

Headnote

OSC Innovation Office - National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Application for time-limited relief from registration and prospectus requirements – exemption sought to address investor protection concerns in retail context – relief for crypto-backed lending arrangements – Relief granted based on the particular facts and circumstances of the application with the objective of fostering innovative businesses in Canada – in Ontario, derivatives trade reporting rules do not apply due to tie-breaker logic in Ontario’s derivatives product determination rule (section 4 – derivatives that are securities) – decision should not be viewed as precedent for other filers.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as amended, ss. 1(1), 25, 53 & 74

Multilateral Instrument 11-102 *Passport System*, s. 4.7

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

April 1, 2025

**In the Matter of
the Securities Legislation of Ontario (the Jurisdiction)
and Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador,
Northwest Territories, Nova Scotia, Nunavut, Québec, Prince Edward Island,
Saskatchewan and Yukon**

and

**In the Matter of
the Process for Exemptive Relief Applications
in Multiple Jurisdictions**

and

**In the Matter of
APX Inc.
(the Filer)**

Decision

Background

The Filer wishes to operate a novel platform, which will allow individuals and businesses to apply online for loans (in Canadian dollars or U.S. dollars), with terms of three months to five years. Borrowers are required to provide Bitcoin and/or Ether as collateral for these loans. The loans will be made, and the collateral will be held by the Filer or by a wholly-owned subsidiary of the Filer established solely for making loans and holding collateral (each an **SPV**, collectively the **SPVs**).

The collateral is held by the Filer, directly or through an SPV, for the duration of the loan and is not rehypothecated by the Filer and/or the SPVs. The Filer does not offer interest bearing accounts and does not accept deposits to fund the loans it makes.

As set out in Joint Canadian Securities Administrators/Investment Industry Regulatory Organization of Canada Staff Notice 21-329 *Guidance for Crypto-Asset Trading Platforms: Compliance with Regulatory Requirements* (**Staff Notice 21-329**) and Canadian Securities Administrators Staff Notice 21-327 *Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets* (**Staff Notice 21-327**), securities legislation applies to activities involving crypto assets where the user's contractual right to the crypto asset may itself constitute a security and/or a derivative. The Canadian Securities Administrators (**CSA**) staff take the view that a lender who holds crypto assets as collateral under lending arrangements (**Crypto-backed Lending Arrangement**) may be engaged in activities to which securities legislation applies on the basis that a borrower's contractual rights relating to the crypto asset collateral and related rights under the borrower's agreement with the lender may be a "security".

The Ontario Securities Commission (the **OSC**), through its Office of Economic Growth and Innovation, engages with businesses that have innovative products, services or applications to support responsible capital markets innovation. OSC LaunchPad is a support program designed to help businesses navigate regulatory requirements and, where appropriate, work with businesses to develop flexible regulatory approaches to allow them to test their innovative business models.

To foster innovation and respond to novel circumstances, the CSA has considered granting time-limited relief from the dealer registration requirement and the prospectus requirement that would allow the Filer to operate with a regulated framework. The overall goal of the relief is to facilitate innovation in the Canadian capital markets, while upholding the regulatory mandate of promoting investor protection and fair and efficient capital markets.

The Filer wishes to operate the Platform (as defined below) and offer Crypto-backed Lending Arrangements, and is seeking relief from the dealer registration and prospectus requirements in each of the provinces and territories of Canada (the **Jurisdictions**). This decision (the **Decision**) has been tailored for the specific facts and circumstances of the Filer, and the securities regulatory authority or regulator in the Jurisdictions will not consider this Decision as constituting a precedent for other filers.

Relief requested

The securities regulatory authority or regulator in the Jurisdiction has received an application from the Filer (the **Application**) for a decision under the securities legislation of the Jurisdiction (the **Legislation**) that:

- (a) the dealer registration requirement, and
- (b) the prospectus requirements

in the Legislation that may otherwise be applicable to a trade in or a distribution of a Crypto-backed Lending Arrangement made by either:

- (a) the Filer or an SPV to a Client (as defined below), or

(b) a Client to the Filer or an SPV,

shall not apply to the Filer, its SPVs, or its Clients, as the case may be (the **Requested Relief**), subject to the terms and conditions below.

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions:

- (a) the Ontario Securities Commission is the principal regulator for this Application (the **Principal Regulator**); and
- (b) the Filer has provided notice that, in the jurisdictions where required, subsection 4.7(1) of Multilateral Instrument 11-102 - *Passport System (MI 11-102)* is intended to be relied upon in each of the other provinces and territories of Canada (the **Non-Principal Jurisdictions**, and, together with the Jurisdiction, the **Applicable Jurisdictions**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions*, MI 11-102 and securities legislation have the same meaning if used in this Decision, unless otherwise defined.

