LEGAL GUILD USE CASE

JURISDICTIONS FOR UTILITY TOKEN ISSUANCE PROJECT – VERIDA

INDEX

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This Use – Case was last modified in January 2021 and is subject to change pursuant to new information and developing laws.

1. **Overview**

This Use – Case is a collection of best practices and recommendations based on current NEAR Protocol ecosystem operations, serving as general guidance for choosing where to incorporate for activities related to a utility token issuance (**Use – Case**).

Depending on your operational jurisdiction and activities, certain compliance requirements outlined in this Use – Case may not only be a best practice but a legal obligation as well.

This Use – Case is a living document that will be regularly updated by the NEAR Legal Guild. It also relies on members of the community to raise relevant requests for clarifications and modifications, so please interact with us!

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2. **The Use Case: Verida**

Verida is a NEAR Protocol project based in Australia that provides a blockchain-based data solution, where user data is privately and consensually utilized to create new products and services.

Similar to how the decentralized finance movement is transforming traditional finance, Verida provides the technology and tools to transform websites and applications used every day by billions of people across the globe.

This Use – Case covers Verida's general request concerning where they should incorporate their "token issuance entity", given they seek to issue a utility token.

Further questions raised by Verida and answered throughout the Use – Case *and in Section 7 include:*

1. What jurisdiction offers the best regulatory environment to conduct Verida's initial token offering?

2. What token launch style (initial centralized exchange offering vs initial decentralized exchange offering) would best align with that recommended jurisdiction?

3. What are the best practice disclosures to make in regard to an initial token offering?

4. Post token offering, what are the best practices for a project to ensure there is no nefarious use of its token?

3. Utility Tokens vs Other Digital Assets

Colloquially, the phrase "Utility Token" is a catchall term used to capture tokens that are explicitly not: i.) a "security" (*a term that has many different definitions depending on the jurisdiction),* or ii.) a "payment token". Instead, as the name suggests, utility tokens, one variety of digital/virtual/crypto assets, offer some kind of "utility" to the token's holder, often in the form of providing the token holder with access to services or a platform. In simplest terms, they are akin to a digitally transferable arcade token that must be used to access/play the arcade's games.

In jurisdictions like the United States, where "security tokens" (*regulated by the Securities and Exchange Commission*) not only include tokenized traditional instruments like shares, notes, and debentures, they also include *investment contracts,* a designation controlled by the *Howey Test* derived by the seminal *SEC vs. Howey* case. Thus, in relation to this Use – Case, it is important to note characteristics that make a digital asset less likely to be viewed as an investment contract. As denoted in the SEC's apt Framework for Investment Contract Analysis for Digital Assets, such characteristics include:

- The layer 1 or layer 2 solution and its native token are already fully developed and operational before public issuance.

- Holders of the digital asset are immediately able to use it for its intended functionality on the solution, particularly where there are built-in incentives to encourage such use.

- The digital assets' design is created to meet the needs of it end users, rather than to feed speculation as to the value or development of the associated solution.

  o For example, the digital asset can only be used on the solution and generally can be held or transferred only in amounts that correspond to a purchaser's expected use.

- Prospects for appreciation in the value of the token are limited.

  o For example, the digital asset design provides that its value will remain constant or even degrade over time, and, therefore, a reasonable purchaser would not be expected to hold the digital asset for extended periods as an investment.

- With respect to a digital asset pointedly referred to as a "virtual currency," it can immediately be used to make payments in a wide variety of contexts or acts as a substitute for real (or fiat) currency.

  o This means that it is possible to pay for goods or services with the token without first having to convert it to another digital asset or fiat.

  o If it is characterized as a virtual currency, the token actually operates as a store of value that can be saved, retrieved, and exchanged for something of value at a later time.

- With respect to a digital asset that represents rights to a good or service, it currently can be redeemed within a developed network or platform to acquire or otherwise use those goods or services. Relevant factors may include:

  o There is a correlation between the purchase price of the token and the market price of the particular good or service for which it may be redeemed or exchanged.

  o The token is available in increments that correlate with a consumptive intent versus an investment or speculative purpose.

  o An intent to consume the token may be evident if the good or service underlying the token can only be acquired, or more efficiently acquired, through the use of the token on the solution.

