

# LKK2Y TOKEN SALE

## Whitepaper

[lkk2y.lykke.com](http://lkk2y.lykke.com)

December 2017

 Lykke

[lykke.com](http://lykke.com)

**LYKKE 2-YEAR FORWARD  
THE FIRST STEP TO LYKKE 2.0  
WHITE PAPER**

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LYKKE 2-YEAR FORWARD  
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# Introduction

Wild Wild West  
vs. Good Old World  
Lykke Solution

Who benefits?  
Vision of the Future  
Roadmap



DECEMBER 2017

## **WILD WILD WEST VS. GOOD OLD WORLD**

Cryptocurrencies and blockchains have proven feasible to build alternative markets that promise to be:

<b>FLAT &amp; INCLUSIVE</b>	<b>DIRECT</b>	<b>IMMEDIATE</b>	<b>TRULY GLOBAL</b>
Anyone with internet access can participate without restrictions to geography, wealth and age.	Assets can be directly controlled with a private key by the owner. No need to trust a third party.	Transfers and transactions can be settled quickly & with finality.	Issuers can offer their assets to a global crowd of investors, markets are open 24/7.
<b>COMMUNITY-CENTERED</b>	<b>TRANSPARENT</b>	<b>CREATIVE</b>	
Investors = community members = customers. Community voice is strong!	Ownership structure is transparent and settlement transactions are recorded on the public blockchains.	New asset classes, new auction types, new market structures, new disclosure standards are emerged.	

## INTRODUCTION

On the other side of the coin such WILD WILD WEST markets are:

<b>DISCONNECTED</b>	<b>UNFRIENDLY</b>	<b>VULNERABLE TO MONEY LAUNDERING</b>
Traditional institutional investors tend to stay away from new digital markets. Banks are reluctant to open account to crypto-economy companies and FinTech firms strive to survive.	Investors and consumers are not protected. Cryptocurrency exchanges are largely centralized and prone to counterparty risk. Cyber risks is ample. Blockchain transaction capacity is limited to serve the world's needs.	KYC/AML procedures are in many cases absent or below industry standards.
<b>NON-COMPLIANT TO LAWS AND REGULATION</b>	<b>VOLATILE</b>	<b>MANIPULATIVE</b>
Many new digital assets and services are subject to security markets, payment systems and banking regulation.	Low and fragmented liquidity makes it easy to move the price. Bubbles grow and crash. Volatility diminishes the quality of cryptocurrencies as a mean of payment.	Little post-trade transparency and absence of accountability leads to market abusive practices such as price manipulation, wash trades, pump & dumps, insider trading, spoofing, layering, quote stuffing, etc.

## INTRODUCTION

These issues are subject to close attention and restrictive actions of the regulators. They are the main barriers to widespread adoption of the new mechanisms. There is a lot to learn from traditional financial markets that have evolved for centuries accumulating many best practices, including:

- Investor protection
- KYC/AML
- Efficient trading mechanisms
- Disclosure standards
- Risk management standards
- Market quality protection

However GOOD OLD WORLD has also accumulated inefficiencies such as:

HIGH BARRIERS TO ENTER	CONCENTRATION	LITTLE TRANSPARENCY
Cost of market access is high for investors and issuers. Promising companies are opting to stay private. Markets are geographically fragmented and hard to enter cross-border. Billions of people are completely excluded.	A few financial centers control vast amount of capital, while the periphery suffers.	Non-transparent and super-complex nature of some financial transactions makes regulators helpless to prevent financial crimes and, unfortunately, financial crises.