In this Decision, the following terms have the following meaning:

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

- (a) is one of the following:
 - (i) a Canadian custodian or Canadian financial institution;
 - (ii) a custodian qualified to act as a custodian or sub-custodian for assets held in Canada pursuant to section 6.2 [*Entities Qualified to Act as Custodian or Sub-Custodian for Assets Held in Canada*] of National Instrument 81-102 *Investment Funds*;
 - (iii) a custodian that meets the definition of an “acceptable securities location” in accordance with the Investment Dealer and Partially Consolidated Rules and Form 1 of CIRO;
 - (iv) 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 Jurisdictions; or 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);
- (b) is functionally independent of the Filer within the meaning of NI 31-103;
- (c) has obtained audited financial statements within the last twelve months, which
 - (i) are audited by a person or company that is authorized to sign an auditor’s report under the laws of a jurisdiction of Canada or a foreign jurisdiction and that meets the professional standards of that jurisdiction,

- (ii) are accompanied by an auditor's report that expresses an unqualified opinion, and
- (iii) unless otherwise agreed to by the Principal Regulator, disclose on their statement of financial position or in the notes of the audited financial statements the amount of liabilities that it owes to its clients for holding their assets, and the amount of assets held by the custodian to meet its obligations to those custody clients, broken down by asset; and
- (d) has obtained a Systems and Organization Controls (**SOC**) 2 Type 1 or SOC 2 Type 2 report within the last twelve months or has obtained a comparable report recognized by a similar accreditation board satisfactory to the Filer's Principal Regulator and the regulator or securities regulatory authority of the Jurisdiction(s);

"**Act**" means the *Securities Act* (Ontario);

"**BTC**" means Bitcoin;

"**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(s)**" means persons and companies that borrow fiat from the Filer and deposit Collateral (as defined below) with the Filer or that borrow fiat through an SPV and deposit Collateral with the SPV;

"**Crypto Assets**" means assets commonly considered a crypto asset, digital or virtual currency, or digital or virtual tokens;

"**CTP**" means Crypto Asset trading platform;

"**ETH**" means Ether;

"**FINTRAC**" means the Financial Transactions and Reports Analysis Centre of Canada;

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

"**interim period**" has the meaning ascribed to that term in NI 31-103;

"**loan to value ratio**" or "**LTV**" means the percentage of the loan amount in relation to the market value of the cryptocurrency used as collateral;

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

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

"**MSB**" means money services business; and

"**Registered CTP**" means a CTP that is registered as a restricted dealer or an investment dealer under securities legislation in Canada.

In this Decision, a person or company is an **affiliate** of another person or company if

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

Representations

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

The Filer

1. The Filer is a corporation incorporated under the federal laws of Canada with its head office located in Toronto, Ontario.
2. The Filer operates under the business name of **APX Lending**.
3. The Filer is registered as an MSB with FINTRAC and complies with the applicable requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and its regulations (the **PCMLTF**). Each SPV will be registered in accordance with the requirements of the PCMLTF.
4. The Filer does not have any securities listed or quoted on an exchange or marketplace in any jurisdiction inside or outside Canada and the Filer is not a reporting issuer in any jurisdiction.
5. The Filer's personnel consist of software engineers, compliance professionals and client support representatives who each have experience operating in a regulated environment such as an MSB and expertise in blockchain technology. The Filer has had all its employees pass criminal records checks and credit checks and new employees will have to pass criminal records and credit checks.
6. The Filer is not in default of securities and derivatives legislation in any jurisdiction of Canada. The Filer is in material compliance with securities and derivatives legislation of United States.

The Filer's Platform and Services

7. The Filer operates a proprietary and semi-automated internet-based Crypto Asset-backed lending platform (the **Platform**), enabling Clients to borrow from the Filer (directly or through an SPV) fiat currency, by depositing and pledging BTC or ETH or any other Crypto Asset agreed to by the Principal Regulator to and with the Filer (directly or through an SPV) as collateral for the loan (the **APX Services**).
8. The Filer does not currently intend to accept any Crypto Asset as collateral other than BTC and ETH (collectively, **Collateral**). Should the Filer decide to accept collateral other than BTC and ETH, it shall not do so without the prior approval of the Principal Regulator.
9. The rights and obligations of the Filer and of each Client involved in a Crypto-backed Lending Arrangement are set out in the loan agreement between the Filer (as lender) and the Client (as borrower) or, where the loan is made through an SPV, in the loan agreement

between the SPV (as lender) and the Client (as borrower) (the **Loan Agreement**). The Loan Agreement is entered into as between the Client and the Filer or as between the Client and an SPV, as the case may be, after a Client opens an account on the Platform (each, an **APX Account**), and upon (a) the Client depositing Collateral with the Filer or SPV, as the case may be, and (b) the Filer approving the requested loan.

