

**Crypto Asset Trading Platforms
Pre-Registration Activities Undertaking**

To: Alberta Securities Commission (the **Principal Regulator**) and the other members of the Canadian Securities Administrators (collectively, the **CSA**)

From: NDAX Canada Inc. (formerly, National Digital Asset Exchange Inc.), operating as NDAX (the **Filer**)

Re: Undertaking in respect of pre-registration activities during the CSA review of the Filer's application for registration and related application for exemptive relief conducted by the Filer and on the Filer's Platform (defined below) in relation to clients resident in Canada (the **Undertaking**)

Date: March 24, 2023

Background

The Filer operates a proprietary internet-based platform and market for the trading of crypto contracts based on crypto assets (collectively, the **Filer's Platform**) that enables clients to buy, sell, hold, deposit, withdraw, and stake crypto assets such as Bitcoin, Ether, and anything commonly considered a crypto asset, digital or virtual currency, or digital or virtual token, through the Filer.

The Filer's Platform constitutes a Dealer and Marketplace Platform as those terms are defined in Joint CSA-IIROC Staff Notice 21-329 *Guidance for Crypto-Asset Trading Platforms: Compliance with Regulatory Requirements (CSA SN 21-329)*. In connection with the operation of the Filer's Platform, the Filer has:

- (a) made an application for registration in the category of investment dealer (the **Application for Registration**) in each province and territory in Canada;
- (b) made an application for membership with the New Self-Regulatory Organization of Canada (**New SRO**) that includes a completed and signed New Member Application Form (the **Application for New SRO Membership**);
- (c) made an application for approval to operate an alternative trading system in each province and territory in Canada other than British Columbia, Saskatchewan, New Brunswick and Nova Scotia (the **Application for ATS Approval**);
- (d) made an application in each jurisdiction in Canada where the Filer intends to carry on business as a crypto asset trading platform (**CTP**) for (i) prospectus relief, (ii) trade reporting relief, (iii) relief from certain of the Marketplace Rules, as defined below, and made an application in each of British Columbia, Saskatchewan, New Brunswick and Nova Scotia for relief from the requirement to be recognized as an exchange (collectively, the **Application for Relief** and together with the Application for Registration, the Application for New SRO

Membership and the Application for ATS Approval, the **Applications**) in connection with the operation of the Filer's Platform;

- (e) paid all required fees applicable to the Applications; and
- (f) filed a completed Form 31-103F2 *Submission to Jurisdiction and Appointment of Agent for Service*.

Interpretation

The provisions of this Undertaking are representations of and commitments by the Filer to the Principal Regulator and to the CSA. The Filer will make best efforts to bring its operations into compliance with securities legislation¹.

In this Undertaking,

- (a) in relation to paragraphs 8, 16(b) and 17 of Schedule I, the Filer undertakes to implement these provisions within 120 days of the date of this Undertaking,
 - (b) in relation to paragraph 43 of Schedule I and all other requirements in connection with an Acceptable Third-party Custodian (as defined below), the Filer undertakes to implement these provisions within the earlier to occur of:
 - (i) the launch of an affiliated trust company established under *The Loan and Trust Corporation Act (Alberta)* (the **NDAX Trust Co.**); and
 - (ii) 12 months of the date of this Undertaking,
 - (c) for all other provisions, the Filer undertakes to implement such provisions within 90 days of the date of this Undertaking,
- unless the provision otherwise indicates or the Principal Regulator provides written consent that another timeframe is acceptable.

The Filer agrees to abide by the representations and commitments in this Undertaking until such time as the Principal Regulator has made a decision on the Filer's Application for Registration and Application for Relief or until such time as this Undertaking is withdrawn in accordance with the provisions described below.

The representations and commitments set out in this Undertaking are based on the obligations that will apply to the Filer once registered and are substantially consistent with the terms and conditions set out in the Filer's Application for Relief. There are certain provisions in this Undertaking that may not be consistent with the obligations that would apply to the Filer should it become registered, and those provisions in this Undertaking do not necessarily reflect the decision that will be made by the Principal Regulator, the New SRO and the other members of the CSA in the Applicable Jurisdictions in connection with the Applications.

The Filer understands that the Principal Regulator will disclose the name of the Filer and this Undertaking or the fact that the Filer has provided this Undertaking on the Principal Regulator's

¹ "Securities legislation" is defined in National Instrument 14-101 *Definitions* and includes legislation related to both securities and derivatives.

website, the website of other members of the CSA in the Applicable Jurisdictions and/or the CSA website.

Definitions

In this Undertaking including the Schedules, the following terms have the following meanings:

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

- (i) is one of the following:
 - a. a Canadian custodian or Canadian financial institution;
 - b. 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 NI 81-102;
 - c. 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 New Self-Regulatory Organization of Canada;
 - d. a foreign custodian for which the Filer has obtained the prior written consent from the Principal Regulator and the regulator or securities regulatory authority of the Applicable Jurisdiction(s);² or
 - e. an entity that does not meet the criteria for a qualified custodian and for which the Filer has obtained the prior written consent from the Principal Regulator and the regulator or securities regulatory authority of the Applicable 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
 - a. 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,
 - b. are accompanied by an auditor’s report that expresses an unmodified opinion, and
 - c. discloses on its statement of financial position or in the notes of the audited financial statements the amount of liabilities that it owes to its clients for holding their assets, and the amount of assets held by the custodian to meet its obligations to those custody clients, broken down by asset³; 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 Filer’s Principal Regulator and the regulator or securities regulatory authority of the Applicable Jurisdiction(s).

“Account Appropriateness Factors” has the meaning ascribed to that term in paragraph 31 of Schedule I;

² For example, where the Ontario Securities Commission is the Principal Regulator or Ontario is an Applicable Jurisdiction, any consent provided for in this Undertaking shall only be effective if given in writing by the Director (as defined in subsection 1(1) of the *Securities Act* (Ontario)).

³ Similar in concept to that described in SEC Accounting Bulletin No. 121 regarding the accounting for obligations to safeguard crypto assets an entity holds for platform users.

“Applicable Jurisdictions” means the jurisdictions in Canada in which the Filer carries on or intends to carry on business as a CTP;

“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 the New SRO 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 the New SRO.

