



C.SAMIR & CO. LLC

**LEGAL OPINION ON THE MATTER OF THE BUSINESS ACTIVITIES OF THE
COMPANY NAMELY NAUMARD LIMITED, REG. NO HE 352653**



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NOVEMBER, 2019

THIS LEGAL OPINION HAS BEEN PREPARED BY

C. SAMIR & CO. LLC



TO: NAUMARD LIMITED
Arch Makariou III, 172
Melford Tower
3027 Limassol, Cyprus

7th Day of November 2019

**IN THE MATTER OF LEGAL QUESTION RELATING THE BUSINESS ACTIVITIES OF
THE COMPANY NAUMARD LIMITED REG. NO HE 352653**

1. INTRODUCTION

We, the undersigned, **C. SAMIR & CO. LLC**, Advocates-Legal Consultants of Nicosia, Cyprus (hereinafter “**the Advisor**”), have been asked by you, Messrs. NAUMARD LIMITED, (hereinafter “**the Advisee**” or **the Company**”) at Arch. Makariou III, 172 Melford Tower PC 3027 Limassol, Cyprus to whom this letter is being addressed, to provide you with a Legal Opinion in connection to the following matters:

Whether the Company may provide certain business activities, as those are being disclosed and analyzed in Clause 5 ‘Background and Statement of Facts’:

- a) *Without any limitation from the Company’s Memorandum and Articles of Association;*
- b) *Legally and freely and without any type of license/authorization from any Authority in the Republic of Cyprus.*

2. LEGAL FRAMEWORK

For the purpose of this Opinion we have relied on the following statutory framework:

- a) The Cyprus Company Law Cap. 113;
- b) Cyprus Securities & Exchange Commission: Circular C268: Introduction of new rules governing derivatives on virtual currencies, dated 15.05.2018;
- c) Cyprus Securities & Exchange Commission: Circular C244: Trading in virtual currencies and/or trading on contracts for differences relating to virtual currencies;
- d) Law 87(I)/2017 for the provision of Investment Services Law;
- e) Law 66(I)/1997 as amended for the Business of Credit Institutions Laws.



3. SCOPE

This Opinion relates to the laws of the Republic of Cyprus as enacted and applied and as generally interpreted as at the date hereof. We do not assume any obligation to update this Opinion or to inform you of any changes to facts or law (even if such change may affect the legal analysis, legal conclusions or information in this Opinion).

We have made no investigation of, and this Opinion does not address, the laws of any jurisdiction other than the Republic of Cyprus. To the extent we have reviewed any documents governed by foreign law, we have only considered rights and obligations, as they can be seen directly from such documents from Cyprus Law perspective without knowledge of the respective foreign law, and we have interpreted the language used in such documents from the perspective of a Cyprus lawyer without considering the particular meaning such language might have under foreign law.

4. ASSUMPTIONS

In giving this Opinion, we have assumed (without making any investigation):

- a) The accuracy of the information and facts provided by the Advisee;
- b) That nothing in this Opinion is affected by the provisions of any law other than the laws of the Republic of Cyprus and/or by any document other than those referred to above.

5. BACKGROUND & STATEMENT OF FACTS

- a) According to the information provided by the Advisee to the Advisor, the subject matter Company is incorporated and registered under the Laws of the Republic of Cyprus under the Company Law CAP 113.
- b) The Company's business activities relate to services as below detailed:
 - 1) The Company has establish an online platform under which individuals may enter (upon membership application approval) in order to sell their crypto currency tokens for an agreed price. The Company accepts the following crypto currency coins and tokens: BitCoin (BTC), Ethereum (ETH), Litecoin (LTC), BitCoin Cash (BCH), USD Coin (USDC),Ripple (XRP), Binance Coin (BNB), Dash, EOS, Augur (REP), Basic Attention Token (BAT), Tether (USDT), Stellar (XLM), Paxos Standard (PAX), Bitcoin SV (BSV), True USD (TUSD) and others.