- Any economic benefit that may be derived from appreciation in the value of the digital asset is incidental to obtaining the right to use it for its intended functionality.

- The digital asset is marketed in a manner that emphasizes the functionality of the token, and not the potential for the increase in the market value of the digital asset.

- Potential purchasers have the ability to use the solution and use (or have used) the digital asset for its intended functionality.

- Restrictions on the transferability of the digital asset are consistent with the token's use and not facilitating a speculative market.

- If the issuer facilitates the creation of a secondary market, transfers of the token may only be made by and among users of the solution.

In jurisdictions like the European Union (**E.U.**), the Markets in Crypto Assets (**MiCA**) regulations formally recognize *utility tokens* in their name's sake, defining them strictly as a "type of crypto-asset which is intended to provide digital access to a good or service, available on DLT, and is only accepted by the issuer of that token." MiCA also captures other types of crypto assets like *asset-referenced token*[i] electronic money tokens[ii].

Of course, it is important to note that projects must not one consider where they want to issue such tokens from, but they must also take into consideration that they must comply with each jurisdiction they operate in, offer services in, or conduct financial activities in. This is because *each jurisdiction has its own laws and sovereignty at the end of the day.* E.g., even if a blockchain company incorporates its token issuance entity offshore, but they promote, market, and distribute the token in a country like the United Arab Emirates, then the company would have to comply with the applicable laws from the Security and Commodities Authority, the governing regulatory body over crypto assets in the country.

4. Jurisdictional Considerations

We have been informed that in choosing where to launch their planned utility tokens from, Verida is mainly concerned about tax liabilities and applicable Anti-Money Laundering (**AML**) & Know Your Customer (**KYC**) compliance requirements.
Beyond such concerns, there are further key considerations to consider, such as a country's approach to digital/ asset regulation, and how such laws interact with existing legal frameworks. Generally, countries' regulatory approaches to digital assets can be split into four (4) different approaches: i.) a "wait and see" regulatory approach[iii]; ii.) a public-private partnership approach[iv]; iii.) a comprehensive regulatory approach[v]; and iv.) a restrictive approach[vi].

As outlined in the coming sections, this Use – Case details key information for select jurisdictions split into either a "low-compliance" category, or a "highly regulated" category. As the categories suggest, Verida may be subject to lower compliance requirements, *(and thus lower costs)* by choosing to incorporate in a low-compliance jurisdiction, versus choosing to incorporate in the likes of Switzerland for specific strategic advantages, such as its location and prestige in the crypto industry. Needless to say, choosing a jurisdiction is a highly personal choice for each project, as embodied by Annex 1 which shows how top blockchain/defi projects are spread across a multitude of different jurisdictions.

In choosing whether to opt for a low compliance jurisdiction or a highly regulated one, one should consider the across-the-board adoption of the Financial Action Task Force's "travel rule" in almost all highly regulated jurisdictions. For context, on June 21, 2019, the Financial Action Task Force (**FATF**) updated its *Interpretative Note to Recommendation 15 on New Technologies* (**INR15**), which further clarifies the application of FATF requirements in respect of virtual assets (**VAs**) and virtual asset service providers (**VASPs**)[vii][viii]. Among other things, INR15 mandates FATF member countries to regulate or prohibit the extent to which virtual asset activities may be carried out, in addition to requiring VASPs to implement a full range of AML/CFT preventative measures. As for the aforementioned "travel rule", it is an FATF recommendation that mandates companies transacting VAs to obtain, store and exchange information about the parties involved (originators and beneficiaries) on the performed transactions, a seemingly technologically impossible requirement for many actors in the space at the moment.

