part on fraud, theft, deceit, aiding and abetting or otherwise facilitating criminal activity, misrepresentation, violation of anti-money laundering laws, conspiracy, breach of trust, breach of fiduciary duty, insider trading, market manipulation, unregistered trading, illegal distributions, failure to disclose material facts or changes, or allegations of similar conduct.
- GG. The Filer will not engage in trades that are part of, or designed to facilitate, the creation, issuance or distribution of Crypto Assets by the developer(s) of the Crypto Asset, its issuer or Affiliates or associates of such persons.
- HH. 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 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, (i) a security and/or derivative, or (ii) a Value-Referenced Crypto Asset that does not satisfy the conditions set out in condition G.
- II. The Filer will exclude from the excess working capital calculation all the Crypto Assets, including Proprietary Tokens and all Value-Referenced Crypto Assets, it holds for which there is no offsetting by a corresponding current liability, as described in representation 89.

### *Reporting*

- JJ. The Filer will deliver the reporting as set out in Appendix B.

- KK. Within 7 calendar days from the end of each month, the Filer will deliver to the Commission, a report of all Client Accounts for which the Client Limit established pursuant to representation 30(d) were exceeded during that month.
- LL. The Filer will deliver to the Commission within 30 days of the end of each March, June, September and December, either (a) blackline copies of changes made to the policies and procedures on the operations of its wallets that were previously delivered to the Commission or (b) a nil report stating no changes have been made to its policies and procedures on the operations of its wallets in the quarter.
- MM. 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 Commission, including any information about the Filer's custodians and the Crypto Assets held by the custodians, that may be requested by the Commission 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 Commission.
- NN. Upon request, the Filer will provide the Commission with aggregated and/or anonymized data concerning Client demographics and activity on the Platform that may be useful to advance the development of a Canadian regulatory framework for trading Crypto Assets.
- OO. 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 Commission arising from the operation of the Platform.

*Time limited relief*

- PP. The Filer will, if it intends to operate the Platform in Ontario after the expiry of this Decision, take the following steps:
- (a) submit an application to the Commission to become registered as an investment dealer no later than 6 months after the date of this Decision;
  - (b) submit an application with CIRO to become a dealer member no later than 6 months after the date of this Decision; and
  - (c) work actively and diligently with the Commission and CIRO to transition the Platform to investment dealer registration and obtain membership with CIRO.
- QQ. The Decision shall expire two years from the date of this Decision.
- RR. The Decision may be amended by the Commission from time to time upon prior written notice to the Filer.

In respect of the Requested Relief:



“Michelle Alexander”

Michelle Alexander  
Manager, Trading and Markets Division  
Ontario Securities Commission

OSC File# 2023/0091

**APPENDIX A  
SPECIFIED CRYPTO ASSETS**

- Bitcoin
- Ether
- Bitcoin Cash
- Litecoin
- A Value-Referenced Crypto Asset that complies with condition G

**APPENDIX B  
REPORTING**

1. Commencing with the quarter ending March 31, 2025, the Filer will deliver the following information to the Commission in an agreed form and manner specified by the Commission with respect to Clients, within 30 days of the end of each March, June, September and December:
  - (a) aggregate reporting of activity conducted pursuant to the Platform's operations that will include the following:
    - (i) number of Client Accounts opened each month in the quarter;
    - (ii) number of Client Accounts frozen or closed each month in the quarter;
    - (iii) number of Client Account applications rejected by the Platform each month in the quarter based on the Account Appropriateness Factors;
    - (iv) number of trades each month in the quarter;
    - (v) average value of the trades in each month in the quarter;
    - (vi) number of Client Accounts with a net acquisition cost greater than \$30,000 of Crypto Assets at the end of each month in the quarter;
    - (vii) number of Client Accounts that in the preceding 12 months, excluding Specified Crypto Assets, exceeded a net acquisition cost of \$30,000 at the end of each month in the quarter;
    - (viii) number of Client Accounts at the end of each month in the quarter;
    - (ix) number of Client Accounts with no trades during the quarter;
    - (x) number of Client Accounts that have not been funded at the end of each month in the quarter; 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 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 Commission, in an agreed form and manner specified by the Commission, a report that includes the anonymized account-level data for the Platform's operations for each Client within 30 days of the end of each March, June, September and December for data elements outlined in **Appendix C**.