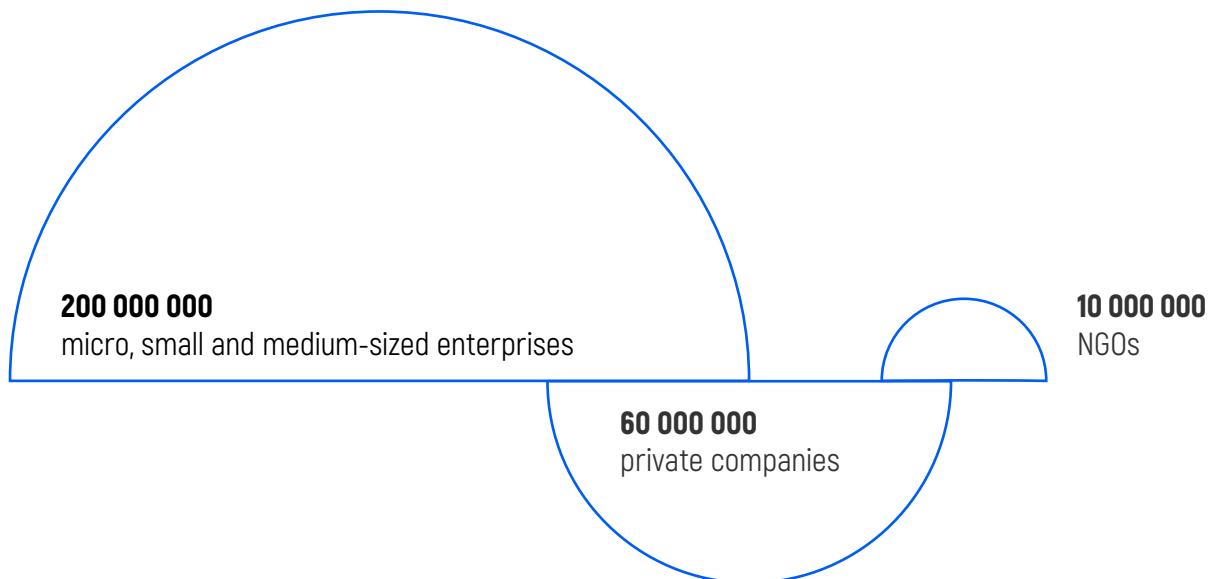
## INTRODUCTION

FIDUCIARY IRRESPONSIBILITY	DELAYED SETTLEMENT
----------------------------	--------------------

Trust issues arise on various levels of management of capital by the third parties, including banks, asset managers and hedge funds. Fiduciary duty is often betrayed.

Financial market transaction involves more than 10 types of intermediaries to reconcile their ledgers. Payments and settlement in many cases may take days.

These issues make it impossible for the current financial system to function effectively on a global scale. Largely underserved segments are:



## LYKKE SOLUTION

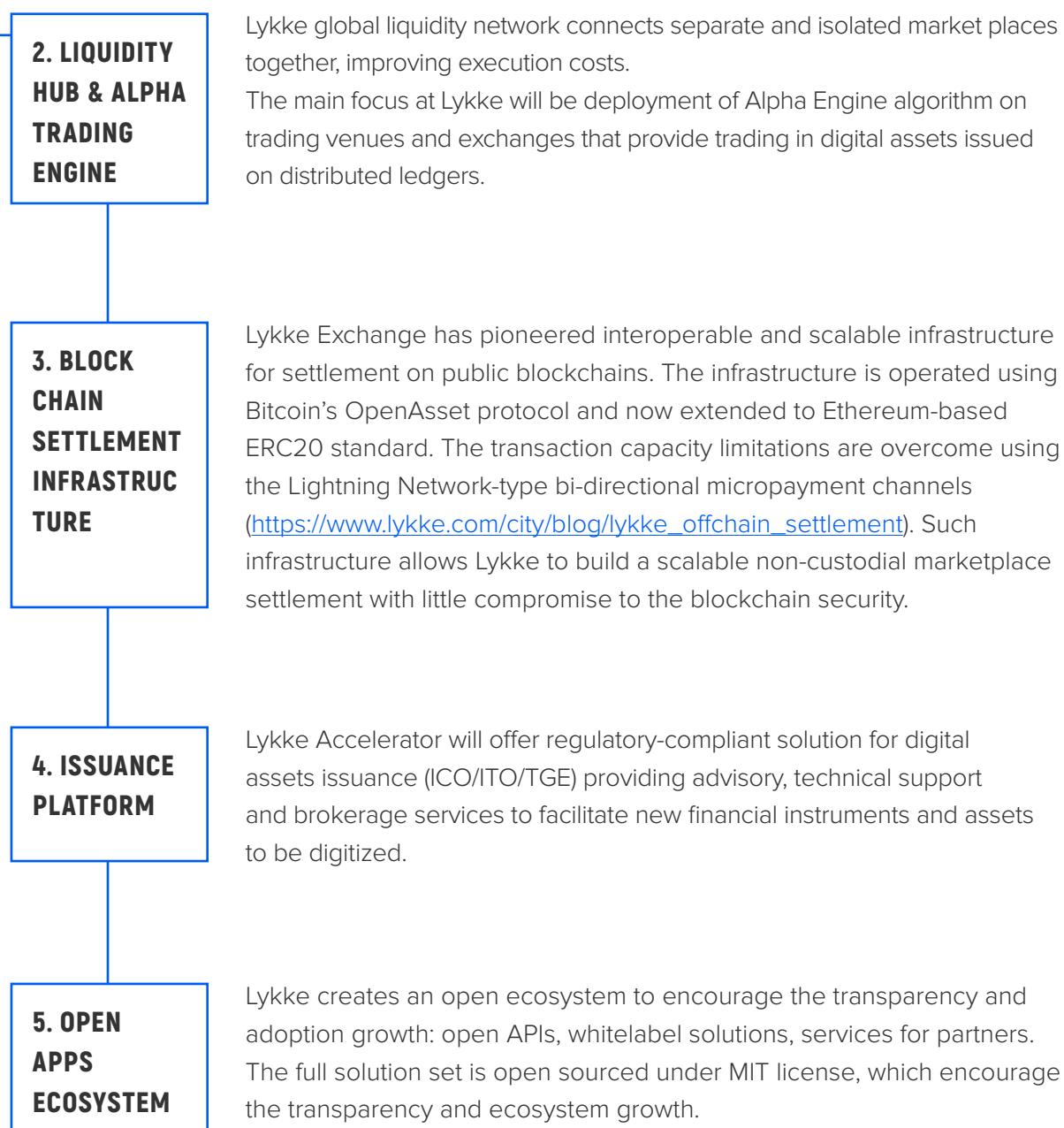
Lykke's solution is to bridge the Old and New world by building a regulated blockchain-based market infrastructure that enables Institutional access and brings long term patient liquidity to the crypto economy, improving price discovery and decreasing volatility.

The key solution components are:

### 1. REGULATED TRADING VENUES & BROKERAGE NETWORK

Regulation and compliance is the biggest hurdle that delays wide adoption of the crypto economy and digital markets. The regulatory landscape is quickly forming and Lykke is a part of this process. We work with the regulators across the globe to introduce digital assets and operate trading infrastructure that will be fully compliant with securities markets laws and regulatory standards. Lykke Roadmap includes 14 regulated entities to be operational in 2017/2018 to serve the needs of investors on all continents. The core of this infrastructure are licensed trading venues: FINMA regulated Organized Trading Facility (OTF) in Switzerland, FCA regulated Multilateral Trading Facility (MTF) in United Kingdom, MAS regulated Recognized Market Operator (RMO) in Singapore, SEC regulated Alternative Trading System (ATS) and Broker/Dealer (BD), and CFTC regulated Futures Commission Merchant (FCM) and Designated Contract Market (DCM) in United States.

## INTRODUCTION



## WHO BENEFITS?

### RETAIL INVESTORS

Unrivalled all-in-one service  
0% commission trading  
Direct ownership  
Immediate settlement  
24/7 market