5. Overview of Low-Compliance Jurisdictions

British Virgin Islands (BVI)

Applicable Regulator: British Virgin Islands Financial Services Commission (FSC)	
Applicable Laws for Token Issuance, generally	Most applicable is the FSC's Guidance on Regulation of Virtual Assets in the Virgin Islands gives guidance on how to identify and differentiate different kinds of tokens in the BVI and on whether they fall under the regulated category. If a project may not fit in the above regulation, the Financial Services (Regulatory Sandbox) Regulations, 2020 also provides a "regulatory sandbox" in which innovative fintech companies can operate within a clearly defined business plan with a limited number of clients. Such license would then either mature or not into a full services license after a 2-year period, vesting into a license already offered under other BVI regulations.
Applicable Laws for Utility Tokens	Although there are no specific regulations with respect to utility tokens, activities associated with such may still be regulated under the above regulations.
KYC & AML Requirements	Minimum AML / KYC standards are required in line with the BVI AML Law which outlines compliance requirements for identification, record keeping and reporting obligations under the AML regime, appliable to relevant persons involved in certain types of regulated business. (If not applicable, it is still recommended to have a KYC policy in place.)
Applicable Taxes	There are no specific taxes levied against cryptocurrencies in the BVI as it is a tax-neutral jurisdiction and does not have any withholding tax, capital gains taxes, income tax or corporate taxes.

Gibraltar

Applicable Regulator: Gibraltar Financial Services Commission (GFSC)	
Applicable Laws for Token Issuance, generally	Distributed Ledger Technology Regulations 2020: Governs and regulates DLT service providers such as cryptocurrency exchanges, custodians etc., but does not explicitly cover token sale or token issuance. However, In practice, one can launch an ICO as a distributed ledger technology provider. MiFID II: EU regulations applicable to Gibraltar due to its location and are applicable to a token that is deemed to be a financial instrument or asset such as a security.
Applicable Laws for Utility Tokens	Token sales are not regulated in Gibraltar if the token does not qualify as a security or financial instrument, as the regulator does not maintain separate classifications of virtual asset categories. If a token is considered a security or financial instrument, then EU regulations, including requirements arising under MiFID II, shall apply.[ix]
KYC & AML Requirements	Proceeds of Crime Act (POCA): A blockchain/ distributed ledger technology company falls under the relevant financial business under POCA and is subject to KYC and AML regulations. Additionally in 2020, Gibraltar updated its DLT framework regulations to outline compliance requirements for identification, record keeping and reporting obligations under the AML regime, appliable to relevant persons involved in certain types of regulated business. (If not applicable, it is still recommended to have a KYC policy in place.)
Applicable Taxes	Gibraltar has a reputation as a low taxation environment: it does not impose capital gains or dividend tax on cryptocurrencies, and crypto exchanges are subject to a business-friendly 10% corporate income tax rate.

Seychelles

Applicable Regulator: Seychelles Financial Services Authority (SFSA)	
Applicable Laws for Token Issuance, generally	There is no separate legislative or regulatory framework with respect to virtual assets in Seychelles. Additionally, Seychelles does not consider cryptocurrency as a means of payment as they are not offered by financial institutions licensed or regulated by CBS under the Financial Institutions Act or the National Payment Systems Act However, SFSA did introduce the Regulatory Sandbox Exemption Regulations, 2019 which allows companies to test eligible financial services or products within a defined duration and controlled environment under the SFSA's supervision, exempting eligible projects from licensing, disclosure and reporting requirements under the Securities Act, 2007.
Applicable Laws for Utility Tokens	Although utility tokens are not explicitly covered under current regulations, the attributes of an asset may cause the SFSA to classify the token as a classified security under the Securities Act.
KYC & AML Requirements	The Anti Money Laundering and Countering the Financing of Terrorism Act, 2020 (AML Act) provides for the AML regime in Seychelles and its main principle is that reporting entities should follow and apply the provisions of the law which reflect the FATF international standards to prevent detect and combat money laundering and terrorist financing. The AML Act defines a "reporting entity" as those who carry out certain businesses and activities, which include banks (including offshore banks), bureau de change, insurance companies, money transfer companies, securities companies, corporate service providers, etc. As per the definition of a reporting entity under the AML Act, a Seychelles international business company carrying out the business of dealing in virtual assets would not be considered a reporting entity. However, Given the popularity of the digital currency activities, the National Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Committee (NAC) are preparing a country position on virtual assets and their service providers, in line with the policies being developed by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).
Applicable Taxes	An IBC incorporated under the International Business Companies Act 2016 is exempt from income tax in Seychelles if it carries on its business outside Seychelles. The usual business tax rate for a domestic company is 25% on the first SR 1,000,000 of taxable income and 33% on the remainder. Usual business tax rates also apply to international business companies if they derive assessable income in Seychelles. There are currently no specific tax conditions or attributes designed for Fintech entities in Seychelles.