10. The Filer's activities, including the operation of the Platform and providing the APX Services (directly and through an SPV), may constitute the trading in securities and/or derivatives.
11. The Filer has appointed Rosenswig McRae Rosso LLP as its auditors.
12. The Filer will prepare: (a) audited consolidated financial statements no later than the 90th day after the end of its financial year, and (b) interim consolidated financial statements no later than the 30th day after the end of the first, second and third interim period of its financial year.
13. The Filer will not be a member firm of the Canadian Investor Protection Fund (**CIPF**) and the Collateral custodied with an Acceptable Third-party Custodian and with the Filer (or SPV, as the case may be) will not qualify for CIPF coverage. The Risk Statement (as defined below) will include disclosure that there will be no CIPF coverage for the Collateral.
14. The Filer will wholly own, control and manage each SPV. Other than the Filer and the SPVs, no affiliate of the Filer is engaged in activities related to Crypto Assets in Canada.

KYP Obligations and Crypto Asset Restrictions

15. The Filer intends to only allow for borrowing of fiat backed by BTC or ETH, and the Filer believes it has sufficient understanding of BTC and ETH to satisfy the know-your-product (**KYP**) provisions in NI 31-103 (**KYP Policy**).
16. The Filer is not engaged, and will not engage, in trades that are part of, or designed to facilitate, the creation, issuance or distribution of Crypto Assets by the developer(s) of the Crypto Asset, its issuer or affiliates or associates of such persons.
17. The Filer monitors ongoing developments related to BTC and ETH that may cause BTC's or ETH's legal status as a security and/or derivative or the assessment conducted by the Filer pursuant to its KYP Policy and as described in its representations made hereinto change.

Account Opening and Risk Disclosure

18. Each Client, who is an individual, must be a resident of Canada, have reached the age of majority in the jurisdiction in which the person is resident, and have the legal capacity to open a securities brokerage account. Each Client of the Platform that is a corporation, partnership or other legal entity must be incorporated or registered under provincial, territorial or federal corporate legislation or under similar provincial, territorial or federal legislation applicable to other types of legal entities where required, and be in good standing. The Filer will not lend to Clients who are individuals and are not Canadian residents.

19. Clients of the Filer open an APX Account on the Platform and complete an onboarding process, including collection of the information necessary to make the assessment set out in representation 18 above and in representation 22 below, and the successful completion of “know-your-client” (**KYC**) procedures which satisfy relevant FINTRAC guidelines and PCMLTF requirements. The Filer has policies and procedures to ensure its Clients are not engaged in prohibited businesses or business practices.
20. In order to open an APX Account on the Platform, all Clients must agree to and comply with the Filer’s terms and conditions (**Terms of Use**), which are publicly available on the Platform. In summary:
 - (a) the Terms of Use constitute a service agreement whereby the Filer agrees to offer the APX Services to its Clients; and
 - (b) in order to use the APX Services, each Client must open an APX Account.
21. Under the Loan Agreement, the Filer and each SPV maintains certain controls over APX Accounts to ensure compliance with applicable law and ensure secure custody of the Collateral.
22. The Filer does not provide recommendations or advice to Clients or conduct a suitability determination for Clients but performs account appropriateness assessments to determine whether it is appropriate for a Client to enter into a Crypto-backed Lending Arrangement with the Filer (whether directly or through an SPV). The account appropriateness assessment conducted by the Filer considers the following factors (the **Loan Account Appropriateness Factors**):
 - (a) The Client’s experience and knowledge of Crypto Assets;
 - (b) the Client’s financial circumstances;
 - (c) the Client’s personal circumstances;
 - (d) the Client’s risk profile; and
 - (e) the Client’s understanding of the risks involved in Crypto-backed Lending Arrangement.
23. The Loan Account Appropriateness Factors will be used by the Filer to evaluate whether entering into a Loan Agreement and pledging Collateral is appropriate for a prospective Client.
24. After completion of the loan account appropriateness assessment, a prospective Client will receive appropriate messaging about entering into a Loan Agreement, which, in circumstances where the Filer has evaluated that doing so 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 enter into a Loan Agreement.
25. The Filer will also use the Loan Account Appropriateness Factors to determine the LTV to offer the Client.
26. The Filer maintains policies and procedures to monitor the value of the Collateral based on proprietary technology that marks-to-market the Collateral based on current market prices. Where a decrease in the value of the Collateral results in LTV rising above 80% or such other percentage as the Filer deems appropriate (the **Margin Notice Threshold**),