- 2) In such cases, the Company shall act as the buyer. The Seller or Client may be either an individual or a legal person.
- 3) The Advisee/Company has declared that it shall not be engaged in any banking or payment related services or any other services which fall under the scope of the Banks/Credit Institutions, Payment Institutions and Electronic Money Institutions laws and regulations.
- 4) The Company also offers to Client a Reward Scheme under which, the Client has been given the opportunity to, instead of selling the crypto currency token to the Company, to transfer the said crypto currency in the designated 'savings account' which will be held by the Company. It is noted that the savings account held by the Company will be denoted in the Client's name and the ownership of such an account belongs to the Client.
- 5) As a reward for the participation in the 'Reward Scheme', the Company shall reward the Client by contributing into the savings account of the Client the agreed amount which, in all cases, will be in crypto currency (or fraction of the said crypto currency). The Company has provided the relevant Terms and Conditions (**Annex 5**) outlining the Reward Scheme and the Advisor has made use of same for the purposes of this legal opinion. The Terms and Conditions must be accepted by the Client prior receiving the said service.
- 6) The main clauses outlining the Reward Scheme are:
 - i. The relevant settlement period for the attribution of the reward is determined to one (1) month. The Client shall be entitled to receive the reward after a month from the day of participation in the Reward Scheme.
 - ii. By participating in the Reward Scheme, the Client shall automatically participate for an unlimited time, unless the Company decides otherwise (in which case, the Company shall notify the Client accordingly). The Client, by not withdrawing the Rewarded Amount, shall automatically consent to include the total aggregated amount available in the Savings Account for participation in the Reward Scheme for the next month.
 - iii. During the abovementioned period disclosed in point 6 (i) the token(s) which will participate in the Reward Scheme, shall be available to the Client for withdrawal. In the event of withdrawal, the Client understands and accepts that the Rewarded Amount shall equal to zero (o).
 - iv. The Terms and Conditions explicitly state that the participation of the Reward Scheme does not change the ownership of the token(s) which shall remain under the ownership of the Client. This term shall be considered as essential.
 - v. The Client shall have the right to opt out of the Reward Scheme at any given moment by sending an email to the Company's pertinent department.
 - vi. The form of the Rewarded Amount shall be in a crypto currency form. Any profit in a fiat currency is strictly prohibited.



- vii. The Client may request for a withdrawal at any given moment.
 - viii. Under no circumstances the Rewarded Amount will be allocated to a Savings Account of a third party.
 - ix. Under no circumstances the Company will settle any withdrawal request in cash.
- 7) The Company shall apply a number of KYC and Due Diligence measures to the Client in order to comply with any requirements deriving from the 'Prevention and Suppression of Money Laundering and Terrorist Financing Law'.

6. OPINION

6.1 **Whether the Company may provide certain business activities, as those are being disclosed and analyzed in Clause 5 'Background and Statement of Facts' without any limitation from the Company's Memorandum and Articles of Association.**

On the basis of the Assumptions set out in Clause 4 above and subject to the Qualifications set out below in Clause 7 and subject to any matter not disclosed to us which would affect the conclusions set out below, we are of the following opinion:

- i. The Company is a Cyprus Limited Liability Company, incorporated on the 23.02.2016 under the laws of the Republic of Cyprus with registration number HE 352653. Please refer to **Annex 1** Certificate of Incorporation.
- ii. The Company's registered office is at Arch. Makariou III, Melford Tower, Floor 1, Flat 106 Limassol, 3027, Cyprus and according to the extract of the Registrar of Companies and Official Receiver of Cyprus the date of execution of this legal opinion, the company was ACTIVE. Please refer to **Annex 2** Registered Office and **Annex 3** Extract from Registrar of Companies.
- iii. Having reviewed the Company's Memorandum & Articles of Association, as this was provided by the Company, we are of the opinion that **nothing in the Company's Memorandum and Articles of Association prohibits the Company from engaging in the business activities as described in Clause 5 above.** Please refer to **Annex 4** Memorandum and Articles of Incorporation.



6.2 Whether the Company may provide certain business activities, as those are being disclosed and analysed in Clause 5 'Background and Statement of Facts' legally and freely and without any type of license/authorization from any Authority in the Republic of Cyprus.

On the basis of the Assumptions set out in Clause 4 above and subject to the Qualifications set out below in Clause 7 and subject to any matter not disclosed to us which would affect the conclusions set out below, we are of the following opinion:

- i. Having reviewed the Terms and Conditions (**Annex 5**) which outline the subject matter activities of the company, we are of the opinion that the respective activities are not prohibited under the laws of the Republic.
- ii. The establishment of the savings account which will only contain certain crypto currencies/virtual currencies has exclude the participation of fiat currencies and in extend any resemblance to savings accounts as used by the credit institutions.
- iii. It is noted that there is no single global definition in the term virtual currency and crypto currency. According to a legal study requested by the European Parliament's Special Committee on Financial Crimes, Tax Evasion and Tax Avoidance¹, in July 2018, the main conclusion that can be drawn, is that there is no generally accepted definition of the term Cryptocurrencies available in the regulatory space. Even more, most policy makers have refrained from defining the term altogether.
- iv. However, for the purposes of this legal opinion, we make reference to the suggestion of the European Banking Authority (EBA) to refer to Cryptocurrencies as virtual currencies, which it defines as digital representations of value that are neither issued by a central bank or public authority nor necessarily attached to a fiat currency but are used by natural or legal persons as a means of exchange and can be transferred, stored or traded electronically².
- v. Currently, the Republic of Cyprus and the position of the EU Authorities, (including the EU Parliament) have not prohibited any transactions which involve virtual/crypto currencies despite the issuance of warnings relating to the trading and investing in Initial Coin Offering Schemes (ICO's). The above schemes relate to the virtual/crypto currency and the token as such and not derivatives on crypto currencies.