Labuan (Federal Territory of Malaysia)

Applicable Regulator: Labuan Financial Services Authority (LFSA)	
Applicable Laws for Token Issuance, generally	The Labuan Financial Services and Securities Act, 2010 (LFSSA) governs licensing and regulation of financial services and securities in the establishment of exchanges and other related matters in Labuan.
Applicable Laws for Utility Tokens	The LFSA regulates utility tokens as credit tokens under Digital Financial Services regulations. Accordingly, a license must be procured to conduct related business activities. Labuan IBFC offers credit token business licenses, where a token, being in the form of a cheque, card, voucher, stamp, booklet, coupon, or other document is given or issued to customers by the issuer. Labuan IBFCs also offers credit token license for companies which wish to tap into the digital space particularly relating to blockchain-based businesses. In respect of digital tokens, Labuan credit token companies can create blockchain ecosystem to facilitate the use of digital assets by users. This could be in relation to real estate investments or for the purchase of goods and services provided by participating merchants.
KYC & AML Requirements	Minimum AML / KYC standards are required in line with the Principles on Electronic Know-Your Customer (e-KTYC) for Digital Financial Services
Applicable Taxes	Currently, a Labuan company may elect to be subject to a 3% tax on trading income profits or simply pay a flat tax of RM 20,000 (about USD 5,000).

Vanuatu

Applicable Regulator: Vanuatu Financial Services Commission (VFSC)	
Applicable Laws for Token Issuance, generally	A digital asset in Vanuatu is "an intangible asset stored digitally using distributed ledger technology, such as blockchain, and representing a set of rights and values". This definition is enshrined in the Financial Transactions Licensing Act No. 9 of 2021. This act allows for the "service of distribution, secondary trading, custodial storage, provision of investment advice or other services in relation to digital assets."
Applicable Laws for Utility Tokens	Pursuant to the regulations in the Financial Transactions Licensing Act No. 9 of 2021, the VFSC may view the definition for "digital assets" to be broad enough to encompass utility tokens.
KYC & AML Requirements	Minimum AML / KYC standards are required in line with the Anti-Money Laundering and Counter-Terrorism Financing Act No. 13 of 2014.
Applicable Taxes	Vanuatu tax residents pay no income tax, wealth tax, capital gains, dividends, and interest. An investor can also register their own company in Vanuatu. International Business Companies (IBC) are exempt from tax for 20 years. Instead, they pay an annual contribution of US$300 to the Vanuatu budget.

6. Overview of Highly Regulated Jurisdictions

<u>Switzerland</u>

Applicable Regulators: **Swiss Federal Tax Administration (SFTA) & Swiss Financial Market Supervisory Authority (FINMA)**	
Applicable Laws for Token Issuance, generally	The Swiss Parliament passed the <u>Federal Act on Adaptation of Federal Law to Developments in the Technology of Distributed Electronic Registers (2020)</u>, which sets forth an expanded framework for regulating blockchain and DLT based on the token taxonomy in the <u>ICO Guidelines (2018)</u>. Switzerland has no regulations regarding the buying and selling of virtual currency units or their use as a means of paying for goods and services, and so no special approval is required for these activities. In Switzerland crypto and virtual currencies are classified as assets or property.
Applicable Laws for Utility Tokens	Under the ICO Guidelines (2018), FINMA will not treat utility tokens as securities if their sole purpose is to confer digital access rights to an application or service and if the utility token can actually be used in this way at the point of issue. However, if utility tokens have an investment purpose at the point of issue, either additionally or solely, FINMA will treat such tokens as securities in the same way as asset tokens.
KYC & AML Requirements	The AML Act (2020) (AMLA) requires blockchain businesses to verify customer ID and report it to the Money Laundering Reporting Office, abiding by the FATF guidance. AMLA states that financial intermediaries are persons who, on a professional basis, accept or hold onto deposit assets belonging to others or who assist in the investment or transfer of such assets.
Applicable Taxes	The SFTA considers cryptocurrencies to be assets: they are subject to Swiss wealth, income, and capital gains taxes and must be declared on annual tax returns. Tax treatment of utility tokens further depends on the relationship between the investor and the issuer pursuant to civil law. If utility tokens only confer the right to access a service and no payment is made to the token-holder, there is no taxable income, however they are still subject to capital gains and wealth taxes.