the Filer will provide, by way of electronic notice, information on steps the Client may take, which include (i) returning a portion of the loan principal; or (ii) delivering to the Filer or SPV, as the case may be, additional Collateral to reduce LTV below the Margin Notice Threshold. Where the Client declines to effect either of the two forgoing actions, and should the value of the Collateral continue to decrease to the extent that LTV reaches 90% (or such other percentage as the Filer deems appropriate) (**Collateral Liquidation Threshold**), the Filer or SPV, as the case may be, may sell up to the entirety of the Collateral to pay the loan amount in which case it shall provide the Client with notice of the same (**Collateral Liquidation**). The Margin Notice Threshold LTV and the Collateral Liquidation Threshold LTV will not change for a loan once it has been deployed.

27. As part of the account opening and loan application process,
- (a) the Filer will collect the KYC information from the prospective Client; and
 - (b) the Filer will provide prospective Clients with a separate statement of risks (the **Risk Statement**) that clearly explains or includes the following in plain language:
 - (i) the purpose of the Loan Agreement;
 - (ii) the risks associated with the Collateral held by the Filer and the SPVs;
 - (iii) prominently, a statement that no securities regulatory authority or regulator in Canada has assessed or endorsed the Loan Agreement;
 - (iv) the location and the manner in which Collateral is held for the Client, the risks and benefits to the Client of the Collateral being held in that location and in that manner, including the impact of insolvency of the Filer, the SPVs or the Acceptable Third-party Custodian;
 - (v) the manner in which the Collateral is accessible by the Filer, and the risks and benefits to the Client arising from the Filer having access to the Collateral in that manner;
 - (vi) that the Filer is not a member of CIPF and the Collateral held by the Filer and the SPVs (directly or indirectly through third parties) will not qualify for CIPF protection;
 - (vii) a statement that the statutory rights for damages and of rescission provided for in section 130.1 of the *Securities Act* (Ontario) and in the securities legislation of any of the other Jurisdictions do not apply in respect of the Risk Statement to the extent a security is distributed under the Prospectus Relief in this Decision;
 - (viii) a statement that the Filer and the SPVs are not registered as a dealer in any jurisdiction in Canada; and
 - (ix) the date on which the information was last updated.
28. As part of the APX Account opening process as described in representation 27, the Filer will deliver the Risk Statement to the Client and obtain an electronic acknowledgment from

the prospective Client confirming that the prospective Client has received, read and understood the Risk Statement. Such acknowledgment will be prominent and delivered concurrently with the opening of an APX Account and prior to execution of the Client's initial Loan Agreement.

29. A copy of the Risk Statement acknowledged by a Client will be electronically delivered to the Client and easily available to the Client upon request. The latest version of the Risk Statement will be continuously and easily available to Clients on the Filer's website and upon request.
30. The Filer has policies and procedures for updating the Risk Statement to reflect any material changes to the disclosure or include any material risks that may develop with respect to the Loan Agreements, APX Accounts and Crypto Assets. In such event, existing Clients of the Filer will be promptly notified and provided with a copy of the updated Risk Statement. In the event the Risk Statement is updated, existing Clients of the Filer will be promptly notified through an email notification, with links provided to the updated Risk Statement.
31. The Filer may also prepare and make available to its Clients, on an ongoing basis and in response to emerging issues in crypto assets, educational materials and other informational updates about Crypto-backed Lending Arrangements.

Filer Operations

32. The Filer and the SPVs do not have any authority to act on a discretionary basis on behalf of Clients and does not manage any discretionary accounts.
33. Loan applications are placed with the Filer through the Platform.
34. A Loan Agreement is a bilateral contract between the Client and the Filer or between the Client and the SPV. The Filer (or SPV, as the case may be) is the lender and the Client is the borrower.
35. Clients effecting interest or loan principal payments to the Filer or SPV, as the case may be, through the Platform can send funds via wire transfer, e-transfer, electronic funds transfer, direct deposit or other established and widely utilized payment methods.
36. Clients pledge their Collateral to unique wallet addresses designated to them either by the Filer or the Acceptable Third-party Custodian, who may be the custodian to the Filer, an SPV and the Client.
37. The Filer may effect the transfer of Collateral (i.e., a Collateral Liquidation) to the Filer (or SPV, as the case may be) only pursuant to the terms of the Loan Agreement (i.e. an event of default on the part of the Client such as a failure to repay loan when due, or a decrease in the value of the Collateral resulting in an LTV equal to or greater than the Collateral Liquidation Threshold stipulated in each Client's Loan Agreement).
38. The Filer evaluates and will continue to evaluate the fair market value of the Collateral for purposes of determining LTV on a near-continuous basis, in accordance with the terms of the Loan Agreement. The Filer's Clients can check the quoted price for BTC and ETH on the Platform against the prices available on other Registered CTPs in Canada.

