

Token Admission and Review Policies and Procedures

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PANTHERTRADE (HONG KONG) LIMITED

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I. Introduction

(A) Definitions and interpretations

AE		<i>Panthertrade Holdings Limited</i>
AMLO		<i>Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615)</i>
Admission fees		<i>The fees paid by the Issuer on an annual basis for continued inclusion of the Issuer's virtual asset to be traded by the Company</i>
Application		<i>An application for including a virtual asset to be traded by the Company</i>
Applicant		<i>Any person who applies for a virtual asset to be made available by the Company for trading</i>
Company		<i>Panthertrade (Hong Kong) Limited</i>
CWUMPO		<i>Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32)</i>
PantherTrade		<i>The virtual asset trading platform operated by the Company</i>
Issuer		<i>The issuer, developer, the management/development team, any key known members of the virtual asset, or any entity determined by the Company to be an Issuer for the purpose of this Policy</i>
Managers-in-Charge / MIC		<i>Individuals appointed by the Company to be in charge of core functions of the Company</i>
Policy		<i>This document, i.e. the Token Admission Policies and Procedures</i>
SFC		<i>Securities and Futures Commission</i>
SFO		<i>Securities and Futures Ordinance (Cap. 571)</i>
VATP Guidelines		<i>Guidelines for Virtual Asset Trading Platform Operators published by the SFC (as amended from time to time)</i>

Responsible Officers		Licensed representatives approved by the SFC to act as responsible officers under section 126 of the SFO and/or section 53ZRP of the AMLO

PantherTrade is a virtual asset trading platform offered by the Company.

This Policy explains how virtual assets should be made available for, or removed from, trading by the Company. It also outlines the Company's expectations for all employees, consultants, and agents in terms of compliance principles and conduct standards. This ensures that the Company and Hong Kong's reputation is protected and investor interests are safeguarded. As a condition of employment, you are responsible for reading, understanding, and complying with this Policy, other applicable compliance materials, and all applicable laws and regulations. You are expected to always act lawfully, ethically, and fairly to maintain the Company's reputation and standing with clients, shareholders, regulator(s), and other stakeholders.

The Company's AE is the custodian for the Company. It is responsible for safeguarding client assets in accordance with this Policy. In any event, the Company will always ensure that the Company and the AE comply with this Policy at all times.

(B) Purpose and scope of this Policy

This Policy is designed to ensure (i) a thorough due diligence and admission process for virtual assets to be made available for trading by the company and (ii) compliance with the applicable legal and regulatory requirements. Our aim is to provide our clients with a safe and high-quality trading experience, which has become synonymous with our Company.

With the vast number of virtual assets available in the market, the Company has established this Policy to determine how to securely, suitably, and compliantly include virtual assets that meet our standards and continue to meet those standards. This Policy is also designed to ensure that applications for virtual asset inclusion are properly assessed in accordance with transparent and fair criteria.

Our admission process allows us to compliantly include virtual assets that meet legal and regulatory requirements. This allows the Company to add or remove virtual assets while staying compliant with laws and regulations, and continuing to provide our clients with the safe and high-quality experience they expect from the Company.

The Company will provide our clients with information and materials that help them learn about the virtual assets and make informed decisions. This Policy also aims to ensure that we provide clear and sufficient information to clients, enabling them to make informed assessments of the virtual assets which are made available for trading.

This Policy applies to:

- (a) Virtual assets that are currently being traded or are under consideration for trading by the Company (whether on or off-platform);***
- (b) Applicants who wish to have a virtual asset included for trading by the Company (whether on or off-platform); and***
- (c) Issuers of such virtual assets (whether on or off-platform).***

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II. Categories of virtual assets

We can categorize virtual assets into the following categories:

(A) Payment tokens

A payment token is a virtual asset that functions as a means of exchange and can be transferred, stored, and traded electronically. Payment tokens are not issued or backed by any central authority or government and are not guaranteed by any party. They typically operate on decentralized networks without specific issuers or promoters. Payment tokens are used primarily as a medium of exchange to purchase goods and services. Examples of payment tokens include Bitcoin, Bitcoin Cash and Litecoin.

(B) Utility tokens

A utility token is a type of virtual asset that serves a variety of purposes within a blockchain project. It is designed to fund the network and ensure that buyers have access to a portion of the network's products or services. By doing so, it creates an internal economy that is self-regulating and self-sustaining.

Utility tokens are unique in that they are used as a way to access the network and its various offerings. The value of a utility token is primarily determined by the demand for goods or services transacted on the platform and the number of tokens in circulation.