¹ Study by the TAX3 committee on 'Cryptocurrencies and blockchain 'Legal context and implications for financial crime, money laundering and tax evasion' July 2018

² EBA Opinion on Virtual Currencies 4th July 2014 (p.11)



- vi. We wish to note that derivatives³ and other financial instruments, for example Contracts for Difference (i.e. CFD's) relating to virtual currencies are being considered as financial assets, traded and tradable in online exchanges which under certain conditions, are subject to certain market rules imposed by the national competent authorities under the supervision of ESMA (European Securities and Markets Authority). Having clarified that and based on the information provided by the Company, **the Company makes absolutely no use of derivatives or any CFD's on virtual currencies which relate to the financial instruments.**
- vii. On another note, the Cyprus Securities and Exchange Commission in published Circular No 244 dated 13 October 2017 states, among others, that there is no specific EU regulatory framework governing the trading on virtual currencies and/or trading on CFDs relating to virtual currencies and it outlines a number of conditions on the trading of virtual currencies and on CFD's on virtual currencies. The circular is addressed to Cyprus Investment Firms which provide certain services as per the Law 87(I)/2017. It is clarified that the Company does not provide any services which fall under the scope of the Law 87(I)/2017 and does not operate as a Cyprus investment firm⁴ nor as a banking institution as the services offered by the Company do not fall under the scope of the Business of Credit Institutions Laws 2009-2019⁵.
- viii. **We are of the opinion that the services as disclosed in Clause 5 'Background and Statement of Facts and in accordance to the Terms and Conditions of Annex 5, with regard to the reward scheme which involves only crypto-virtual currencies, are not prohibited under the laws of the Republic of Cyprus and are not subject to any licensing and/or authorization procedures in the Republic of Cyprus, since no derivatives, fiat currencies or financial instruments are being traded and no services which fall under the scope of the business activities of the Credit Institutions are being offered.**

7. QUALIFICATIONS

The Opinions expressed in this letter are subject to the following qualifications:

- a. For the purposes of this Opinion we have relied on (i) the Cyprus Company Law Cap. 113, (ii) the Contract Law, Cap 149, (iii) Cyprus Securities & Exchange Commission.

³ Circular C268 states: Further to the European Securities and Markets Authority's ("ESMA") decision on 27 March 2018 to include Contracts For Differences ("CFDs") on virtual currencies into the scope of its product intervention measures, **CFDs on virtual currencies are considered as financial instruments** under the Investment Services and Activities and Regulated Markets Law of 20172 (the "Law").

⁴ Law 87(I)/2017 (p.20)

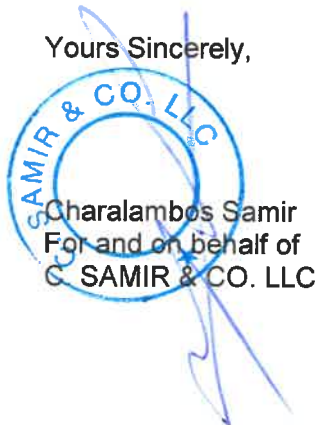
⁵ Law 66(I)/1997 as amended



Circular C268: Introduction of new rules governing derivatives on virtual currencies, dated 15.05.2018; (iv) Cyprus Securities & Exchange Commission. Circular C244: Trading in virtual currencies and/or trading on contracts for differences relating to virtual currencies; (v) Law 87(I)/2017 for the provision of investment services Law; (vi) Law 66(I)/1997 as amended for the Business of Credit Institutions Laws and; (vii) any relevant statutes, laws and regulations of the Republic of Cyprus.

- b. This Opinion shall be governed by and construed in accordance with the Laws of the Republic of Cyprus and is strictly limited to the matters specifically stated herein. It is not to be read as extending by implication to any other matter and it relates to facts and circumstances existing as of the date thereof and is given solely in connection with the information provided to us.

Yours Sincerely,

A blue circular stamp with the text "SAMIR & CO. LLC" around the perimeter. Overlaid on the stamp is a handwritten signature in blue ink, which appears to be "Charalambos Samir".
Charalambos Samir
For and on behalf of
SAMIR & CO. LLC