39. The Filer and each SPV are not permitted to pledge, re-hypothecate or otherwise use the Collateral deposited by its Clients on the Platform, except as described in representation 37 above.
40. The Filer currently does not stake ETH, but the Filer is in discussions with the Principal Regulator with respect to staking Collateral ETH.
41. The Filer and each SPV record in their books and records the particulars of each loan, including the Collateral.
42. The Filer is compensated by interest charges on its loans and will not charge any fees, other than a liquidation processing fee, without first notifying the Principal Regulator. Any fees the Filer may charge clients will not change for any particular loan once the loan has been deployed. All fees will be clearly and prominently disclosed in the disclosure table contained in the Loan Agreement.
43. Clients are permitted to transfer Collateral into their APX Account with the Filer at any time for the purpose of decreasing LTV.
44. Clients are permitted to request a withdrawal of pledged Collateral in their APX Account with the Filer, and the Filer will permit such withdrawal where the withdrawal would not result in the LTV exceeding the LTV at the time of loan origination.
45. Clients are permitted to request an increase to their loan amount under the same terms as their original loan and the Filer may permit such increase where the increase in loan amount would not result in the LTV exceeding the LTV at the time of loan origination.
46. A loan can be repaid, either wholly or in part, by a Client and, where fully paid, may be closed at any time during the term of the loan. There will be no prepayment penalty applied to any loan. However, loans will provide that a borrower will be charged a minimum interest amount (e.g., a Loan Agreement may provide for a minimum of three months' interest).
47. Upon repayment of loan principal and accrued but unpaid interest and any fees in accordance with the terms of each Loan Agreement, the Filer will transfer all Collateral to the blockchain address specified by the applicable Client. The Filer has expertise in and has implemented appropriate anti-fraud and anti-money laundering monitoring systems, for both fiat and Crypto Assets to reduce the likelihood of fraud, money laundering, or error in sending or receiving Crypto Assets to incorrect wallet addresses.
48. The Filer maintains and will continue to maintain comprehensive business continuity and disaster recovery plans to ensure the resilience and uninterrupted operation of the Platform. These plans include measures to address potential disruptions to the Filer's critical systems, processes, and services, as well as protocols for recovery and restoration of operations within a reasonable time frame. The Filer regularly reviews and updates these plans to address evolving risks and industry standards and ensures that appropriate testing is conducted to validate their effectiveness.

Reports to Clients

49. On a continuous basis, except during rare moments where the Platform is not available to allow for systems maintenance, Clients will be able to access 24/7 the outstanding loan

principal and interest, the current fair market value of pledged Collateral and the cumulative amounts of interest and principal payments made to date with respect to any loan transaction.

50. On a continuous basis, except during rare moments where the Platform is not available to allow for systems maintenance, Clients will have access to a complete record of all historic lending activities and details since creating an APX Account.

Custody of Crypto Assets

51. The Filer utilizes Fireblocks Ltd. for hot transactional wallets (**Hot Wallet Provider**) and has retained BitGo Trust Company, Inc. (**Custodian**) as a custodian to hold (in cold storage) Client Collateral. Such Custodian meets all the requirements of an Acceptable Third-party Custodian. The Filer may use other custodians in the future, provided they also meet the requirements of an Acceptable Third-party Custodian.
52. The Filer and each SPV will hold custody accounts with the Custodian for the purpose of safely custodizing Clients' Collateral. The Collateral that the Custodian holds in trust for the Clients of the Filer are held in designated and segregated accounts in trust in the name of the Filer (or SPV, as the case may be) for the benefit of the Filer's Clients and are held separate and apart from the assets of the Filer, the SPV and its Custodian, and the assets of other clients of the Custodian.
53. Client Collateral held in trust for their benefit in hot wallets and with Custodians are deemed to be the Clients' Crypto Assets in case of the insolvency and/or bankruptcy of the Filer, of an SPV or of the Custodian.
54. The Custodian has established policies and procedures that manage and mitigate the risks of holding the Collateral, including, but not limited to, an effective system of controls and supervision to safeguard the Collateral for which they act as custodian and to mitigate security breaches and cyber incidents. The Filer has and will conduct due diligence on the Custodian, including a thorough review of the Custodian's policies and procedures.
55. The Filer has established, and will maintain and apply, policies and procedures that are reasonably designed to ensure the Custodian's records related to Collateral that the Custodian holds in trust for Clients of the Filer (whether directly or through an SPV) are accurate and complete.
56. For Crypto Assets held by the Filer and by the SPVs, whether directly in hot wallets or indirectly through the Custodian, the Filer:
 - (a) holds Collateral or ensures that the Collateral are held in trust for its Clients, and separate and distinct from the assets of the Filer and the SPV; and
 - (b) has established and applies written policies and procedures that manage and mitigate the custodial risk, including, but not limited to, an effective system of controls and supervision to safeguard the Collateral for which it acts as custodian and to mitigate security breaches and cyber incidents.
57. In an effort to spread counterparty risk, the Filer may engage other custodians and hot wallet providers to hold Collateral from time to time. In respect of cold storage of Collateral,