In addition to funding the network, utility tokens can also be used for other purposes within the blockchain project. For example, they can be used to incentivize users to contribute to the network by providing rewards for completing certain tasks or by offering discounts on products or services.

Overall, utility tokens play a crucial role in the success of a blockchain project. They create a self-sustaining economy within the network and provide users with access to its various offerings. As the demand for goods and services on the platform increases, the value of the utility token is likely to increase as well, making it a valuable asset for investors and users alike.

In certain occasions, a token can exhibit properties of both an exchange and a utility token. Examples of such tokens include Ether, which is the native token of the Ethereum blockchain. Ether is used as a medium of exchange to purchase goods and services on the Ethereum blockchain (e.g. Ether can be used to purchase non-fungible tokens issued on the Ethereum blockchain), and it can also be used as a utility token to pay for gas fees on the Ethereum blockchain to process transactions and have access to services and applications on the network.

(C) Security tokens

A security token is a virtual asset that has features of traditional securities and falls under the definition of "securities" in the SFO. Security tokens are usually offered only to professional investors in Hong Kong, unless an exemption applies.

(D) Stablecoins

Stablecoins is a virtual asset that is designed to maintain a stable value, often by being backed by a reserve asset such as fiat currency, a commodity or virtual assets.

(E) Non-Fungible Tokens (NFT)

A non-fungible token is a unique digital identifier that is recorded on a blockchain, and is used to certify ownership and authenticity. It cannot be copied, substituted, or subdivided. The ownership of an NFT is recorded in the blockchain and can be transferred by the owner, allowing NFTs to be sold and traded.

III. Relevant regulatory requirements for due diligence

The detailed regulatory requirements in relation to token admission could be found in paragraphs 7.1 to 7.12 of the VATP Guidelines.

A platform operator must exercise due skill, care, and diligence when selecting virtual assets for trading and perform reasonable due diligence on all virtual assets before including them for trading. The platform operator must also ensure that virtual assets continue to meet all admission criteria established by the token admission and review committee, regardless of whether they are available to retail clients or not. The non-exhaustive list of factors which a platform operator should consider include:

- a) the background of the management or development team of a virtual asset or any of its known key members (if any);***
- b) the regulatory status of a virtual asset in Hong Kong and whether its regulatory status would also affect the regulatory obligations of the Platform Operator;***
- c) the supply, demand, maturity and liquidity of a virtual asset, including its track record, where the virtual asset (except for a security token) should be issued for at least 12 months;***
- d) the technical aspects of a virtual asset;***
- e) the development of a virtual asset;***
- f) the market and governance risks of a virtual asset;***
- g) the legal risks associated with the virtual asset and its issuer (where applicable);***
- h) whether the utility offered, the novel use cases facilitated, technical, structural or cryptoeconomic innovation, or the administrative control exhibited by the virtual asset clearly appears to be fraudulent or illegal, or whether the continued viability of the virtual asset depends on attracting continuous inflow into the virtual asset;***

- i) the enforceability of any rights extrinsic to the virtual asset (for example, rights to any underlying assets) and the potential impact of the virtual asset's trading activity on the underlying markets; and**
- j) the money laundering and terrorist financing risks associated with the virtual asset.**

Before making any virtual asset available for trading by retail clients, a platform operator should take all reasonable steps to ensure that the virtual asset does not fall within the definition of "securities" under the SFO (unless the offering of such virtual asset to the retail clients complies with the prospectus requirements for offering of shares and debentures under the CWUMPO) and does not breach the restrictions on offers of investments under Part IV of the SFO, and is of high liquidity.

When assessing the liquidity of a virtual asset for retail trading, a platform operator must ensure it is an eligible large-cap virtual asset, included in at least two acceptable indices from different providers. Acceptable indices must measure the performance of the largest virtual assets, be investible, objectively calculated, and transparent. The two index providers must be separate and independent, and at least one must comply with IOSCO Principles for Financial Benchmarks. Acceptable indices considered may include NASDAQ, Galaxy-Bloomberg, Bitwise, Coindesk, 21Shares etc.

A platform operator must ensure their internal controls, technology, and infrastructure can manage risks specific to virtual assets. Before admitting virtual assets for trading, a smart contract audit should be conducted to ensure there are no vulnerabilities or security flaws. Ongoing monitoring of each virtual asset should be conducted, and regular review reports should be submitted to the token admission and review committee. If a virtual asset is suspended or withdrawn from trading, clients must be notified and treated fairly.