United Kingdom (UK)

Applicable Regulator: Financial Conduct Authority (FCA)	
Applicable Laws for Token Issuance, generally	Although the UK confirmed in 2020 that crypto assets are property, there are no specific cryptocurrency laws, nor are they considered legal tender. However, the FCA's policy statement PS19/22 (2019) provides guidance and the applicable regulatory regime for each type. Rule PS20/10 (2020) prohibits the sale of investment products that reference cryptocurrencies to retail clients. After leaving the EU in 2020, it is likely that the UK's cryptocurrency regulations will remain largely consistent with the bloc in the short term, implementing directives equivalent to the EU's MiCA regulations and E-Money proposals, along with various Payment directives. HM Treasury guidance, issued via the UK Crypto Asset Task Force in January 2021, emphasized the UK's intention to consult on bringing certain digital assets under the scope of "financial promotions regulation" and to continue to consider a "broader regulatory approach" to crypto assets.
Applicable Laws for Utility Tokens	Regulators in UK do not have specific regulation on utility tokens; thus, guidance must be derived from the above regulations.
KYC & AML Requirements	The FCA requires custodian wallets and crypto exchanges to register according to the 5th EU AML Directive published in 2018.
Applicable Taxes	Her Majesty's Revenue and Customs (HMRC) set forth guidance in a 2018 policy paper, Tax on Crypto assets, that a capital gains tax may apply to the sale, exchange, use (for payment), transfer and donation of crypto-assets. U.K. companies have four broad U.K. tax areas to consider when distributing utility tokens: 1. whether the distribution proceeds fall within the scope of corporation tax; 2. whether the distribution of the utility tokens triggers a value added tax (VAT) charge; 3. whether employment taxes are triggered by any tokens awarded to or acquired by employees; and 4. whether the utility tokens are subject to stamp duty or stamp duty reserve tax.

Singapore

Applicable Regulator: The Monetary Authority of Singapore (MAS)	
Applicable Laws for Token Issuance, generally	Digital assets are legal and classified as property, although not legal tender. In 2017 – in the wake of the "ICO Boom of 2017" – it was made official that MAS will regulate the issuance of virtual assets in Singapore if it is deemed, they fall under the scope of the Securities and Futures Act (SFA) Under MAS guidance, the question of whether an ICO is considered a financial security offering depends on: • If coin(s) are bought and received on/around the same date of going into the Initial Coin Offering 'purchase contract', instead of specified future dates. • If discrepancies are found between settlement values of the coin(s) at different moments of time between issuer/buyer. • If possible, profit/loss of the ICOs 'investors' realize on coin(s) affect the issuer financially (gain, loss, and financial contracts based on either). • If coins are specified as a "stake/right" against or in the issuer which might be 'called' at a future date. The Payment Services Act (PSA) further covers exchanges and brings and other digital asset businesses under the regulatory authority of MAS, requiring them to obtain a MAS operating license.
Applicable Laws for Utility Tokens	Utility tokens have generally not been regulated by the MAS as financial products, but intermediaries dealing with such utility tokens may require licensing if such utility tokens constitute digital payment tokens.
KYC & AML Requirements	For businesses trading in cryptocurrencies, offering custody to retail users and a number of other activities, applying proper KYC (Know-Your-Customer), AML (Anti-Money Laundering), and CFT (combatting the Financing of Terrorism) checks are a legal requirement. Singapore Payment Services Act Basic Compliance Requirements include: • SARs: Operations must send SARs to MAS, with a formal internal process in place. Companies must also keep detailed records of users for AML and CFT checks. • Tx monitoring: Obliged entities must monitor counterparties to Tx's for red flags of ML and TF. • Screening: Obliged entities must cross-check users against sanctions lists, PEPs and adverse media. • Customer Due Diligence (CDD): Obliged entities must carry out KYC checks to identify/verify their users.