the Filer intends to engage only with custodians that meet the definition and requirements of an Acceptable Third-party Custodian. Prior to depositing Collateral with any such custodian, the Filer performs reasonable due diligence on the custodian, including a review of the custodian's balance sheet and management team, including holding meetings with the custodian's representatives. The Filer will inquire as to security protocols as well as withdrawal protocols and the insurance coverage applicable to the Crypto Assets held. Prior to engaging a new custodian or hot wallet provider, the Filer will obtain from such custodian a SOC 2 Type 1 or Type 2 report within the last 12 months. Lastly, the Filer will provide the Principal Regulator with at least 30 days' prior written notice of its intention to add or remove any custodian or hot wallet provider.

Marketplace and Clearing Agency

58. The Filer will not operate a "marketplace" as defined in National Instrument 21-101 *Marketplace Operation* and, in Ontario, subsection 1(1) of the Act because it will not:
- (a) perform the activities commonly understood to be acting as an exchange or quotation and trading reporting system,
 - (b) execute trades of exchange-traded securities outside of a marketplace, or
 - (c) constitute, maintain or provide a market or facility for bringing together buyers and sellers of securities (or Crypto Assets generally, for that matter), bring together the orders for securities (or crypto assets generally) of multiple buyers and sellers, and use established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade.
59. The Filer will not operate a "clearing agency" as defined in the securities legislation in any of the Applicable Jurisdictions.

Market Participant

60. The Filer is a "market participant" as defined under subsection 1(1) of the Act. As a market participant, among other requirements, the Filer is required to comply with the record keeping and provision of information provisions under section 19 of the Act, which include the requirement to keep such books, records and other documents as are necessary for the proper recording of business transactions and financial affairs, and the transactions executed on behalf of others, and to deliver such records to the Principal Regulator, if required.

Finances

61. By virtue of holding Collateral in accordance with applicable LTV ratios and effecting liquidations at or above applicable Collateral Liquidation Thresholds, the Filer will maintain sufficient resources to guarantee its obligations under Crypto-backed Lending Arrangements (whether made directly or through an SPV).

Lending Regulation

62. Neither the Filer nor, where applicable, the SPV shall commence or conduct lending activities in any province of Canada where such activities require licensing, registration or similar regulatory approvals or notifications from or to a provincial regulatory body, until such time as the Filer or the SPV, or both, as required, has obtained such licensing, registration, approvals or notifications, and the Filer and each SPV is otherwise in compliance with laws applicable to such activities in such province.

Personal Property Security Act

63. In connection with the Crypto-backed Lending Arrangements, the Filer has considered the availability of the prospectus exemption at section 2.37 of National Instrument 45-106 *Prospectus Exemptions* and determined that, at the time of this Decision, the exemption may not be available due to the attributes of the Collateral and the nature of the Filer's business.

Decision

The Principal Regulator is satisfied that the decision with respect to the Passport Relief meets the test set out in the Legislation for the Principal Regulator to make the decision.

The decision of the Principal Regulator under the Legislation is that the Requested Relief is granted, provided that:

Acting fairly, honestly and in good faith

- A. 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.

Conflicts of interest

- B. The Filer will comply, and will take reasonable steps to cause each individual acting on their behalf to act to comply, with the enhanced conflicts of interest provisions in section 13.4 and 13.4.1 of NI 31-103 as if the Filer were a "registered firm" and individuals acting on behalf of the Filer were "registered individuals".

KYC and Loan Account Appropriateness

- C. The Filer will take reasonable steps to keep current the information obtained pursuant to representation 19.

- D. For each Client, the Filer will perform a loan account appropriateness assessment as set out in representation 22 prior to opening a loan account and on an ongoing basis at least annually.

Handling complaints

- E. The Filer will document, and, in a manner that a reasonable person would consider fair and effective, promptly respond to each complaint made to the Filer about the APX Services offered by the Filer or an individual acting on behalf of the Filer.

Permitted referral arrangements

F. The Filer may advertise its services with CTPs provided such referral activities with CTPs are limited to fixed fee advertising only.