### INSTITUTIONAL INVESTORS

New markets  
Fully compliant  
Brokerage services  
Investor protection

### TRADERS

Fast & secure trading  
Deep liquidity  
Diverse trading bridges

### ISSUERS

Low barrier to issue new securities  
Fully compliant  
Guidelines & blueprints

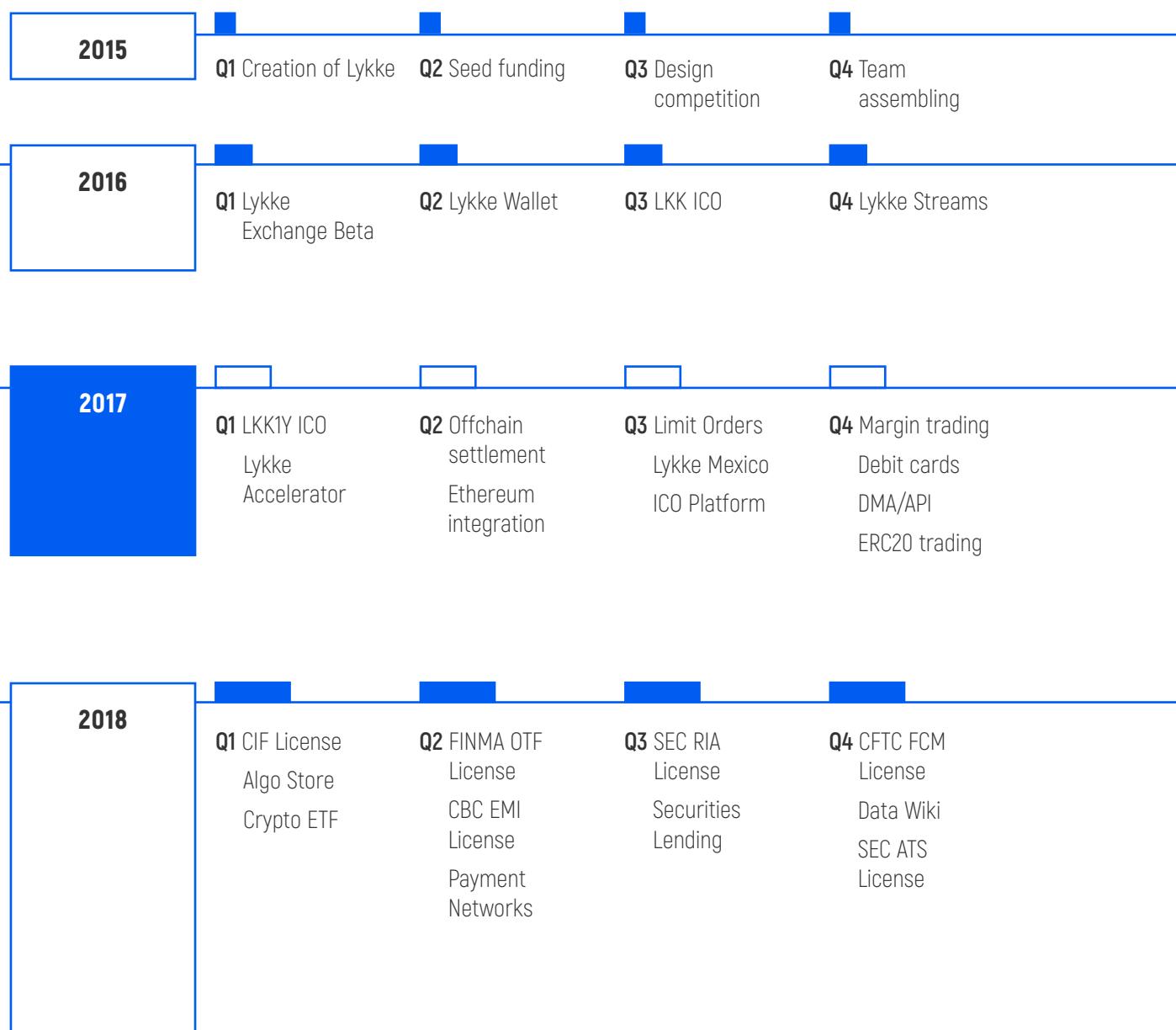
## VISION OF THE FUTURE

### **World in 2035...**

- 6 billion people with access to the Internet
- Everyone has their own digital identity for assets, voting, lending, borrowing, investing, and paying
- Everyone can be a consumer, investor and entrepreneur on a global market
- People are easily connected to create new value chains.
- Property is digitized, shared and smart
- Everything is money: all tokenized assets are means of payment, savings and investment
- 1 bln assets are digitized on the blockchain: from music rights to p2p-loans, from loyalty points to community voting power, from gold bars to event tickets
- Lykke is the global marketplace to issue and trade digital assets

## INTRODUCTION

# ROADMAP



LYKKE 2-YEAR FORWARD  
THE FIRST STEP TO LYKKE 2.0  
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# Token des cript ion

## TOKEN DETAILS

The Lykke 2Y Forward is an ERC20-based token, conferring to the holder of the token the right to receive the base value (Lykke Shares).