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

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

“Client Account” means an account opened by a client of the Filer using the Filer’s website and/or mobile application to access the Filer’s Platform;

“Client Limit” has the same meaning as in paragraph 33 of Schedule I;

“Crypto Asset” means Bitcoin, Ether, and anything commonly considered a crypto asset, digital or virtual currency, or digital or virtual token, that are not themselves securities or derivatives;

“Crypto Asset Statement” has the meaning ascribed to that term in paragraph 38(e) of Schedule I;

“Crypto Contract” means a client’s contractual rights relating to a Crypto Asset or a Value-Referenced Crypto Asset and related rights under the client’s agreement with the Filer’s Platform;

“CSA SN 21-329” means Joint CSA/IIROC Staff Notice 21-329 *Guidance for Crypto-Asset Trading Platforms: Compliance with Regulatory Requirements*;

“Dealer Platform” has the meaning ascribed to that term in CSA SN 21-329;

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

“Form 31-103F1” means Form 31-103F1 *Calculation of Excess Working Capital*;

“KYP Policy” has the meaning ascribed to that term in paragraph 30 of Schedule I;

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

“Marketplace Platform” has the meaning ascribed to that term in CSA SN 21-329;

“Marketplace Rules” means

- (i) National Instrument 21-101 *Marketplace Operation* (**NI 21-101**),
- (ii) National Instrument 23-101 *Trading Rules* (**NI 23-101**), and

(iii) National Instrument 23-103 *Electronic Trading and Direct Access to Marketplaces (NI 23-103)*;

“NI 31-103” means National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

“NI 81-102” means National Instrument 81-102 *Investment Funds*;

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

“promoter” has the meaning ascribed to that term in Canadian securities legislation;

“Proprietary Token” means a Crypto Asset that is not a Value-Referenced Crypto Asset, and for which the Filer or an affiliate of the Filer 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;

“Risk Statement” has the meaning ascribed to that term in paragraph 36 of Schedule I;

“Specified Crypto Assets” means Bitcoin, Bitcoin Cash, Ether, Litecoin and any other Crypto Asset in respect of which the Principal Regulator and the other CSA members in the Applicable Jurisdictions have provided written confirmation to the Filer subsequent to the date of this Undertaking that such Crypto Asset may be designated as a Specified Crypto Asset for the purposes of this Undertaking;

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

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

“Validator” in connection with a particular proof-of-stake consensus algorithm blockchain, means a node meeting protocol requirements that participates in consensus by broadcasting votes and committing new blocks to the blockchain; 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 Undertaking a person or company is an affiliate of the Filer if

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

Undertaking re Pre-Registration Activities

Until such time that a decision is made by the Principal Regulator and the other members of the CSA in the Applicable Jurisdictions in connection with the Application for Registration and the Application for Relief, and unless this Undertaking is otherwise withdrawn by the Filer in accordance with the manner described below, the Filer hereby undertakes to comply with the provisions of this Undertaking:

1. The Filer will conduct all transactions with clients in compliance with the Pre-Registration Provisions as set out in Schedule I. In particular, as set out in paragraph 42 of Schedule I, the Filer confirms that Crypto Assets held for the benefit of clients are held in trust, separate and apart from its own assets and are not pledged, re-hypothecated or otherwise used in any way by the Filer.
2. The Filer will comply with the Reporting Provisions as set out in Schedule II.
3. The Filer will comply with the Marketplace Provisions as set out in Schedule III.
4. As at the date of this Undertaking, the Filer has no active affiliates, it has only Canadian clients and no one person or related group of persons owns more than 50% of the voting equity of the Filer. The Filer will promptly inform the Principal Regulator in writing if this representation is no longer accurate.
5. The Filer has confirmed and will continue to confirm that the Filer is not liable for the debt of an affiliate or affiliates that could have a material negative effect on the Filer.
6. The Filer accepts and agrees that the Undertaking will be governed and interpreted in accordance with the laws of the Principal Regulator or the Applicable Jurisdiction and the laws of Canada applicable therein.
7. The Filer has designated an individual as its Chief Compliance Officer (**CCO**) that:
 - (a) has the education, training and experience that a reasonable person would consider necessary to perform the role of a CCO competently,
 - (b) is responsible for the maintenance and application of policies and procedures for assessing compliance by the Filer and individuals acting on behalf of the Filer, with securities legislation,
 - (c) monitors and assesses compliance by the Filer and individuals acting on its behalf, with securities legislation, and
 - (d) has direct access to the board of directors, or individuals acting in such capacity for the Filer, at such times as the CCO may consider necessary or advisable in view of the CCO's responsibilities.

8. The Filer will promptly inform the Principal Regulator in writing of any material change in the business, activities, operations or financial results or condition of the Filer, or an affiliate of the Filer, or control persons of an affiliate that may in the opinion of a reasonable person be material to the Filer's clients.
9. The Filer will promptly inform the Principal Regulator in writing of any material breach or failure of
 - (a) the Filer's or any of its Acceptable Third-party Custodian's system of controls or supervision, and what steps have been taken by the Filer to address each such breach or failure, and
 - (b) the system of controls or supervision of each affiliate of the Filer that could have a material impact on the Filer and what steps have been taken to address each such breach or failure.

The loss of any amount of Crypto Assets impacting the Filer's clients will be considered a material breach or failure.

10. The Filer will promptly inform the Principal Regulator in writing if a self-regulatory organization or any other regulatory authority or organization or governmental authority in any jurisdiction including any foreign jurisdiction initiates proceedings or renders a judgment related to a compliance or enforcement action involving the Filer, an affiliate of the Filer, or a control person(s) of an affiliate that, in the best judgment of the Filer, may reasonably be perceived by the Principal Regulator or a client of the Filer to be material to the Filer's clients or the client.
11. The Filer will promptly inform the Principal Regulator in writing if the Filer or an affiliate of the Filer becomes subject to any of the following under the laws of any jurisdiction including any foreign jurisdiction:
 - (a) a bankruptcy, a filing for bankruptcy or a proceeding governing an event similar to a bankruptcy;
 - (b) a proposal, including a consumer proposal, or restructuring under any legislation relating to bankruptcy or insolvency or any similar proceeding;
 - (c) proceedings under any legislation relating to the winding up or dissolution of the entity, or under the *Companies' Creditors Arrangement Act* (Canada);
 - (d) any proceedings, arrangement or compromise with creditors, including the appointment of a receiver, receiver-manager, administrator or trustee.
12. The Filer will promptly inform the Principal Regulator in writing if an affiliate is subject to any of the listed events, as provided in the preceding paragraph, if the occurrence of such

an event, in the best judgment of the Filer, may reasonably be perceived by the Principal Regulator or a client of the Filer to be material to the Filer's clients or the client.