**APPENDIX C**  
**DATA ELEMENT DEFINITIONS, FORMATS AND ALLOWABLE VALUES**

<b>Number</b>	<b>Data Element Name</b>	<b>Definition for Data Element<sup>1</sup></b>	<b>Format</b>	<b>Values</b>	<b>Example</b>
<b>Data Elements Related to each Unique Client</b>					
1.	Unique Client Identifier	Alphanumeric code that uniquely identifies a client.	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 client's account. There may be more than one Unique Account Identifier linked to a Unique Client Identifier.	ABC1234
3.	Jurisdiction	The Province or Territory where the client, head office or principal place of business is, or under which laws the client is organized, or if an individual, their principal place of residence.	Varchar(5)	Jurisdiction where the client is located using ISO 3166-2 - See the following link for more details on the ISO standard for Canadian jurisdictions codes. <a href="https://www.iso.org/obp/ui/#iso:code:3166:CA">https://www.iso.org/obp/ui/#iso:code:3166:CA</a>	CA-ON
<b>Data Elements Related to each Unique Account</b>					

<sup>1</sup> 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 <sup>1</sup>	Format	Values	Example
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. <a href="https://dtif.org/">https://dtif.org/</a>	4H95J0R2X
<b>Data Elements Related to each Digital Token Identifier Held in each Account</b>					
8.	Quantity Bought	Number of units of the Digital Token bought in the	Num(31,18)	Any value greater than or equal to zero up to a	4358.326

<b>Number</b>	<b>Data Element Name</b>	<b>Definition for Data Element<sup>1</sup></b>	<b>Format</b>	<b>Values</b>	<b>Example</b>
		account during the reporting period.		maximum number of 18 decimal places.	
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	Num(31,18)	Any value greater than or equal to zero up to a maximum number	603

<b>Number</b>	<b>Data Element Name</b>	<b>Definition for Data Element<sup>1</sup></b>	<b>Format</b>	<b>Values</b>	<b>Example</b>
		account during the reporting period.		of 18 decimal places.	
15.	Number of Transactions from Transfers Out	Number of transactions associated with the quantity transferred out of the account during the reporting period.	Num(25,0)	Any value greater than or equal to zero.	45
16.	Quantity Held	Number of units of the Digital Token held in the account as of the end of the reporting period.	Num(31,18)	Any value greater than or equal to zero up to a maximum number of 18 decimal places.	3641.25461
17.	Value of Digital 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



**APPENDIX D****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, and
  - (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), and
    - (3) the quantity of all outstanding units of the Value-Referenced Crypto Asset in paragraph (b), and
  - (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; and
- (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, and
    - (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, and
    - (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 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 platform;
- (m) a statement that the statutory rights in section 130.1 of the Act and, if applicable, similar statutory rights under securities legislation of other Applicable Jurisdictions, do not apply in respect of the Crypto Asset Statement to the extent a Crypto Contract is distributed under the Prospectus Relief in the Decision; and

- (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 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 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) and the undertaking is posted on the CSA website.
  6. To the extent the undertaking referred to in section (5) of this Appendix includes language that differs from sections (1) or (2) of this Appendix, the Filer complies with sections (1) and (2) of this Appendix as if they included the modified language from the undertaking.
  7. 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), (5) and (6) of this Appendix on an ongoing basis.
  8. 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), (5) and (6) of this Appendix.
  9. In this Appendix, terms have the meanings set out in Appendix D of CSA SN 21-333.