<b>TOKEN DETAILS &amp; PAYMENT PROPERTIES</b>	<b>Name</b>	Lykke 2-year Forward Token
	<b>Type</b>	ERC20 Token
	<b>Underlying Blockchain</b>	Ethereum
	<b>Symbol</b>	LKK2Y
	<b>Total Number of 2-year Lykke tokens to be sold</b>	25,000,000
	<b>Issue Price per Coin (“forward price”)</b>	CHF 0.21-0.25
	<b>Date of Settlement (T = date of trigger event)</b>	T + 730
	<b>Amount of Capital to be raised</b>	Up to CHF 6'000'000
	<b>Type of Contribution</b>	in cash
	<b>Distribution</b>	95.3% token investors, 4.7% reward program
	<b>Regions blocked</b>	China, South Korea, United States, Canada, Singapore, Australia, New Zealand and any other jurisdictions will be obtained separately
	<b>Payment</b>	The price paid for one LKK2Y (Consideration) is a fixed payment and cannot be redeemed by the investor.
	<b>Accepted currencies</b>	USD, EUR, CHF, GBP, BTC, ETH

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# Regulated trading venues network

Europe

Asia

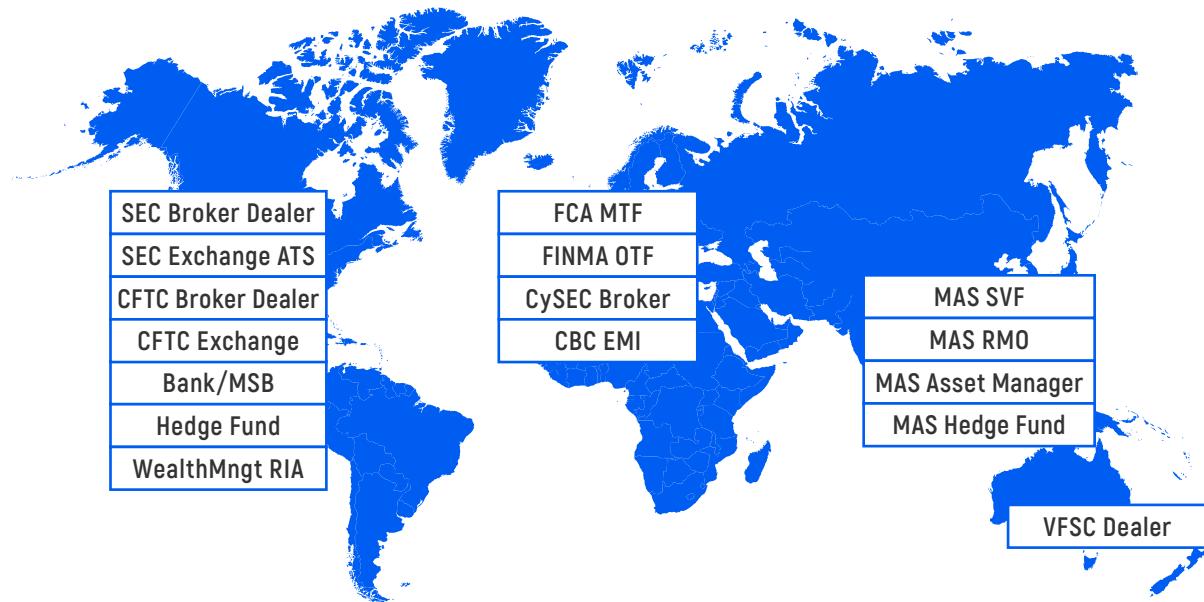
United States



DECEMBER 2017

## REGULATED TRADING VENUES NETWORK

Lykke has various subsidiaries registered in the USA, the United Kingdom, Singapore, Cyprus, Mexico and Switzerland to achieve a global regulatory environment for digital asset issuance and trading.