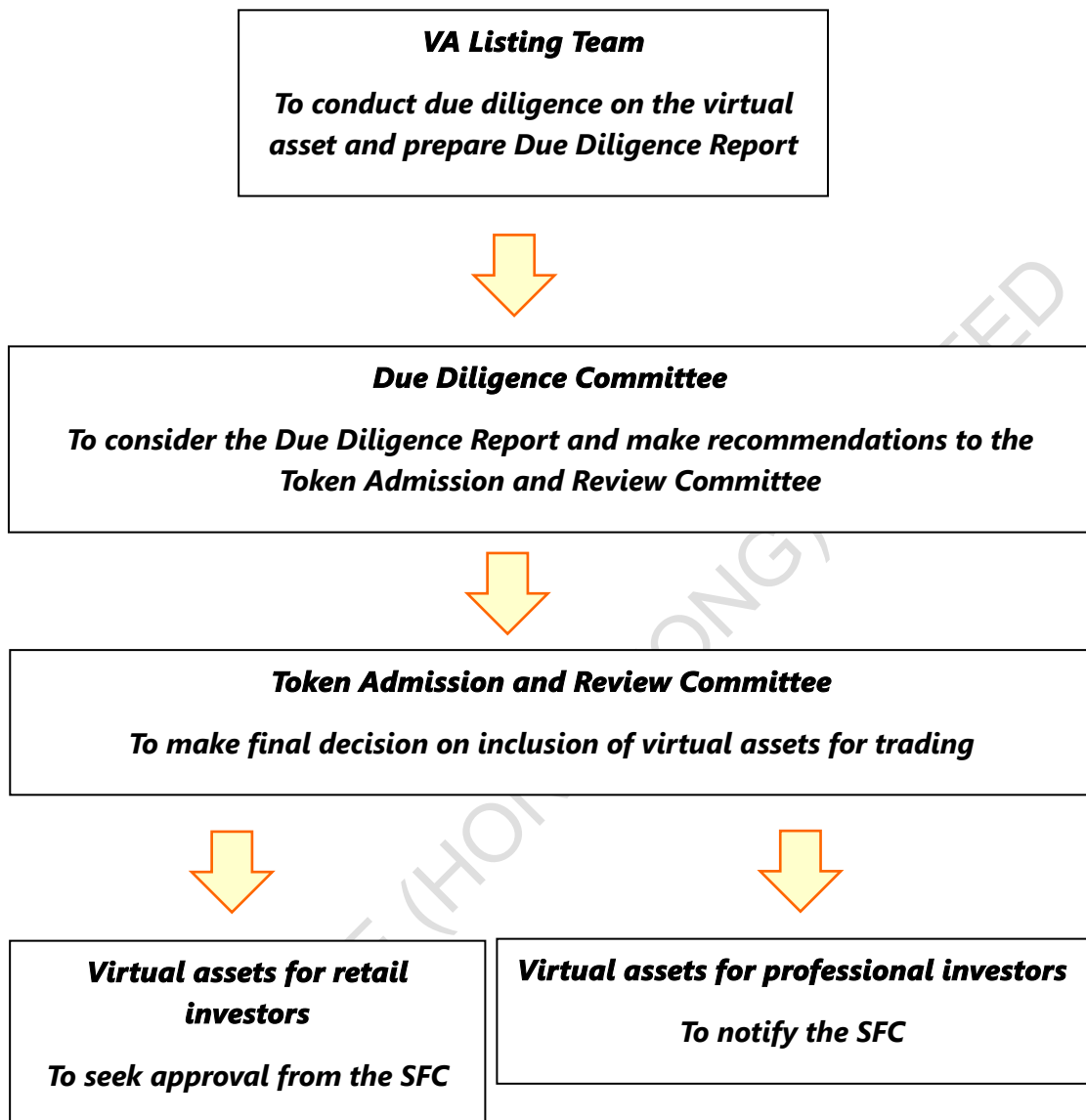
A platform operator should monitor virtual assets being traded by clients to ensure they do not fall under the definition of "securities" under the SFO. If a virtual asset does fall under this definition, the Platform Operator should stop offering it for trading by retail clients.