Applicable Taxes	Cryptocurrencies were taxable in Singapore under the Goods and Services Tax or 'GST' for income received in regard to a business. However, this practice was discontinued when the IRAS (Inland Revenue Authority of Singapore) reviewed GST requirements for Bitcoin and other cryptocurrencies or 'Digital Payment Tokens'.
	IRAS classes Bitcoin, Ethereum etc., as "Digital Payment Tokens". Stable coins backed by fiat currency may however have GST applied (this exception is made to negate the possibility of people using stable coins to circumvent a taxable transaction).
	It is also worth noting that Singapore does not tax Capital Gains on Crypto.

7. Further Guidance

As raised in <u>Section 2</u>, Verida had four (4) broad queries as follows:

1. *What jurisdiction offers the best regulatory environment to conduct Verida's initial token offering?*

2. *What token launch style (initial centralized exchange offering vs initial decentralized exchange offering) would best align with that recommended jurisdiction?*

3. *What are best practice disclosures to make in regard to an initial token offering?*

4. *Post token offering, what are the best practices for a project to ensure there is no nefarious use of its token?*

Each section that follows attempts to address each query in as general terms as possible, keeping in mind that NLG is not acting as independent counsel for Verida.

QUERY 1

In response to Query 1, given that choosing a jurisdiction involves a magnitude of different variables, Verida must take into consideration where they want to be strategically located for the Token Issuance Entity, what resources they would have to dedicate to keep in compliance with that jurisdiction, and what message they are sending to their overall customer base by choosing a specific jurisdiction.

QUERY 2: IDO VS. ICEO

Depending on the ultimate jurisdiction chosen, Verida should either opt to go for an initial decentralized exchange offering (IDO), or an initial centralized exchange offering (ICEO), depending on what the jurisdiction of incorporation allows for.

In choosing to opt for an IDO or an ICEO, it is worth noting the pros and cons of one launch style over the other, as well as their main difference. Unlike ICEOs, where the tokens are sold prior to the listing, with IDOs, they are listed immediately on the underlying decentralized exchange. In utilizing an IDO, other benefits include fast trading, immediate liquidity, and open & fair fundraising for the utility token.

Another major difference is in how the offerings are handled and funds are raised. In an IDO, there is a pool where users can buy "IOUs" of the token that the project wants to launch (*i.e.,* an acknowledgment of debt). In other words, the investors pay for their tokens in advance but receive them upon the *Token Generation Even* (TGE), which usually happens very shortly after the IDO itself (typically within a few hours). Once the IDO is successfully concluded, and the TGE takes place, the token is immediately listed for trading on a decentralized exchange.

A further comparison of the launch-styles is as follows:

	ICO	ICEO	IDO
Where is Fundraising Conducted?	The Token Issuer's Website	The Platform of The Centralized Exchange	The DEX's Launchpad
Who is the Responsible Crowdfunding Party?	The Token Issuer's Developers	The Centralized Exchange	The Token Issuer's Developers
Who Manages the Underlying Smart-Contract?	The Token Issuer	The Centralized Exchange	The Token Issuer
Does the Token Issuer have to conduct AML/KYC Controls?	Yes, With Requirements Varying Between Different Kinds of Projects	Not Necessarily as The Centralized Exchange Would Conduct Required AML/KYC Controls	Yes, With Requirements Varying Between Different Kinds of Projects
What kind of Marketing Budget is needed for the Token Issuance?	Significantly High, As the Project Will Have to Invest Many Resources in Order to Get the Attention of The Public.	Relatively Low, As the Exchange Would Actively Market the Tokens	Medium, As Marketing Efforts Would Likely Be Conducted by The DEX And the Token Issuers
Is Screening Required before The Token Issuance?	No Prior Screening Would Be Conducted as Anyone Can Launch an ICO As Long as Necessary Licenses Are Acquired	The Centralized Exchange Would Screen the Token Issuer First Before Allowing Funds to Be Raised	The DEX Would Screen the Token Issuer.
Is there an automatic token listing after the crowdfunding?	No, The Token Issuer Would Have to Reach Out to Centralized Exchanges and DEXs To Initiate Listing	Yes, The Centralized Exchange Where the ICEO Takes Place	Yes, On the DEX Where the IDO Takes Place

QUERY 3: BEST PRACTICES FOR LAUNCHING THE TOKEN

In Verida trying to implement best practices when launching its token, there are important considerations to consider. While securities regulation may or may not apply depending on the final token's features and the chosen jurisdiction's laws, what is important for Verida to prioritize in to avoid making any fraudulent representations in its promotional materials (e.g., whitepaper, website). Regulators will look at all promotional materials as subject to scrutiny, and as such, Verida should abide by the recommendations in Section 3 to avoid any designation as a security token, which comes with strict compliance requirements.