Lykke prospective regulated subsidiaries:

**Switzerland:** FINMA regulated Organized Trading Facility (OTF),

**United Kingdom:** FCA regulated Multilateral Trading Facility (MTF),

**Cyprus:** CySEC regulated Broker/Investment Firm (CIF), CBC regulated Electronic Money Institution (EMI),

**Singapore:** MAS regulated Recognized Market Operator (RMO), MAS regulated Asset Manager, MAS regulated Hedge Fund, MAS regulated Stored Value Facility (SVF),

**United States:** SEC regulated: Broker Dealer (BD), Alternative Trading System (ATS) & Registered Investment Advisor (RIA for Wealth Management); CFTC regulated: Futures Commission Merchant (FCM) & Designated Contract Market (DCM); Office Comptroller of Currency or State Regulator regulated: for Banking License; Jointly SEC & CFTC regulated Hedge Funds;

**Vanuatu:** VFSC regulated Dealer in Securities.

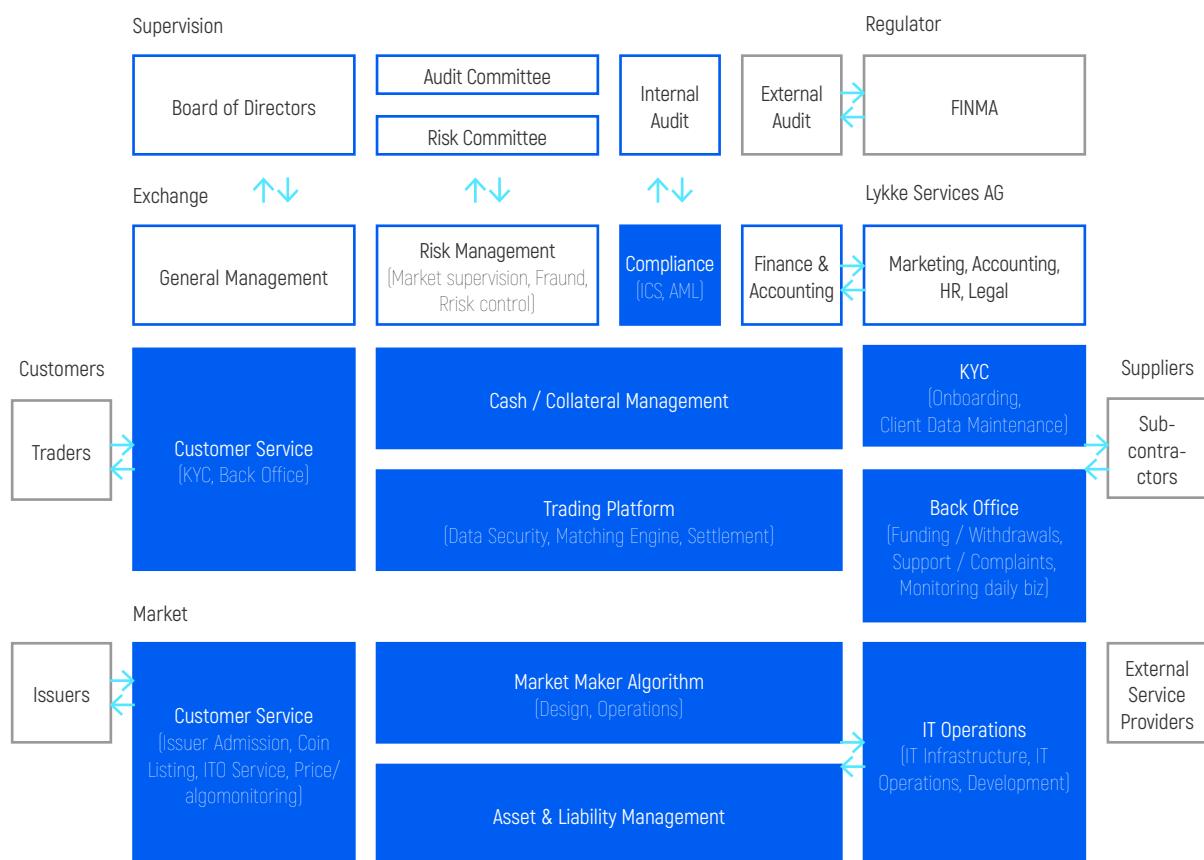
## EUROPE

**Lykke Switzerland AG** is a subsidiary of Lykke to operate Organized Trading Facility under FINMA Securities Dealer license. The OTF emits, places, trades and stores derivatives in the form of a forward at the run on fiat currencies, securities and financial instruments, such as shares, fixed income, commodities, virtual currencies (first of all, BTC and ETH). A broad customer segment is addressed. In addition to institutional customers worldwide, retail customers as participants are to be able to appear on the OTF in accordance with art. 41 ff. FinfraG.

<b>Regulator</b>	FINMA
<b>License</b>	Securities Dealer and Operator of an Organized Trading Facility (OTF)
<b>Regulation</b>	art. 10 of the Federal Act on Stock Exchanges and Securities Trading (BEHR)
<b>Regulatory capital</b>	The share capital of Lykke Switzerland AG at least CHF 1.5 million
<b>Estimated time</b>	Q2 2018

## Target Operating Model of Lykke Switzerland AG

Slim Organisation: local responsibility, but workforce mostly outsourced



**Lykke MTF UK Limited** is the wholly owned subsidiary of Lykke AG (Switzerland). Lykke intends to build and operate a Multilateral Trading Facility (“MTF”) and is applying to the Financial Conduct Authority (“FCA”) to obtain authorisation under Part 4A of the Financial Services and Markets Act 2000 (“FSMA”). The permissions it is seeking include Operating an MTF and arranging deals in investments.

The MTF will mainly enter into a business relationship with clients/members categorised under FCA Handbook COBS Chapter 3 and MiFID Annex II as Professionals and/or Eligible Counterparties.