13. The Filer will work diligently and use its commercially reasonable best efforts to advance the Applications and acknowledges that, unless waived in writing by the Principal Regulator, the Filer will have obtained a decision from the Principal Regulator or the New SRO, as the case may be, respecting registration by the date that is 12 months from the date of filing of the Application for Registration and the Application for Relief or it will promptly cease to carry on all registerable activity in each of the Applicable Jurisdictions.
14. The Filer further acknowledges that the giving of this Undertaking does not mean that the Filer has been or will be granted registration in any Applicable Jurisdiction or that the relief requested in the Application for Relief will be granted in any Applicable Jurisdiction. The Filer undertakes not to make any representation to suggest that it is registered under securities legislation in Canada. The Filer's Platform will clearly indicate that the Filer has submitted an Application for Registration under securities legislation in Canada but it is not registered and is operating pursuant to the provisions of a Pre-Registration Undertaking. There can be no assurance that the Filer will be registered and if it fails to become registered in any Applicable Jurisdiction it will promptly cease carrying on registrable activity in such Applicable Jurisdiction.
15. The Filer further acknowledges that the Filer's compliance with the Pre-Registration Provisions as set out in Schedule I does not mean that any documents delivered or made available to clients have been reviewed or approved by the Principal Regulator or other members of the CSA and the Filer further acknowledges that it may be required to make changes to any such documents as a result of the continued review of the Application for Registration and the Application for Relief.
16. The Filer further acknowledges that the Principal Regulator or other members of the CSA may examine the business, conduct, financial affairs, books, records and other documents of the Filer and its applicable affiliates for the purpose of determining if the Filer is complying with this Undertaking, securities or other applicable legislation in Canada, or acting contrary to the public interest.
17. The Filer will provide not less than 30 days' prior written notice to the Principal Regulator and the other members of the CSA in the Applicable Jurisdictions if the Filer wishes to withdraw this Undertaking. Where such notice is given, the Filer will cease to carry on registerable activity in each of the Applicable Jurisdictions at the time the Undertaking is withdrawn. All obligations respecting the provision of information relevant to the period in which the Filer was in operation will survive the withdrawal of this Undertaking.

For NDAX Canada Inc.:

/s/ Bilal Hammoud

Name: Bilal Hammoud

Title: Chief Executive Officer

"I have authority to bind the firm"

Date: March 24, 2023

Schedule I
Pre-Registration Provisions

Pre-Registration Business Conduct Obligations

Acting fairly, honestly and in good faith

1. The Filer will act and will take reasonable steps to cause each individual acting on its behalf to act fairly, honestly and in good faith with clients.

System of controls and supervision

2. The Filer will establish, maintain and apply written policies and procedures that establish a system of controls and supervision sufficient to
 - (a) provide reasonable assurance that the firm and each individual acting on its behalf complies with securities legislation, and
 - (b) manage the risks associated with its business, including operations that are not related to trading securities or derivatives, in accordance with prudent business practices.
3. Further to paragraph 2(a), the Filer's policies and procedures will reflect that the Filer is seeking exemptive relief from certain regulatory requirements under the Filer's Application for Relief unless the Filer has been informed by staff of the Principal Regulator that staff do not support the Filer's request for exemptive relief from certain regulatory requirements.
4. Without limiting the foregoing, the Filer will establish, maintain and apply policies and procedures relating to confidentiality, information containment and the supervision of trading in Crypto Contracts and Crypto Assets by individuals acting on behalf of the Filer and will maintain material non-public information about Crypto Contracts and Crypto Assets in confidence.

Conflicts of interest

5. The Filer will establish, maintain and apply reasonable policies and procedures to identify existing material conflicts of interest, and material conflicts of interest that the Filer in its reasonable opinion would expect to arise, between the Filer, including each individual acting on behalf of the Filer, and its clients.
6. The Filer will address an existing or potential conflict of interest identified under the preceding paragraph in the best interests of the client. If a client, acting reasonably, would expect to be informed of a conflict of interest identified under the preceding paragraph, the Filer will disclose, in a timely manner, the nature and extent of the conflict of interest to a client whose interest conflicts with the interest identified.

Capital requirements, financial information and provision of information

7. The Filer will deliver financial information as provided under section 12.12 of NI 31-103 [*Delivering financial information – dealer*]. Where the Filer is temporarily unable to obtain audited financial statements, the Filer will (i) obtain and provide to the Principal Regulator audited financial statements within 90 days of the date of this Undertaking and (ii) until the Filer is able to provide audited financial statements, provide to the Principal Regulator relevant financial information as agreed to by the Principal Regulator, such as the Filer's non-consolidated Form 1 as of October 31, 2022.
8. The Filer's excess working capital as calculated in accordance with Form 31-103F1 must not be less than zero for 2 consecutive days. Should the Filer's excess working capital be less than zero, the Filer will notify the Principal Regulator and/or the other Applicable Jurisdictions as soon as possible.
9. 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, such as Crypto Assets held for its clients as collateral to guarantee obligations under Crypto Contracts, included on line 1, *Current assets*. This will result in the exclusion of all the Crypto Assets inventory, including Proprietary Tokens inventory, and all of the Value-Referenced Crypto Assets inventory held by the CTPs from Form 31-103F1 (Schedule 1, line 9).
10. The Filer will provide within 30 days of the date of this Undertaking to the Principal Regulator a completed Form 31-103F1 regarding the excess working capital it holds and the Filer will confirm the accuracy of the information provided. The Filer will provide updated information relating to the excess working capital it holds as requested by the Principal Regulator from time to time.
11. If the Filer has affiliates located outside of Canada that trade Crypto Assets or Crypto Contracts as a part of their business or that provide services to or have an intercompany arrangement with the Filer, then the Filer has provided, and if there are material changes to such information will provide, to the Principal Regulator the following:
 - (a) relevant information, as determined by the Principal Regulator, about affiliates of and material service providers to the Filer. For greater certainty, relevant information includes policies and procedures relating to how existing or potential conflicts with the Filer are addressed and material contracts pertaining to each affiliate and entity that provides material services to the Filer;
 - (b) disclosure of any and all transactions involving affiliates and confirmation that any transactions and services with affiliates are for appropriate business reasons; and
 - (c) confirmation that the Principal Regulator may contact and discuss the Filer and its affiliates with other international regulators.