G. The Filer will not enter into any agreement with a CTP that results in the CTP effecting a leverage or lending transaction in contravention of CTP's restrictions on offering margin or leverage services in Canada.

No recommendations or advice

H. The Filer, and any individual acting on its behalf, will not provide recommendations or advice to any Client or prospective client.

Operations

I. The Filer will only provide APX Services in relation to Crypto Assets and will provide the APX Services directly or through an SPV. Other than the APX Services, the Filer will not offer derivatives based on the Crypto Assets to Clients. The Filer will seek the appropriate approvals from the Principal Regulator and, if required under the securities legislation, the regulator or securities regulatory authority of any other Jurisdiction, prior to undertaking any other activity governed by securities legislation in Canada.

J. The Filer will wholly own, control and manage each SPV that enters into a Loan Agreement with Clients and holds (through an Acceptable Third-party Custodian) the Collateral.

K. The Filer will ensure that each SPV only (i) enters into financing agreements with institutional investors, (ii) enters into Loan Agreements with Clients, and (iii) holds the Collateral, and engages in no other activities.

L. The Filer will not operate a "marketplace" as the term is defined in National Instrument 21-101 *Marketplace Operations* and, in Ontario, in subsection 1(1) of the Act or a "clearing agency" as the term is defined in the securities legislation in any of the Jurisdictions.

M. The Filer will only accept BTC and ETH as Collateral, unless it obtains the prior written consent of the Principal Regulator.

N. Neither the Filer nor any SPV will commence or conduct lending activities in any province of Canada where such activities require licensing, registration or similar regulatory approvals or notifications from or to a provincial regulatory body, until such time as the Filer or the SPV, or both, as applicable, has obtained such licensing, registration, approvals or notifications, and the Filer and each SPV is otherwise in compliance with laws applicable to such activities in such province.

Custody

O. At all times, the Filer and its SPVs will hold at least 95% of the total value of Clients' Collateral with a custodian that meets the definition of an "Acceptable Third-party Custodian" for all loans where the LTV is below the Margin Notice Threshold.

P. The Filer and SPV may, upon a loan's LTV being above the Margin Notice Threshold and no additional Collateral being added by the Client or a portion of the loan being paid back by the

Client, transfer to and hold the Collateral in its hot wallets or in its accounts with a Registered CTP in preparation for liquidation.

Q. Before the Filer and SPVs hold Clients' Collateral with a custodian referred to in condition O, the Filer will take reasonable steps to verify that the custodian

- (a) has established and applies written policies and procedures that manage and mitigate the custodial risks, including, but not limited to, an effective system of controls and supervision to safeguard the Collateral for which it acts as custodian;
- (b) will hold the Collateral for its Clients (i) separate and apart from the assets of non-Canadian clients, and (ii) separate and apart from its own assets, from the assets of an SPV, and from the assets of any custodial service provider;
- (c) has appropriate insurance to cover the loss of Collateral held at the custodian;
- (d) meets each of the requirements to be an Acceptable Third-party Custodian, except for those criteria in respect of which the custodian does not meet and the Principal Regulator and the regulator or securities regulatory authority of the other Jurisdictions have provided prior written approval for use of the custodian.

R. The Filer will provide the Principal Regulator with at least 30 days' prior written notice of any:

- (e) changes of or use of a custodian or hot wallet provider; and
- (f) material changes to the Filer's ownership, business operations, including its systems, or its business model.

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

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

U. For Collateral held by the Filer and SPVs, the Filer and the SPVs, as applicable:

- (a) will hold the Collateral in trust for the benefit of its Clients, and separate and distinct from the assets of the Filer and the SPVs;
- (b) will ensure there is appropriate insurance to cover the loss of Collateral held by the Filer and SPVs;

- (c) will have established and apply written policies and procedures that manage and mitigate the custodial risks, including, but not limited to, an effective system of controls and supervision to safeguard the Collateral for which it acts as custodian.

Risk Disclosure

V. As part of the loan application process, the Filer will deliver to the Client a Risk Statement and will require the Client to provide electronic acknowledgment of having received, read and understood the Risk Statement.

W. The Risk Statement delivered in condition V and to Clients will be prominent and separate from other disclosures given to the Client at the time the Risk Statement is delivered, and the acknowledgement will be separate from other acknowledgements by the Client at that time.

X. A copy of the Risk Statement acknowledged by a Client will be electronically delivered to the Client and easily available to the Client upon request. The latest version of the Risk Statement will be continuously and easily available to Clients on the Platform and upon request.