<b>Regulator</b>	FCA
<b>License</b>	Multilateral Trading Facility
<b>Regulation</b>	Part 4A of the Financial Services and Markets Act 2000
<b>Regulatory capital</b>	Base capital adequacy requirement of €730,000
<b>Estimated time</b>	Q3 2018

**Lykke Cyprus Ltd.** is a Cyprus Investment Firm (CIF) HE362443/ Broker regulated by the CySEC (Cyprus Securities and Exchange Commission) to offer financial instruments trading under MiFID II for the customers in EEA and worldwide.

The eligible list of services includes 1) Reception and transmission of orders in relation to one or more financial Instruments, 2) Execution of orders on behalf of clients, 3) Portfolio management, 4) Investment advice.

The list of financial instrument includes:

- Transferable securities.
- Money-market instruments.
- Units in collective investment undertakings.
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash.

- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event).
- Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF.
- Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled.
- Derivative instruments for the transfer of credit risk.
- Financial contracts for differences.
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties.

<b>Regulator</b>	Cyprus Securities and Exchange Commission (CySEC)
<b>License</b>	Cyprus Investment Firm (CIF) / Broker
<b>Regulation</b>	Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007)
<b>Regulatory capital</b>	Initial capital of €125.000, additional deposit of approx. €80.000 deposit to the Investor Compensation Fund (ICF)
<b>Estimated time</b>	Q1 2018

**Lykke EMI Ltd.** is an Electronic Money Institution and Payments Institution (Full license) regulated by the CBC (Central Bank of Cyprus) HE364961. Lykke EMI is formed to support Lykke Group and third parties activities in Issuance and distribution of electronic money, Payment services to financial and non-financial institutions, Issuance of credit/debit cards (branded and unbranded).