12. In addition to any reporting requirements provided for in the Schedules of this Undertaking, upon the request of the Principal Regulator, the Filer will promptly deliver to the Principal Regulator any information the Principal Regulator may require in a form that is acceptable to the Principal Regulator, including but not limited to:
 - (a) any audit reports regarding the financial reporting of the Filer, including a SOC 1 report; and
 - (b) real time data reporting to the Principal Regulator, in lieu of or in addition to the data reporting under Schedule II.
13. The Filer will direct its auditor in writing to conduct any audit or review required by the Principal Regulator, and deliver a copy of the direction to the Principal Regulator. The Filer will not destroy or conceal any information or documents or otherwise fail to cooperate with a reasonable request made by an auditor in the course of an audit.

Risk Management

14. The Filer will assess liquidity risk and concentration risk posed by Liquidity Providers upon which the Filer relies to execute a trade for its clients.
15. The liquidity and concentration risks assessment will consider trading volume data as per paragraph 1(g) of Schedule II 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 these Liquidity Providers.

Restrictions on products and services

16. The Filer will only trade Crypto Contracts based on (a) Crypto Assets that the Filer has reasonably determined are not in and of themselves securities or derivatives, or (b) Value-Referenced Crypto Assets in accordance with paragraph 17 of this Schedule. For greater certainty, the Filer is not precluded from operating an over-the-counter trading desk that is not part of the Filer's Platform if the resulting transactions are not governed by securities legislation.
17. The Filer will not permit its clients to buy or deposit Value-Referenced Crypto Assets through a Crypto Contract without the prior written consent of the Principal Regulator and the regulator or securities regulatory authority of the Applicable Jurisdiction(s) and subject to such terms and conditions as may be imposed on the Filer and the issuer of the Value-Referenced Crypto Assets by the regulator or securities regulatory authority. Clients can continue to hold Crypto Contracts based on Value-Referenced Crypto Assets that are in place as of the date of this Undertaking and can sell or withdraw the Value-Referenced Crypto Assets upon which those Crypto Contracts are based.

18. The Filer will only engage in the business of trading Crypto Contracts in accordance with paragraph 16 of this Schedule and providing Staking Services in relation to Crypto Assets held under the Filer's Crypto Contracts in accordance with Schedule IV of this Undertaking, and perform its obligations under those contracts, and will not offer derivatives based on Crypto Assets or Value-Referenced Crypto Assets other than Crypto Contracts to clients.
19. The Filer will seek the appropriate approvals from the Principal Regulator and, if required under securities legislation, the regulator or securities regulatory authority of any other Applicable Jurisdiction, prior to undertaking any other activity governed by securities legislation.
20. The Filer will not offer Crypto Asset lending products or services to clients without the prior written consent of the Principal Regulator and the regulator or securities regulatory authority of the Applicable Jurisdiction(s) in which such products or services are offered.
21. The Filer will not trade Crypto Assets or Value-Referenced Crypto Assets or Crypto Contracts based on Crypto Assets or on Value-Referenced Crypto Assets with a client in an Applicable Jurisdiction, without the prior written consent of the regulator or securities regulatory authority of the Applicable Jurisdiction, where the Crypto Asset or Value-Referenced 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. For the purposes of this condition, the term "Specified Foreign Jurisdiction" means any of the following: Australia, Brazil, any member country of the European Union, Hong Kong, Japan, Republic of Korea, New Zealand, Singapore, Switzerland, United Kingdom of Great Britain and Northern Ireland, the United States of America, and any other jurisdiction that the Principal Regulator shall advise.

Restriction on margin and leverage

22. The Filer will not offer margin, credit or other forms of leverage to clients in connection with trading of Crypto Contracts, Crypto Assets or Value-Referenced Crypto Assets on the Filer's Platform.

Restrictions on trading Proprietary Tokens

23. The Filer will not permit its clients to buy or deposit Proprietary Tokens through a Crypto Contract, unless otherwise agreed to in writing by the Principal Regulator and the regulator or securities regulatory authority of the Applicable Jurisdiction(s). Clients can continue to hold Crypto Contracts based on Proprietary Tokens that are in place as of the date of this Undertaking and can sell or withdraw the Proprietary Tokens upon which those Crypto Contracts are based.

No recommendations or advice

24. Neither the Filer nor any representative of the Filer will provide recommendations or advice to any client or prospective client.

Advertising and social media use

25. The Filer has reviewed Joint CSA-IIROC Staff Notice 21-330 *Guidance for Crypto-Trading Platforms - Requirements relating to Advertising, Marketing and Social Media Use* and federal government guidance on the general scope of the false or misleading representations and deceptive marketing practices provisions of the *Competition Act*,⁴ and will establish, maintain and apply reasonable policies and procedures to ensure advertising and social media use regarding the Filer's Platform by the Filer and persons and companies acting on behalf of the Filer is fair, balanced and not misleading.

Until such time as the Filer obtains registration in the Applicable Jurisdictions, the Filer will also include the following statement (or a link to the following statement when impractical to include) in all advertising and social media that is related to the Filer's Platform and targeted at Canadian investors:

"NDAX has filed an application for registration in certain Canadian jurisdictions but has not yet obtained registration. Until such time as NDAX obtains registration, NDAX has agreed to abide by the terms of an undertaking available at the following link [Link to be inserted]."

Account opening

26. The Filer will establish, maintain and apply eligibility criteria for the onboarding of all Canadian clients. All Canadian clients must: (a) successfully complete the Filer's know-your-client (**KYC**) process which satisfies the requirements applicable to money service businesses under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and its regulations, and (b) hold an account with a Canadian financial institution.
27. Each Canadian client who is an individual, and each individual who is authorized to give instructions for a Canadian client that is a legal entity, will be: (a) a Canadian citizen, permanent resident or temporarily legally resident in Canada based on a work or student visa; and (b) the age of majority in the province or territory of their residency.
28. The terms of service between the Filer and its Canadian Clients will be governed by the laws of a jurisdiction of Canada, and state that the client's Crypto Assets will be held in trust for and/or for the benefit of the client.