Y. The Filer will promptly update the Risk Statement to reflect any material changes to the disclosure or include any material risks that may develop with respect to the Loan Agreement, the Terms of Use or the Crypto Assets and in such event, it will promptly notify each existing Client, through an email notification of the update and deliver to them a copy and a link to the updated Risk Statement, and in such event, existing Clients of the Filer will be promptly notified, through an email notification, of the update and deliver to them a link to the updated Risk Statement.

Z. Prior to the Filer making an updated Risk Statement available to Clients, the Filer will deliver, or will have previously delivered, a copy of the Risk Statement and a blackline of the changes to the Principal Regulator.

Finances

AA. The Filer will maintain sufficient financial resources for the operations of the Platform, the SPVs and the Crypto-backed Lending Arrangements and in furtherance of its compliance with this Decision

BB. The Filer has and will continue to confirm that it is not and each of the SPVs is not liable for the debt of an affiliate that could have a material negative effect on the Filer and SPVs.

Reporting

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

DD. The Filer will provide: (a) audited consolidated financial statements no later than the 90th day after the end of its financial year, and (b) interim consolidated financial statements no later than the 30th day after the end of the first, second and third interim period of its financial year, to the Principal Regulator.

EE. The Filer will deliver the reporting as set out in Appendix A.

FF. In addition to any other reporting required by the Legislation, the Filer will provide, on a timely basis, any report, data, document or information to the Principal Regulator, including any information about the SPVs and about the Filer's custodians and the Crypto Assets held by the custodians, that may be requested by the Principal Regulator from time to time as reasonably necessary for the purpose of monitoring compliance with the Legislation and the conditions in the Decision, in a format acceptable to the Principal Regulator.

GG. Upon request, the Filer will provide the Principal Regulator with aggregated and/or anonymized data concerning Client demographics and activity on the Platform that may be useful to advance the development of a Canadian regulatory framework for Crypto Asset-backed Lending Arrangements.

HH. The Filer will provide the Principal Regulator at least 30 days' written notice to the Principal Regulator if an affiliate of the Filer proposes to offer products or services related to Crypto Assets in Canada or to Canadian residents.

II. 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 Platform.

Other

JJ. In jurisdictions where the Prospectus Relief is required, the first trade of a Crypto-backed Lending Arrangement is deemed to be a distribution under the securities legislation in any of the Jurisdictions.

KK. The Filer remains in compliance with requirements of the PCMLTF and FINTRAC or any comparable legislation that applies to the Filer.

Term of relief

LL. This Decision will expire three years from the date of this Decision.

MM. The Decision may be amended by the Principal Regulator from time to time upon prior written notice to the Filer.

In respect of the Requested Relief:

Date: April 1, 2025

"Benjamin Matthews"

Benjamin Matthews
Vice President, Office of Economic Growth and Innovation
Ontario Securities Commission

OSC File# 2024/0590

APPENDIX A -- REPORTING

Commencing with the quarter ending June 30, 2025, the Filer will deliver the following information to the Principal Regulator in a form and manner specified by the Principal Regulator, with respect to Clients residing in each Jurisdiction, within 30 days of the end of each March, June, September and December:

- (a) aggregate reporting of activity conducted pursuant to the Platform's operations that will include the following:
 - (i) number of APX Accounts opened each month in the quarter;
 - (ii) number of APX Accounts closed each month in the quarter;
 - (iii) number of APX Account applications rejected by the Platform each month in the quarter based on the Loan Account Appropriateness Factors;
 - (iv) number of loans made each month in the quarter;
 - (v) average value of the loans in each month in the quarter;
 - (vi) number of loans where the borrowers failed to make the required interest payment for the month;
 - (vii) number of loans that exceeded the Margin Notice Threshold in each month in the quarter;
 - (viii) average value of loans that exceeded the Margin Notice Threshold in each month in the quarter;
 - (ix) number of loans that exceeded the Collateral Liquidation Threshold in each month in the quarter;
 - (x) average value of loans that exceeded the Collateral Liquidation Threshold in each month in the quarter;
 - (xi) number of Collateral Liquidations in the month;
 - (xii) average value of loans that the Filer effected Collateral Liquidations;
 - (xiii) number of APX Accounts at the end of each month in the quarter; and
 - (xiv) number of APX Accounts with no loans during the quarter,
- (b) the details of any Client complaints received by the Filer during the calendar quarter and how such complaints were addressed;
- (c) a listing of all blockchain addresses, except for deposit addresses, that hold Crypto Assets on behalf of clients, including all hot and cold wallets;

- (d) the details of any fraudulent activity or cybersecurity incidents on the Platform during the calendar quarter, any resulting harms and effects on Clients, and the corrective measures taken by the Filer to remediate such activity or incident and prevent similar activities or incidents from occurring in the future; and
- (e) the details of the Client loan default, by number of Clients and aggregates loan default amounts, during the quarter.