

Terms and Condition Details

Name: 3IQ CORP.

Ontario

Terms & Conditions related to: Other

3iQ Corp. (the firm) and its principals have advised staff of the Ontario Securities Commission (the principal regulator) that it intends to establish, manage and distribute securities of an investment fund, the 3iQ Global Cryptoasset Fund (the Fund), that will invest solely in bitcoin, ether and litecoin based on a purely passive investment strategy. The firm will distribute securities of the Fund in reliance on available prospectus exemptions.

Staff of the Ontario Securities Commission have consulted with staff of the Canadian Securities Administrators (CSA) as part of the CSA Regulatory Sandbox and have advised the firm and its principals that an investment fund that invests in one or more specified cryptocurrencies is a novel business model in Canada, and therefore additional reporting is required to monitor developments in this new area.

The firm's registration is subject to the following terms and conditions:

1. For the purposes of these terms and conditions, the term "specified cryptocurrency" means each of bitcoin, ether, litecoin or anything commonly considered a cryptocurrency, digital or virtual currency, or digital or virtual token.
2. The firm must obtain the prior approval of the firm's principal regulator before:
 - (a) establishing or managing any investment fund that invests in specified cryptocurrencies, such approval having been granted in relation to the Fund;
 - (b) a change to the investment objective of any investment fund managed by the firm that invests in specified cryptocurrencies, including a change in the investments of the investment fund to include a specified cryptocurrency not previously held by that investment fund;
 - (c) a change in an entity that maintains custody of the specified cryptocurrencies held by any investment fund managed by the firm (such entity a "specified cryptocurrency custodian"), unless the new specified cryptocurrency custodian is an affiliate of the current specified cryptocurrency custodian;
 - (d) a change in an entity principally responsible for the execution of trades in specified cryptocurrencies for any investment fund managed by the firm (such entity a "specified cryptocurrency broker"), unless the new specified cryptocurrency broker is an affiliate of the current specified cryptocurrency broker; and
 - (e) a material change in the firm's policies and procedures which are used to value any specified cryptocurrencies held by any investment fund managed by the firm.
3. As part of its obligations as an investment fund manager under National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, the firm will be responsible for oversight of the functions completed by each specified cryptocurrency custodian and each specified cryptocurrency broker and, as such, the firm will enter into a written agreement with each of these parties that sets out:
 - (a) that each of the specified cryptocurrency custodian and specified cryptocurrency broker is registered and/or licensed as needed to maintain custody of specified cryptocurrencies

and to execute trades in specified cryptocurrencies, respectively; and
(b) the obligations and duties of the specified cryptocurrency custodian and specified cryptocurrency broker, which obligations and duties must include the establishment and maintenance of compliance systems that are sufficient to provide reasonable assurance that regulatory requirements are complied with, and to manage the risks associated with its business, including those associated with specified cryptocurrencies, in accordance with prudent business practices.

4. Within thirty days of the Fund's calendar year end, the firm must provide to the principal regulator:

(a) for each specified cryptocurrency custodian, the most recent report from an independent auditor, or similar document approved in advance by the principal regulator, reviewing the sufficiency of that specified cryptocurrency custodian's practices regarding security of the specified cryptocurrencies for which it acts as custodian; and

(b) for each specified cryptocurrency custodian and specified cryptocurrency broker, copies of all documentation received by the firm in relation to any regulatory compliance reviews and investigations of the specified cryptocurrency custodian or specified cryptocurrency broker.

5. For any investment fund managed by the firm that invests in specified cryptocurrencies, the firm will make available to securityholders annual audited financial statements of the investment fund within 90 days of December 31st of each year, and will make the net asset value (NAV) of the investment fund available on at least a monthly basis.

6. Prior to making a trade in a specified cryptocurrency, the firm must make its own determination of a current and reasonable fair price for that specified cryptocurrency.

7. The firm must require each specified cryptocurrency custodian and specified cryptocurrency broker to promptly notify the firm of, and the firm must promptly notify the principal regulator of:

(a) a material change to the operations or regulatory status of the specified cryptocurrency custodian or specified cryptocurrency broker; and

(b) a material change to the insurance policies, contingency reserves or other similar arrangements held or maintained by the specified cryptocurrency custodian or specified cryptocurrency broker to cover or mitigate losses suffered by such entity's customers or users in connection with such entity's operations.

8. Within thirty days of the end of each calendar quarter, the firm must provide the following reporting to the principal regulator for each investment fund managed by the firm that invests in specified cryptocurrencies:

(a) the amounts subscribed into and redeemed from the investment fund in the quarter;

(b) in respect of distributions of securities of the investment fund:

(i) the prospectus exemption(s) relied upon; and

(ii) for each prospectus exemption relied upon, the number of investors and the aggregate amount raised;

(c) details of all instances in the quarter where the determination required by paragraph 6 above materially differed from the trading price for that specified cryptocurrency and whether the trade proceeded;

(d) identification of all entities other than the specified cryptocurrency broker, through which trades were placed in the quarter, and the proportion of total trades in the quarter that were placed through each such entity; and

(e) the NAV of the investment fund, as at the end of each month during the quarter.

9. The firm shall not manage the Fund following the date of January 19, 2020, unless such date is renewed at the discretion of the Director.