Investment limits

⁴ <https://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/01315.html#Gen>

29. The Filer will ensure that the maximum amount of Crypto Assets, excluding Specified Crypto Assets, that a client, other than (i) clients resident in British Columbia, Manitoba and Québec and (ii) clients that are permitted clients, may enter into Crypto Contracts to purchase and sell on the Filer's 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 \$30,000.⁵

Account appropriateness assessment

30. The Filer has established and will maintain and apply reasonable policies and procedures (**KYP Policy**) to review Crypto Assets before offering Crypto Contracts based on the Crypto Assets in the Applicable Jurisdictions;
31. The Filer will perform product assessments pursuant to the KYP Policy and account assessments taking into account the following factors (the **Account Appropriateness Factors**):
- (a) the client's experience and knowledge in investing in Crypto Assets;
 - (b) the client's financial assets and income;
 - (c) the client's risk tolerance; and
 - (d) the Crypto Assets approved to be made available to a client by entering into Crypto Contracts on the Filer's Platform.
32. The Account Appropriateness Factors will be used by the Filer to evaluate whether entering into Crypto Contracts with the Filer is appropriate for a prospective client before the opening of a Client Account.
33. The Filer has adopted and will apply policies and procedures to conduct an assessment to establish appropriate limits on the losses that a client that is not a permitted client (as defined in NI 31-103) can incur, what limits will apply to such client based on the Account Appropriateness Factors (the **Client Limit**), and what steps the Filer will take when the client approaches or exceeds their Client Limit. After completion of the assessment, the Filer will implement controls to monitor and apply the Client Limit.
34. After completion of the account-level appropriateness assessment, a prospective client that is not a permitted client will receive appropriate messaging about using the Filer's Platform to enter into Crypto Contracts, which, in circumstances where the Filer has evaluated that entering into Crypto Contracts with the Filer is not appropriate for the client, will include prominent messaging to the client that this is the case and that the client will not be permitted to open an account with the Filer.

⁵ At the time the Filer implements this requirement, all clients of the Filer will be treated as having made no purchases in the preceding 12 months.

35. Additionally, the Filer will monitor Client Accounts after opening to identify activity inconsistent with the client's Account Appropriateness Factors. If warranted, the client may receive further messaging about the Filer's 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 by the Filer as described above. If warranted, the client will receive messaging when their account is approaching their Client Limit and receive instructions on how to implement a stop loss order to prevent further losses.

Risk Statement

36. Before a prospective client opens an account with the Filer, the Filer will deliver to the client a statement of risks (the **Risk Statement**), and will require the client to provide electronic acknowledgement of having received, read and understood the Risk Statement.

37. For each client with a pre-existing Client Account at the date of the Undertaking and for whom the Filer has not already performed the following with respect to such client as at the date of this Undertaking, the Filer will deliver to the client a Risk Statement and will require the client to provide an electronic acknowledgement of having received, read and understood the Risk Statement at the earlier of (a) before placing their next trade or deposit of Crypto Assets on the Filer's Platform and (b) the next time they log in to their account with the Filer.

38. The Risk Statement will clearly explain the following in plain language:

(a) the Crypto Contracts;

(b) the risks associated with the Crypto Contracts;

(c) a prominent statement that no securities regulatory authority has expressed an opinion about the Crypto Contracts or any of the Crypto Assets made available through the Filer's Platform, including any opinion that the Crypto Assets themselves are not securities and/or derivatives;

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

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

(f) the Filer's policies for halting, suspending and withdrawing a Crypto Asset from trading on the Filer's Platform, including criteria that would be considered by the Filer, options

available to clients holding such a Crypto Asset, any notification periods and any risks to clients,

- (g) 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 an Acceptable Third-party Custodian,
- (h) the manner in which the Crypto Assets are accessible by the Filer, and the risks and benefits to the client arising from the Filer having access to the Crypto Assets in that manner,
- (i) that the Filer is not a member of the Canadian Investor Protection Fund (**CIPF**) and the Crypto Assets held by the Filer (directly or indirectly through third parties) will not qualify for CIPF protection,
- (j) a statement that certain statutory rights under securities legislation in Canada do not apply in respect of the Risk Statement or a Crypto Asset Statement,
- (k) a prominent statement that the Filer has submitted an Application for Registration and an Application for Relief under securities legislation of certain jurisdictions of Canada but there is no guarantee these applications will be granted and the Filer is not currently registered under the securities or derivatives legislation of any jurisdiction of Canada and has not been granted an exemption from any requirements of securities or derivatives legislation of any jurisdiction of Canada, and
- (l) prior to a client making a decision to obtain Staking Services from the Filer, the disclosure described in Schedule IV.

39. The Filer will ensure it 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 that 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 that a Crypto Asset Statement is updated, existing clients of the Filer will be promptly notified through electronic disclosure on the Filer's Platform, with links provided to the updated Crypto Asset Statement.

Custody of Cash, Crypto Assets and Other Assets

40. The Filer will hold client cash in a designated trust account with a Canadian custodian or Canadian financial institution, except for small quantities of cash (not to exceed 20% of the aggregate amount of client cash at any point in time) that may be required for day-to-day operational requirements. Despite the forgoing requirement to use a Canadian custodian or a Canadian financial institution, the Filer may hold client cash in a designated trust account with a foreign custodian if a reasonable person would conclude, considering all of the relevant circumstances, including, for greater certainty, the nature of the regulation and the sufficiency

of the equity of the foreign custodian, that using the foreign custodian is more beneficial to the client than using a Canadian custodian or a Canadian financial institution.