QUERY 4: CONTROLLING HOW THE TOKEN IS USED TO MINIMIZE LIABILITY FOR VERIDA

In minimizing Verida's own liability for how its tokens are used post transfer to token holder's, Verida can look to have use of the token be governed by a _Token User Agreement,_ akin to the _Terms and Conditions_ of a website, or _Terms of Use_ for a software.

With the use of a _Token User Agreement,_ Verida can not only limit the types of people who may buy the token (such as those residing in sanctioned countries, or sanctioned entities as defined by OFAC, etc.), but Verida can control for all other factors, including _limitation of liability, indemnification, how disputes are resolved, etc._

Annex I: Jurisdictions for Existing DLT Platforms

Blockchain Company	Jurisdiction	Applicable Law	Terms of Use/Privacy Policy/Website
1. Aave	Switzerland	Switzerland	Link
2. Akropolis	Gibraltar	Switzerland	Link
3. Liquidity	Switzerland	Switzerland	Link
4. AirSwap	Hong Kong	Hong Kong	Link
5. Bancor	Switzerland	Switzerland	Link
6. DiversiFi	British Virgin Islands	British Virgin Islands	Link
7. Energi Swap	British Virgin Islands	Laws of England and Wales	Link
8. Gnosis	Gibraltar	Gibraltar	Link
9. Jelly Swap	Bulgaria	Bulgaria	Link
10. KyberSwap	British Virgin Islands	British Virgin Islands	Link
11. LocalEthereum/ Local Crypto	Australia	Australia	Link
12. Tokenlon	British Virgin Islands	British Virgin Islands	Link
13. Augur	United Kingdom	Laws of England and Wales	Link
14. Jarvis Network	Cayman Islands	Cayman Islands	Link
15. LeverJ	Seychelles	Seychelles	Link
16. Ocean Protocol	Singapore	Singapore	Link
17. Perpetual Protocol	Seychelles	Seychelles	Link
18. Pods	Brazil	Brazil	Link
19. Fuse	Gibraltar	Laws of England and Wales	Link
20. KUCoin	Seychelles	Seychelles	Link
21. Argent	United Kingdom	Laws of England and Wales	Link
22. Coinbase Wallet	United Kingdom	Laws of England and Wales	Link
23. Dex Wallet	Switzerland	Switzerland	Link
24. Eidoo	Switzerland	Switzerland	Link
25. Gnosis Safe	Gibraltar	Gibraltar	Link
26. Infinity Wallet	United Kingdom	Laws of England and Wales	Link
27. Meet.one	Singapore	Singapore	Link

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ANIBAL SURIEL

Team Core

[1] *Defined as a type of crypto-asset that purports to maintain a stable value by referring to the value of several fiat currencies that are legal tender, one or several commodities or one or several crypto-assets, or a combination of such assets.*

[2] *Defined as a type of crypto-asset the main purpose of which is to be used as a means of exchange and that purports to maintain a stable value by referring to the value of a fiat currency that is legal tender.*

[3] *Refraining from issuing specific regulation on the industry in order to allow for the crypto industry's development. Countries may instead utilize existing laws to regulate crypto-related activities.*

[4] *Entails collaboration between regulators and the private sector through task forces and/or innovation hubs on the design and implementation of laws and regulations that aim to develop an inclusive and innovative financial system.*

[5] *Involves designing and implementing specific regulation that would govern crypto-related activities. This typically includes requirements such as obtaining licenses and reporting AML/CFT obligations, etc.*

[6] *Imposes broad restrictive measures that affect the crypto industry generally, measures that may be based on conservative/ precautionary views and/or specific disruptive market events.*

[7] *Depending on the jurisdiction and nature of assets, "virtual assets" can be known as digital assets, cryptocurrencies/tokens, or payment tokens as well.*

[8] *See FATF's Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers*

[9] *"Financial Instruments" includes forms of commodity derivative contracts and arrangements that may appley to any asset or right of a fungible nature.*