

PRIVATE & CONFIDENTIAL

MEMORANDUM

TO: D'Fintec Global Group Pte Ltd
ATTN: Dah Lee

FROM: GATEWAY LAW CORPORATION

DATE: 29 March 2018

RE: Review of D'Fintec Global Group Pte Ltd's White Paper

BACKGROUND

1. We are instructed that D'Fintec Global Group Pte Ltd's (the "**Client**") intends to launch an initial coin offering ("**ICO**") to offer tokens (i.e. D'Coin, hereinafter referred to as "**DCO**") based on Ethereum token standard, Ethereum Request for Comments 20 ("**ERC20**"). The DCO holders will then have a right to access a **proposed** central cryptocurrency analytics and trading platform to access information, trade cryptocurrencies and manage their portfolios (the "**D'Crypt Platform**").
2. We understand that the D'Crypt Platform generally seeks to provide a range of functions and services, including the following:
 - (a) News on upcoming ICO releases and cryptocurrency values, real-time data, commentaries and recommendations on cryptocurrencies;
 - (b) Analysis of all available crypto exchanges spot rates and spreads, trading history of selected cryptocurrencies using D'Crypt's proprietary algorithms (i.e. the "**D'Crypt Algorithm**");
 - (c) Trading of cryptocurrencies for other cryptocurrencies or fiat currencies on a cryptocurrency exchange platform ("**D'Exchange**");
 - (d) Analysis and reporting of cryptocurrency portfolio results; and
 - (e) Storage of DCO and other tokens in a proposed crypto wallet.
3. Our views below are based upon the instructions that we have received to date, and may change upon further documents and/or information which may subsequently be made available to us. Further, our views are based on the current applicable laws and regulations as of the date of this Memorandum.

INSTRUCTIONS AND QUERIES

4. The Client would like to enquire:
 - (a) Whether the DCO is a security token or utility token based on Singapore laws; and
 - (b) Whether the Client's offering of DCO on the proposed D'Crypt Platform would require approval by the Monetary Authority of Singapore ("MAS").
5. As a preliminary matter, we believe that the following statutes and legislation in Singapore are relevant to these questions, namely the:
 - (a) Securities and Futures Act (Cap. 289) ("**SFA**");
 - (b) Financial Advisers' Act (Cap. 110) ("**FAA**"); and
 - (c) MAS Guideline on Digital Token Offerings;

(hereinafter collectively referred to as the "**Singapore Securities Regulations**").
6. We have focused our analysis on whether the DCO may be considered a security token or a utility token and whether approval from MAS is required, and have therefore endeavoured to structure our responses accordingly below.
7. For the purposes of our analysis below we have assumed the following in relation to the DCO:
 - (a) Only DCO holders have access to the D'Crypt Platform and the range of functions and services offered on the cryptocurrency platform;
 - (b) DCO itself cannot be traded on the D'Exchange, as it only allows DCO holders the right to access and conduct transactions on the D'Exchange;
 - (c) All transactions on the D'Crypt Platform will require the use of DCO.
 - (d) DCO do not create the right of ownership or disposal of D'Fintec Global Pte. Ltd or its assets. DCO holders do not exert any influence over the decision making of the company or its activities.

EXECUTIVE SUMMARY

8. In our view, the proposed DCO is likely to be characterised as a utility token which grants the token holders access to specific functions and services on the D'Crypt Platform. We are therefore of the opinion that the Client's offering of DCO *per se* would not require MAS approval.

A Preliminary Discussion on Security Tokens and Utility Tokens

9. In general, we believe that a token with one or more of the following features may likely constitute a security token:
- (a) Ownership interest in a legal entity, including a general partnership;
 - (b) Equity interest;
 - (c) Share of profits and/or losses, or assets and/or liabilities;
 - (d) Status as a creditor or lender;
 - (e) Claim in bankruptcy as equity interest holder or creditor;
 - (f) Holder of a repayment obligation from the system or the legal entity issuer of the token; and
 - (g) A feature allowing the holder to convert a non-security token into a token or instrument with one or more investment interests, or granting the holder an option to purchase one or more investment interests.
10. Further, we believe that a token with the following rights would **not** generally be considered a security token, and would instead be characterised as a utility token:
- (a) Rights to program, develop or create features for the system or to “mine” things that are embedded in the system;
 - (b) Rights to access or license the system;
 - (c) Rights to charge a toll for such access or license;
 - (d) Rights to contribute labour or effort to the system;
 - (e) Rights to use the system (i.e. computer system, network, platform, application, software or protocol) and its outputs;
 - (f) Rights to sell the products of the system; and
 - (g) Rights to vote on additions to or deletions from the system in terms of features and functionality.

The Singapore Securities Regulations

11. Pursuant to the SFA, “capital markets products” are defined in Section 2(1) of the SFA as:

“any securities, futures contracts, contracts or arrangements for the purposes of foreign exchange trading, contracts or arrangements for the purposes of leveraged foreign exchange trading, and such other products as the Authority may prescribe as capital markets products.”