41. The Filer is proficient and experienced in holding Crypto Assets and has established and will maintain and 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 and, subject to applicable law, a mechanism for the return of the Crypto Assets to clients in the event of bankruptcy or insolvency of the Filer. The Filer also maintains appropriate policies and procedures related to IT security, cyber-resilience, disaster recovery capabilities and business continuity plans. Until such time as the Filer has launched the NDAX Trust Co., the Filer will comply with the additional Custody Provisions as set out in Schedule V.
42. The Filer holds Crypto Assets (i) in an account clearly designated for the benefit of clients or in trust for clients and (ii) separate and apart from its own assets and from the assets of any custodial service provider. The Filer will not pledge, re-hypothecate or otherwise use any Crypto Assets held on behalf of its clients.
43. The Filer will retain the services of one or more Acceptable Third-party Custodians to hold not less than 80% of the total value of Crypto Assets held on behalf of clients.
44. The Filer will ensure that each Acceptable Third-party Custodian holds client Crypto Assets in a designated trust account or in an account designated for the benefit of clients. Such account shall be held and designated in such a fashion as to preserve the nature of the trust and to ensure the ability to trace, by equitable or other means, the assets so held in the event of bankruptcy, insolvency, restructuring, or similar activity of the Filer or the Acceptable Third-party Custodian. The terms of the custodian agreement between the Filer and each Acceptable Third-party Custodian will clearly identify that the Crypto Assets are held in trust for the benefit of the Filer's clients and specifies the actions the custodian will take in the event of the insolvency of the Filer. If the Acceptable Third-party Custodian holds the Crypto Assets of the Filer or its affiliates, the Acceptable Third-party Custodian holds those Crypto Assets in a separate account from those Crypto Assets held in trust for the benefit of the Filer's clients.
45. The Filer has conducted due diligence on the Acceptable Third-party Custodians, including reviewing a copy of the SOC 2 Type 1 or SOC 2 Type 2 audit report prepared by the Acceptable Third-party Custodians' auditors and has not identified any material concerns.
46. The Filer has established and will maintain and apply policies and procedures to ensure that
 - (a) Each of the Filer's Acceptable Third-party Custodians holds all Crypto Assets for clients of the Filer in trust in a designated trust account in the name of the Filer, separate and apart from the assets of the Filer, the Filer's affiliates and all of the Acceptable Third-party Custodian's other clients.
 - (b) Each of the Filer's Acceptable Third-party Custodians maintains an appropriate level of insurance for Crypto Assets held by the Acceptable Third-party Custodian. The Filer has

assessed the Acceptable Third-party Custodian's insurance policy and has determined, based on information that is publicly available and on information provided by the Acceptable Third-party Custodian and considering the controls of the Acceptable Third-party Custodian's business, that the amount of insurance is appropriate.

(c) Each of the Filer's Acceptable Third-party Custodians 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 Filer's Acceptable Third-party Custodian has established and applies written disaster recovery and business continuity plans.

47. The Filer has established, and will maintain and apply, policies and procedures that are reasonably designed to ensure the Filer's Acceptable Third-party Custodian's records related to Crypto Assets that the Acceptable Third-party Custodian holds in trust for clients of the Filer are accurate and complete.

48. The Filer will provide an authorization and direction in a form acceptable to the Principal Regulator for the Principal Regulator to obtain information directly from each of the Filer's Acceptable Third-party Custodians.

Insurance

49. The Filer has established, and will maintain and apply, policies and procedures that are reasonably designed to ensure that

(a) any third-party insurance obtained by the Filer includes coverage for the Crypto Assets held by the Filer in cold storage in the event of loss or theft in accordance with the terms of the insurance policy in question; and

(b) each of the Filer's hot wallet providers has insurance coverage which, in the event of theft of Crypto Assets from hot wallets secured by the hot wallet provider, will be distributed among applicable customers, which could include the Filer, pursuant to an insurance settlement agreement.

Confidentiality of Clients' Order and Trade Information

50. The Filer has established and will maintain and apply policies and procedures to safeguard the confidentiality of client information, including information relating to their trading activities.

Books and Records

51. 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 as if the Filer were a registered firm, including but not limited to:

- (a) a record of all clients and prospective clients granted or denied access to the Filer's 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 the Filer.

Reporting Requirements

52. The Filer will promptly notify the Principal Regulator of any of the following:

- (a) any material system failure involving the Filer's business or involving the business of an affiliate of the Filer and, if applicable, any clearing and settlement services, including cybersecurity breaches, that has a material impact on its clients;
- (b) any material system failure involving the services of an affiliate of the Filer, and if applicable, any clearing and settlement services of those entities, including cybersecurity breaches, that impacts the Filer's clients;
- (c) any known 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 operation of the Filer's Platform in Canada;
- (d) details of any material litigation instituted against the Filer, or an affiliate of the Filer, which may impact the operation of the Filer's Platform in Canada;
- (e) notification that the Filer, or an affiliate of the Filer, has instituted a petition for a judgment of bankruptcy or insolvency or similar relief, or to wind up or liquidate the Filer or has a proceeding for any such petition instituted against it; and
- (f) the appointment of a receiver or the making of any voluntary arrangement with creditors.

53. In addition to any other reporting required herein, the Filer and its applicable affiliates will provide to the Principal Regulator, on a timely basis and on demand, any report, data, document or information that the Filer and its applicable affiliates have available or would be reasonably expected to have available regarding the Filer's business, including regarding its information technology system, software, any intra-company arrangement or services, the marketplace service and, if applicable, any clearing and settlement services provided to Canadian clients that may be reasonably requested by the Principal Regulator from time to time. 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, including the marketplace service or any clearing and settlement services provided to the Canadian clients.

Schedule II Reporting Provisions

Data Reporting

1. The Filer will provide the following information to the Principal Regulator, and to the securities regulatory authority or regulator in each of the Applicable Jurisdictions with respect to clients in those jurisdictions individually, within 30 days of the end of each March, June, September and December:
 - (a) aggregate reporting of activity conducted pursuant to Crypto Contracts during the applicable calendar quarter that will include the following:
 - (i) number of Client Accounts opened each month in the quarter;
 - (ii) number of Client Accounts closed each month in the quarter;
 - (iii) number of trades in each month of the quarter;
 - (iv) average value of the trades in each month of the quarter;
 - (v) number of Client Accounts with a net acquisition cost greater than \$30,000 of Crypto Assets at the end of each month in the quarter;
 - (vi) number of Client Accounts with no trades during the quarter;
 - (vii) number of Client Accounts that have not been funded at the end of each month in the quarter; and
 - (viii) number of Client Accounts that hold a positive amount of Crypto Assets at the end of each month in the quarter;
 - (b) the details of any material client complaints received by the Filer during the calendar quarter and how such complaints were addressed;
 - (c) the details of any fraudulent activity or cybersecurity incidents on the Filer's Platform during the calendar quarter, any resulting harms and effects on clients, and the corrective measures taken by the Filer to remediate such activity or incident and prevent similar activities or incidents from occurring in the future;
 - (d) the amount of any Crypto Assets held in hot wallets as of the end of the quarter,
 - (e) the amount of the guarantee described in paragraph (f) as of the end of the quarter;
 - (f) the name of the financial institution and the amount of any money held at the end of the quarter in an account with the financial institution, separate from the Filer's operational accounts and Filer's Client Accounts, to supplement any insurance policy or guarantee relating to the Filer's hot wallets; and
 - (g) 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 the regulator or the securities regulatory

authority in each of the Applicable Jurisdictions, in a form and format acceptable to the regulator or the securities regulatory authority, a report that includes the following anonymized account-level data for activity conducted during the applicable calendar quarter pursuant to a Crypto Contract for each client within 30 days of the end of each March, June, September and December:

- (a) unique account number and unique client identifier, as applicable;
 - (b) jurisdiction where the client is located;
 - (c) the date the account was opened;
 - (d) the amount of any fiat currency held by the Filer at the beginning of the reporting period and at the end of the reporting period;
 - (e) cumulative realized gains/losses on the Filer's Platform since account opening in CAD;
 - (f) unrealized gains/losses on the Filer's Platform as of the report end date in CAD;
 - (g) quantity traded, deposited and withdrawn by Crypto Asset during the quarter in number of units;
 - (h) Crypto Asset traded by the client;
 - (i) quantity held of each Crypto Asset by the client as of the report end date in units;
 - (j) CAD equivalent aggregate value for each Crypto Asset traded by the client, calculated as the amount in paragraph (i) multiplied by the market price of the asset in paragraph (h) as of the report end date;
 - (k) age of account in months;
 - (l) if applicable, the Client Limit established by the Filer on each account; and
 - (m) information relating to the Staking Services as set out in Schedule IV.
3. Within 7 calendar days from the end of each month, the Filer will deliver to the Principal Regulator and the regulator or securities regulatory authority in each of the Applicable Jurisdictions, a report of all accounts for which the Client Limits established pursuant to paragraph 33 of Schedule I were exceeded during that month.
 4. The Filer will deliver to the Principal Regulator within 30 days of the end of each March, June, September and December, either:
 - (a) blackline copies of changes made to the policies and procedures on the operations of its wallets that were previously delivered to the Principal Regulator; or
 - (b) a nil report stating no changes have been made to its policies and procedures on the operations of its wallets in the quarter.
 5. In addition to any other reporting required by securities legislation in Canada, the Filer will provide, on a timely basis, any report, data, document or information that the Filer has available or would be reasonably expected to have available to the Principal Regulator, including any information about the Filer's Acceptable Third-party Custodian(s) and the Crypto Assets held by the Filer's Acceptable Third-party 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 Undertaking, in a format acceptable to the Principal Regulator.

6. Upon request, the Filer will provide the Principal Regulator and the regulators or securities regulatory authorities of each of the Applicable Jurisdictions with aggregated and/or anonymized data that the Filer has available or would be reasonably expected to have available concerning client demographics and activity on the Filer's Platform that may be useful to advance the development of the Canadian regulatory framework for trading Crypto Assets.
7. The Filer will promptly make any changes to its business practices or policies and procedures that may be required to address investor protection concerns that may be identified by the Filer or by the Principal Regulator arising from the operation of the Filer's Platform.

Schedule III Marketplace Provisions

Fair access

1. The Filer will not unreasonably prohibit, condition or limit the access of any client.
2. The Filer will not permit unreasonable discrimination among its clients.

Market Integrity

3. The Filer will take reasonable steps to ensure that the operation of the marketplace does not interfere with fair and orderly markets.
4. The Filer will establish, maintain and ensure compliance with policies and procedures to address concerns relating to fraud and market manipulation in connection with the marketplace, including policies and procedures to monitor for and investigate potential instances of manipulative and abusive trading.
5. The Filer will establish, maintain and ensure compliance with policies and procedures for addressing and escalating complaints internally or to the regulators, as applicable, and governing the cancellation, variation or correction of trades executed through the marketplace service.

Conflicts of Interest

6. The Filer will identify and address material conflicts of interest arising from the operation of the marketplace 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 marketplace services and, if applicable, any clearing and settlement services.

Transparency of operations and of Order and Trade Information

7. The Filer will provide its clients with information reasonably necessary to enable them to understand the marketplace services and, if applicable, any clearing and settlement services, including how orders are handled and interact, including with Liquidity Providers, how trades are priced and any associated fees or spreads.
8. For orders and trades entered into and executed on the marketplace, the Filer will make available to the Canadian clients an appropriate level of information regarding those orders and trades in real-time to facilitate the trading activities of the Canadian clients.

Systems and Internal Controls

9. The Filer will maintain effective internal controls over systems that support the marketplace services and, if applicable, any clearing and settlement services, including internal controls to

ensure that its systems function properly and have adequate capacity and security.

10. The Filer will maintain effective information technology controls to support the marketplace service and, if applicable, any clearing and settlement services, including controls relating to operations, information security, cyber resilience, change management, network support and system software support.
11. 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 marketplace service and, if applicable, any clearing and settlement services, including in the event of a wide-scale or major disruption.
12. If applicable, the Filer will maintain effective procedures and processes to ensure the provision of accurate and reliable clearing and settlement services.
13. If applicable, the Filer will maintain appropriate risk management policies and procedures and internal controls in place to minimize the risk that settlement will not take place as expected.

Schedule IV Staking Services Provisions

The Filer offers Staking Services to its clients. The Filer will provide the Staking Services through Validators that operate blockchain validator nodes.

The Staking Services will be offered in accordance with the following additional terms and conditions:

1. The Staking Services will be offered in relation to the Crypto Assets that are subject to a Crypto Contract between the Filer and a client and in a manner consistent with this Undertaking and in accordance with the terms and conditions of the Undertaking.
2. Unless the Principal Regulator has provided its prior written consent, the Filer will offer 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.
3. The Filer is proficient and knowledgeable about staking Crypto Assets.
4. The Filer itself does not act as a Validator, unless the Principal Regulator has provided its prior written consent. The Filer has entered into written agreements with one or more third parties to stake Crypto Assets and each such third party is proficient and experienced in staking Crypto Assets.