IV. Due diligence and process for including a virtual asset

(A) General principles

- (1) The Company should evaluate applications for admission based on any criteria it sees fit, while taking into consideration the factors outlined in this Policy (see Part V below) that may apply to each virtual asset.**
- (2) The decision-making process for admission needs to be transparent and fair. The criteria for admitting, suspending and withdrawing a virtual asset from trading will be disclosed on the Company's website.**
- (3) The Company should establish fees and charges for applications for admission and make them publicly available on its website and App.**
- (4) The Company should develop, implement, and enforce procedures to:**
 - a. obtain written approval from the SFC before any plan or proposal to make, suspend, or remove a virtual asset for trading by retail investors is executed,**
 - b. notify the SFC in advance of any plan or proposal to make, suspend, or remove a virtual asset for trading by professional investors;**
- (5) The Company should have policies and procedures in place to prevent and manage any conflicts of interest in the token admission and review process.**
- (6) The Company should maintain all records relating to token admission and review for at least seven years, including but not limited to:**
 - a. Due diligence plans, reports, assessments, and other related documents outlining the results of due diligence conducted on any Applicant, Issuer, or virtual asset;**
 - b. Legal advice obtained by the Company or provided by any third party in relation to any Applicant, Issuer, or virtual asset;**
 - c. Other relevant documents that the Company considers applicable.**

(B) Due diligence and admission process for a virtual asset



Proposals for admission of any virtual asset may be initiated internally by the VA Listing Team. Such proposals should be submitted to the Due Diligence Committee for review and approval by the VA Listing Team.

V. Criteria for making a virtual asset available for trading

This Part outlines several factors that the Company must consider when deciding whether to make a virtual asset available for trading, regardless of whether it is offered to retail or professional investors:

- (a) the background of the management or development team of a virtual asset or any of its known key members, if applicable;**

Notes:

- ❖ **An Applicant must be duly incorporated, established or registered in a jurisdiction acceptable to the Company. The Applicant should provide all necessary supporting documentation to the Company to verify the following:**
 - **The Company is legally established;**
 - **Its direct and indirect beneficial owners or controllers of the Applicant;**
 - **Competence and financial soundness of the Applicant;**
 - **Identities, background and experience of the Applicant's management or development team;**
- ❖ **The Company should determine the jurisdictions which are acceptable for Applicants and Issuers, having regard to its assessment of money-laundering risks, and applicable laws and regulations in the relevant jurisdictions.**
- ❖ **The Applicant must comply with all applicable laws and regulations. They must ensure that they are not prohibited from issuing or offering their virtual asset based on applicable requirements. If available, they should provide the Company with supporting documentation or legal advice to demonstrate that the issuance or offering of its virtual asset does not contravene any laws or regulations.**
- ❖ **The Company should also consider the governance arrangements of the Applicant or Issuer, including the experience and reputation of the persons involved in the virtual asset.**

- (b) the regulatory status of a virtual asset in Hong Kong and whether its regulatory status would also affect the regulatory obligations of the Company;**

Notes:

- ❖ **If an Applicant is present, the Company may consider requiring the Applicant to provide a legal opinion to confirm the regulatory status of the virtual asset and how it will affect the regulatory obligations of the Company.**

- ❖ ***The Company should also consider whether the following factors may have any implications on its regulatory obligations:***
 - ***The benefits/entitlements given to holders of the virtual asset;***
 - ***Whether the virtual asset falls under the definition of "securities" under the SFO and in any other relevant jurisdictions;***
 - ***If the virtual asset is not a "security" under the SFO, what its regulatory treatment is; and***
 - ***If applicable, the conditions or requirements under which the virtual asset could be transferred, redeemed, or exchanged.***
- ❖ ***If the virtual asset falls under the "securities" definition of the SFO, the Company should comply with any additional requirements published by the SFC from time to time on the issuance of security tokens.***
- ❖ ***The Company should confirm that the virtual asset's ownership can be transferred on the blockchain and any smart contracts associated with it without any additional procedures required to complete the process.***

(c) the supply, demand, maturity and liquidity of a virtual asset, including its track record, where the virtual asset (except for a security token) should be issued for at least 12 months;

Notes:

- ❖ ***The Company should consider whether the virtual asset is traded on other major virtual asset trading platforms.***
- ❖ ***The availability of market makers or liquidity providers for this virtual asset should also be taken into account.***
- ❖ ***Where the virtual assets will be offered for trading by retail clients, the Company should also assess its liquidity by ensuring that the virtual asset is an eligible large-cap virtual asset, i.e., the specific virtual asset should have been included in a minimum of two acceptable indices issued by at least two different index providers.***
- ❖ ***An acceptable index refers to an index which has a clearly defined objective to measure the performance of the largest virtual assets in the global market, and should fulfil the following criteria:***
 - ***The index should be investible, meaning the constituent virtual assets should be sufficiently liquid.***
 - ***The index should be objectively calculated and rules-based.***
 - ***The index provider should possess the necessary expertise and technical resources to construct, maintain and review the methodology and rules of the index.***