“Securities” are further defined in Section 2(1) of the SFA as follows:

“securities” means —

- (a) debentures or stocks issued or proposed to be issued by a government;*
- (b) debentures, stocks or shares issued or proposed to be issued by a corporation or body unincorporate;*
- (c) any right, option or derivative in respect of any such debentures, stocks or shares;*
- (d) any right under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in —*
 - (i) the value or price of any such debentures, stocks or shares;*

(ii) the value or price of any group of any such debentures, stocks or shares; or
 (iii) an index of any such debentures, stocks or shares;

(e) any unit in a collective investment scheme;
 (f) any unit in a business trust;
 (g) any derivative of a unit in a business trust; or
 (h) such other product or class of products as the Authority may prescribe,

but does not include —

(i) futures contracts which are traded on a futures market;
 (ii) bills of exchange;
 (iii) promissory notes;
 (iv) certificates of deposit issued by a bank or finance company whether situated in Singapore or elsewhere; or
 (v) such other product or class of products as the Authority may prescribe as not being securities.”

12. Pursuant to the FAA, “investment products” are defined in Section 2 as:

- (a) any capital markets product as defined in section 2(1) of the Securities and Futures Act;
- (b) any life policy; or
- (c) any other product as may be prescribed.

Issue 1: Whether the DCO is a security token, or utility token

13. We understand that the DCO simply enables token holders to access the D’Crypt Platform and the range of functions and services offered on the cryptocurrency platform. Basic functions of the D’Crypt Platform such as general recommendations on cryptocurrencies, basic reporting and charting of cryptocurrencies, monitoring and analysis will be provided for all DCO holders.
14. All transactions on the D’Crypt Platform will also require the use of DCO. For example, the transaction fees for purchases of cryptocurrencies will be paid in DCO. Further, DCO will be used to pay for optional premium services such as high value and exclusive recommendations from the D’Crypt Algorithm, direct access to the Client’s team of consultants and advisers, and additional dashboard capabilities.
15. We think that the DCO is a utility token for the following reasons.
- (a) As the DCO must be purchased by persons who wish to access the D’Crypt Platform, and the resulting functions of the D’Crypt Platform are fully customisable by the DCO holders depending on their individual needs and preferences, the DCO therefore offers each individual token holder access to specific functions of the D’Crypt Platform. Each DCO holder owns only the right to access and use the D’Crypt Platform, and does not have any right of ownership or disposal of the Client or its assets. DCO holders do not exert any influence over the decision making of the Client or its activities.
 - (b) Although DCO holders may trade cryptocurrencies for other cryptocurrencies or fiat currencies on the D’Exchange, we understand that the DCO itself cannot be traded on the D’Exchange, as it only allows DCO holders the right to access and conduct transactions on the D’Exchange. Therefore, the DCO cannot be sold or transferred on the D’Exchange.
 - (c) The DCO may be used to pay for promotional and advertising activities conducted by those who wish to advertise their brands on the D’Crypt Platform.

16. In light of the above, we are therefore of the opinion that the DCO would not fall under the definition of "capital markets products" pursuant to the SFA.
17. In the circumstances, we therefore think that the DCO is structured mainly as a digital representation of the token holder's rights to perform specific functions on the D'Crypt Platform. As DCO are only used to access the D'Crypt Platform and its ecosystem of functions, the DCO may therefore be characterised as a functional utility token.

Issue 2: Whether the Client's offering of DCO would require MAS approval

18. Pursuant to the MAS Guideline on Digital Token Offerings, MAS approval is only required for the offer of security tokens. In light of the above, we think that the Client's proposed offering of DCO would not therefore require MAS approval as the DCO is likely to be characterised as a utility token.

Conclusion

19. Based on the above, we believe that the DCO is a utility token, as it merely gives the token holder the right to access and use the D'Crypt Platform and its functions, and does not fall within the definition of "capital markets products" pursuant to the SFA. Therefore, the Client's proposed offering of the DCO will not require MAS approval in this specific regard, pursuant to the Singapore Securities Regulations.
20. This memorandum is a supplemental memorandum is rendered in addition to an earlier Memorandum dated 2 March 2018 to the Client.

DISCLAIMERS

21. The opinions expressed above are subject to the following qualifications:
 - (a) Investment into cryptocurrencies are subject to general market and investment risks. As cryptocurrencies are slowly being regulated, our inputs provided above are only correct as of the date they were first given. Should you seek to rely on the information presented above, please contact and liaise with appropriate legal counsel.
 - (b) Our opinion is based on the facts as provided to us in your emails dated 20 February 2018, 21 February 2018, 23 February 2018, 26 February 2018 and 28 March 2018, and the attachments contained therein (if any);
 - (c) Our opinion is strictly limited to the matters stated herein, and is not to be read as extending by implication to any other matter or document;
 - (d) Our opinion is confined to and given on the basis of the laws of the Republic of Singapore. We have not made any investigation of the laws of any other country other than the Republic of Singapore, and we do not express or imply and advice as to such other laws herein. Given the international nature of cryptocurrencies, our Opinion as to whether the token is a security or utility is only given on the basis of the laws of the Republic of Singapore. Jurisdiction-specific advice should be sought by the Client depending on (i) the jurisdiction of the exchanges DCO will be listed on; and (ii) the nationality of the DCO purchasers.
 - (e) Our opinion as contained in this letter is given solely for the benefit of the Client, and shall not be relied on by any other person, corporation, entity or otherwise;

Date: 29 March 2018

- (f) Our opinion as contained in this letter shall not be disclosed to any person, corporation, entity or otherwise, other than those who are directly and intimately involved in this transaction or who would ordinarily be entitled by law to examine such information; and
- (g) Our opinion may change upon us having sight of any further documentary information which may be made available to us, and until we have had sight of such any and all such documentary information, our advice therefore remains academic and merely informative.

Yours faithfully,



GATEWAY LAW CORPORATION