Account appropriateness assessment

5. The Filer's KYP Policy will include a review of the Crypto Assets made available to clients for staking and staking protocols related to those Crypto Assets prior to offering those Crypto Assets as part of the Staking Services. The Filer's review will include, at a minimum, the following:
 - (a) the Crypto Assets that the Filer proposes to offer for staking;
 - (b) the operation of the proof-of-stake blockchain for the Crypto Assets that the Filer proposes to offer for staking;
 - (c) the staking protocols for the Crypto Assets that the Filer proposes to offer for staking;
 - (d) the risks of loss of the staked 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 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 and past history of "double signing" or "double attestation/voting",
 - (vii) any losses of 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's policies and procedures to assess account appropriateness for a client will include consideration of the Staking Services to be made available to that client.
7. The Filer will apply 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 will only stake the Crypto Assets of those clients who have agreed to the Staking Services and have allocated Crypto Assets to be staked. Where a client no longer wishes to stake all or a portion of the allocated Crypto Assets, subject to any Lock-Up Periods (as defined below) or any terms of the Staking Services that permit the client to remove Crypto Assets from the Staking Services prior to the expiry of any Lock-Up Periods, the Filer will cease to stake those Crypto Assets.

Disclosure

10. Before the first time a client allocates any 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 paragraph 11 below, and will require the client to provide electronic acknowledgment of having received, read and understood the Risk Statement.
11. The Filer will clearly explain in the Risk Statement the risks with respect to staking and the Staking Services in plain language, which will 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) 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 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 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 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
 - (h) how rewards are calculated on the staked Crypto Assets, including any fees charged by the

- Filer or third party, how rewards are paid out to clients, and any associated risks.
12. Immediately before each time that a client allocates Crypto Assets to be staked under the Staking Services, the Filer will require the client to acknowledge the risks of staking Crypto Assets as may be applicable to the particular Staking Services or each particular Crypto Asset, including, but not limited to:
 - (a) that the staked Crypto Assets may be subject to a Lock-up Period and, consequently, the client may not be able to sell or withdraw their Crypto Assets 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 Crypto Assets when they are able to sell or withdraw, and the value of any Crypto Assets 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 Crypto Assets, 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 Crypto Assets lost to slashing, that the client may lose all or a portion of the client's staked 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 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 Crypto Assets that will be automatically staked pursuant to an existing agreement by the client to the Staking Services, the Filer will provide prominent disclosure to the client that the Crypto Assets 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 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 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.

Custody of Staked Crypto Assets

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

18. In addition to the requirements set out in paragraph 42 of Schedule I, the Filer will hold the staked Crypto Assets for its clients in one or more omnibus staking wallets in the name of the Filer separate and distinct from the Crypto Assets held for its 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 Crypto Assets, including but not limited to, an effective system of controls and supervision to safeguard the staked Crypto Assets.
20. If the Filer permits clients to remove Crypto Assets from the Staking Services prior to the expiry of any Lock-up Period, the Filer will establish and apply appropriate liquidity management policies and procedures to fulfill withdrawal requests made, which may include using the Crypto Assets it holds in inventory or entering into agreements with third party liquidity providers that permit the Filer to purchase any required Crypto Assets. The Filer acknowledges that it holds Crypto Assets in trust for its clients and will not use 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 crypto asset custodian providing Staking Services, or the Validator, the Filer, to the extent permitted by applicable law, 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.

Ongoing Validator Monitoring

23. The Filer will monitor its Validators for downtime, jailing and slashing events and take any appropriate action to protect Crypto Assets staked by clients.

Staking Rewards, Fees and Losses

24. The Filer has established, and will maintain and apply, policies and procedures to address how staking rewards, fees and losses will be calculated and allocated to clients that have staked Crypto Assets under the Staking Services.
25. The Filer will regularly and promptly determine the amount of staking rewards earned by each client that has staked Crypto Assets under the Staking Services and distribute each client's staking rewards to the client promptly after they are made available to the Filer.
26. The Filer will clearly disclose the fees charged by the Filer for the Staking Services and provide a clear calculation of the rewards earned by each client that agrees to the Staking Services.

Staking Services Reporting

27. The Filer will provide certain reporting in respect of the preceding calendar quarter to its Principal Regulator within 30 days of the end of March, June, September and December in connection with the Staking Services, including, but not limited to:
 - (a) the total number of clients to which the Filer provides the Staking Services;
 - (b) the Crypto Assets for which the Staking Services are offered;

- (c) for each Crypto Asset that may be staked:
 - (i) the amount of Crypto Assets staked,
 - (ii) the amount of each such Crypto Assets staked that is subject to a Lock-up Period and the length of the Lock-up Period;
 - (iii) the amount of Crypto Assets that clients have requested to unstake; and
 - (iv) the amount of rewards earned by the Filer and the clients for the Crypto Assets staked under the Staking Services;
- (d) the names of any third parties used to conduct the Staking Services;
- (e) any instance of slashing, jailing or other penalties being imposed for validator error and the details of why these penalties were imposed; and
- (f) any reporting regarding the Filer's liquidity management as requested by the Principal Regulator.

Schedule V
Custody Provisions

1. The Filer will obtain an annual SOC 2 Type 2 report that covers, among other things, the custodian function and such report must not identify any material concern. If requested by the Principal Regulator, the Filer will provide the Principal Regulator with a copy of such report.
2. The Filer will obtain and assess the annual SOC 2 Type 2 reports of critical custody infrastructure technology providers and ensure that the Filer has all necessary complementary user entity controls in place and operating effectively.
3. The Filer will maintain an appropriate level of crime and FIB insurance for Crypto Assets held by it.
4. The Filer has established, maintains, and applies policies and procedures that are reasonably designed to ensure that its records relating to Crypto Assets that it holds for its clients are accurate and complete.
5. The Filer has engaged an approved panel auditor to complete an audit of the Filer's non-consolidated Form 1 as of October 31, 2022, which will be filed with the New SRO as part of its registration application.
6. The Filer is and will continue complying with the New SRO Monthly Financial Report reporting requirements, and will provide these reports to the Principal Regulator.
7. The Filer's control owners that authorize custodial activities will be separate and functionally independent from personnel responsible for the sales and trading activities on the Filer's platform and accounting/finance functions. A reputable and experienced Canadian independent director on the Filer's board of directors will be responsible for overseeing the custodial function of the Filer. The executive of the Filer in charge of the custodial function will report to this independent director.
8. The Filer will describe in detail its self-custody structure in the Filer's Relationship Disclosure Information and the Risk Statement.
9. The Filer will obtain a written or electronic acknowledgement from each client confirming that the client understands the self-custody structure employed by the Filer. Such acknowledgment will be separate from, and prominent among, the other acknowledgements provided by the client as part of the account opening process.