- *The methodology and rules of the index should be well documented, consistent and transparent.*
- ❖ *The two index providers should be separate and independent from each other, the issuer of the virtual asset (if applicable) and the Platform Operator (for example, they are not within the same group of companies). Further, at least one of the indices should be issued by an index provider which complies with the IOSCO Principles for Financial Benchmarks and has experience in publishing indices for the conventional securities market.*

(d) the technical and security aspects of a virtual asset;

- Notes:**
- ❖ *The Company should assess whether the virtual asset conforms to a common industry standard. Any deviations from this standard should be considered based on compatibility with the Company's system, particularly the technical development required to admit that virtual asset for trading (e.g., any new wallet system or trading infrastructure).*
 - ❖ *The Issuer or Applicant's technical expertise should be assessed to ensure that they can respond proactively to security threats and appropriately address any reported security threats that may jeopardize the virtual asset's existence or value.*
 - ❖ *The security infrastructure of the blockchain protocol underlying the virtual asset should be assessed.*
 - ❖ *The network's size, potential barriers to scaling, and ability to grow and handle user adoption should be assessed. This includes the susceptibility to an attack, such as a 51% attack, the existence of a clear timeline with stages of development and reasonable project milestones or built-in development incentives, and barriers to scaling the network with relevant proposed solutions.*
 - ❖ *The development status of the virtual asset, including the outcomes of any projects and previous major incidents associated with its history and development, should be assessed.*

(e) the development of a virtual asset;

Notes:

❖ ***The Company should assess the level of adoption across the ecosystem.***

(f) the market and governance risks of a virtual asset;

Notes:

- ❖ ***The Company should take into account whether there is sufficient transparency regarding the virtual asset's technology, protocols, key personnel, and significant holders.***
- ❖ ***The Company should consider whether there is a reward mechanism in the network and its applicability to different network stakeholders and holders of virtual assets.***
- ❖ ***The protocol governing decision-making, including any major updates or hard forks (such as the type of consensus protocol and whether holders of virtual assets have any specific advantage or consensus rights), should also be taken into account.***

(g) the legal risks associated with the virtual asset and its issuer (where applicable);

(h) whether the utility offered, the novel use cases facilitated, technical, structural or cryptoeconomic innovation, or the administrative control exhibited by the virtual asset clearly appears to be fraudulent or illegal, or whether the continued viability of the virtual asset depends on attracting continuous inflow into the virtual asset;

Notes:

- ❖ ***The Company should evaluate if the virtual asset has any anonymity features and determine whether such features may significantly impact the company's ability to comply with anti-money laundering laws and regulations.***
- ❖ ***The features and purpose of the virtual asset should be clear and legitimate, including any project, use case, intended applications, or capital raising goals.***

(i) the enforceability of any rights extrinsic to the virtual asset (for example, rights to any underlying assets) and the potential impact of the virtual asset's trading activity on the underlying markets;

- (j) the money laundering and terrorist financing risks associated with the virtual asset; and**
- (k) whether the Company's internal controls and systems, technology and infrastructure (for instance, its anti-money laundering monitoring and market surveillance tools) could support and manage any risks specific to the virtual assets which it intends to make available to its clients for trading.**

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VI. Suspension and removal of a virtual asset

Factors which the Company should consider in deciding whether to suspend or remove a virtual asset for trading:

- (a) whether the virtual asset falls under the definition of “securities” in the SFO;**
- (b) unusual movements in the price of a virtual asset in trading services provided by the Company or on other reputable virtual asset trading platforms or where the price difference or spread is unusually high;**
- (c) blockchain or related technology of that virtual asset becomes compromised or defective;**
- (d) the virtual asset is no longer supported or maintained by the Issuer or its known members;**
- (e) complaints by users or other persons;**
- (f) allegations of fraud in relation to the virtual asset;**
- (g) the virtual asset is involved in any illegal activity within any jurisdiction;**
- (h) there is reasonable belief that the Issuer is manipulating the price of the virtual asset, and the circumstances are serious, or where a false market for trading or may have developed;**
- (i) any changes to the development team of the virtual asset which the Company considers to have material adverse impact on the Virtual Assets or the underlying assets or products;**
- (j) there is a lack of liquidity in the virtual assets’ market over a prolonged period of time;**
- (k) no order of the virtual asset is recorded over a prolonged period of time;**
- (l) the Issuer conducts a hard fork of the virtual asset resulting in the Company no longer able to support the token;**
- (m) the market capitalisation of the virtual asset drops below \$300,000,000;**
- (n) the daily average transaction volume of the virtual asset is less than \$1,00,000 for more than 30 days;**
- (o) The Issuer does not take immediate action or provide a solution in the event of a crisis considered by the Company that is causing a detrimental impact to the Company and its users. Examples of such crises include, but are not limited to, the discovery of substantially inaccurate information, or technical issues such as a security breach;**
- (p) the Issuer conducts any activity that damages the reputation of the Company or adversely affecting users’ interests;**
- (q) a breach of the Company’s listing rules which cannot be, or has not been, remedied within 14 days; or**
- (r) any other circumstances that, in the opinion of the Company, is/are sufficient for suspension or removal, including any circumstances which cause the virtual assets to be no longer eligible or appropriate to continue to be listed.**

(A) Process of suspension of virtual assets from trading

If the Token Admission and Review Committee decides to suspend the virtual asset, the Company should:

- a. Publish an announcement on the website and app, explaining the decision and providing supporting reasoning;**
- b. Notify all users via email and provide updates on the situation as they become available;**
- c. Disable funding and trading in the virtual asset, or cancel users' pending orders;**
- d. Close corresponding functions at the backend; and**
- e. With the approval from the Token Admission and Review Committee, re-open the function once the incident has been resolved.**

(B) Process for removal of virtual assets from trading

If the Token Admission and Review Committee decides to remove the virtual asset, the Company should:

- a. Publish an announcement on the website and app, explaining the decision and providing supporting reasoning;**
- b. Notify all users via email and provide updates on the situation as they become available;**
- c. Disable funding and trading in the virtual asset, or cancel users' pending orders; and**
- d. Close corresponding functions at the backend.**

When deciding whether to suspend or remove the trading of a virtual asset, the overarching principle is to consider whether the continued trading of the virtual asset may prejudice the interests of investors.

(C) Suspension or removal notice

If any of the events listed above were to occur and the Issuer is contactable, the Company may first give the Issuer a warning. The Issuer would then have a reasonable time period (around 14 days) to migrate and/or remedy the problem to the satisfaction of the Company. If the Issuer fails to do so, the Token Admission and Review Committee will take action to remove the virtual asset from trading by the Company.

The Company will notify the SFC in writing as soon as practicable after deciding to remove a virtual asset from trading by the Company.

The Company will issue a removal announcement for virtual assets that are to be removed by the Token Admission and Review Committee. The announcement will be made on the Company's website and app, 7 days prior to the official removal, unless there is an urgent situation that is approved by the Token Admission and Review

Committee and warrants immediate removal. Any pending orders received before the announcement date will be executed within that period.

Within 30 days of the announcement, clients may transfer relevant virtual assets to their personal wallet or other trading platform accounts, where possible. In certain instances, the Company may decide to shorten the withdrawal period due to technical or compliance reasons, such as when the Issuer does not provide enough time for clients to exit. The Token Admission and Review Committee will determine this.

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VII. Ongoing monitoring

The Company is responsible for establishing, implementing, and enforcing policies and procedures to effectively monitor, assess, and review each virtual asset on an ongoing basis.

Factors which should be considered include:

- (a) Whether the virtual asset continues to satisfy the token admission criteria set out in this Policy;**
- (b) Any material changes to the virtual asset, e.g. hard fork events;**
- (c) Any specific events or circumstances relating to the Issuer or the virtual asset which may affect its eligibility;**
- (d) Any legal/regulatory action or change in legal/regulatory status relating to the virtual asset;**
- (e) Any adverse news about the virtual asset;**
- (f) Any complaints from users;**
- (g) Trading performance of the virtual asset on trading platforms of the Company and other operators; or**
- (h) Hacking incidents in relation to the virtual asset.**

Each fork, airdrop, and other automated token distribution will be evaluated on a case-by-case basis. If the Company decides to support a fork, airdrop, or other automated distribution, it will inform its clients as early as possible via its website, app, and by email. The Company will also detail the level of support it is prepared to provide for the new virtual asset.

Throughout the lifecycle of a virtual asset, its specific features may be subject to change. To ensure that a virtual asset does not fall under or cease to fall under the definition of "securities" under the SFO, the Company should conduct ongoing monitoring and establish procedures to keep track of changes.