<b>Regulator</b>	The Central Bank of Cyprus (CBC)
<b>License</b>	Electronic Money Institution Institution
<b>Regulation</b>	Electronic Money Institutions Directive (241/2012)
<b>Regulatory capital</b>	Amount of capital provided in Section 12 of the Electronic Money Law, 2012 (€350.000)
<b>Estimated time</b>	Q2 2018

## ASIA

The Singapore build out began in March of this year. Singapore is the world's 3rd largest FX center, it is 2nd largest center for managing offshore wealth next to Switzerland, and it has become Asia's most important commodities trading hub. Singapore's success is thanks to its strategic geographic location, robust financial and trading infrastructure and reliable legal, regulatory, and tax framework.

### **Asia's Digital Asset Market Place**

Singapore will headquartered Lykke's Asia build out that includes South East Asia, North and South Asia – India, as well as Australia. We are building a fully integrated Institutional financial services platform to leverage the Singapore's strength in financial and commodity markets, as well as asset management, into a blockchain enabled digital future. The starting point of the Singapore strategy is a platform focused on securities and commodities that will create new asset classes for investors. Lykke Singapore's platform will create a centralized hub for seed and angel financing, Small and Medium enterprise financing, Venture capital and "Junior" and "Big Board" listing for securities all on a single exchange venue. In commodities, with close to 80 per cent of the world's top commodity companies from each sector operating in Singapore, Lykke Singapore will also be a platform for the digitization and tokenization of commodity markets in a centralized Institutional hub. Our aim is the development of deeper and more liquid commodity trading and financing markets in the Asian time zone with products tailored around Asian needs.

The Singapore Lykke platform will be creating significant benefits not only for security and commodity traders, as well asset managers looking to invest in emergent asset classes, but also in supporting the financing needs of growing economies across Asia.

### **Singapore Wallet and Exchange**

Exchange services will be accessible via onboarding with the Singapore wallet and all onboarding will be subject MAS client due diligence, KYC and Anti Money Laundering and Countering Financing of Terrorism rules. In an effort to build an Institutional market place, to integrate our services into major institutional partners, both fiat and cryptocurrencies will be subjected to the same level of due diligence and ongoing compliance requirements. Technology is clearly leading ahead of regulators but Lykke's approach is to lead the market by defining best practice. To support this strong focus on Regulatory Compliance, we recently hired a new Head of Compliance for Singapore who formerly ran Compliance in Singapore for Morgan Stanley and Barclays.

The Singapore Wallet and Digital Asset Exchange will go live in December 2017. Initially, trading will be limited to crypto currencies and spot foreign exchange. Ahead of the fiat roll out the exchange will go live as a crypto only venue. We are currently negotiating with tier 1 banking partners to support our wallet with fully segregated client trust accounts. This would allow both inbound and outbound swift transfers for fiat currency. Lykke Singapore intends to define a new ultra-secure global standard for client fund safety for digital exchanges. We also fully expect to have regulatory oversight for our wallets as we will be applying for an MAS Stored Value Facility License that is required for aggregated client balances that exceed \$30 million.

We will be following the launch with an application with the MAS for a license to operate a Securities Exchange for Accredited and Institutional investors. The licensing we will be seeking is a MAS Recognized Market Operator (RMO) and we expect to submit our application in early Q1 2018 and approval should follow we think the latest by Q4 2018.

### **Asset Management – Liquidity**

We will be concurrently building out the liquidity provisioning to the Singapore market place as well as to other global Lykke venues via a new Singapore based Hedge Fund that will run our proprietary Alpha Engine algorithmic strategies. We will be applying for an MAS Capital Market Services License (CMS) to enable Accredited Institutional investors to invest in the Alpha Engine strategies. As the exchange product offerings grow these strategies can be tokenized and listed on the exchange, when regulations allow. . We expect there would be several liquidity strategies in operation and each of them can be separately tokenised and listed. At launch we will offer investors an “all sector” strategy liquidity token and based on our investor community interest we will be to offer tokenized liquidity strategies by asset class, single security, index, specific commodity, baskets, and geographic liquidity. Our flexible and low cost infrastructure enables to be highly responsive to client needs and requests.

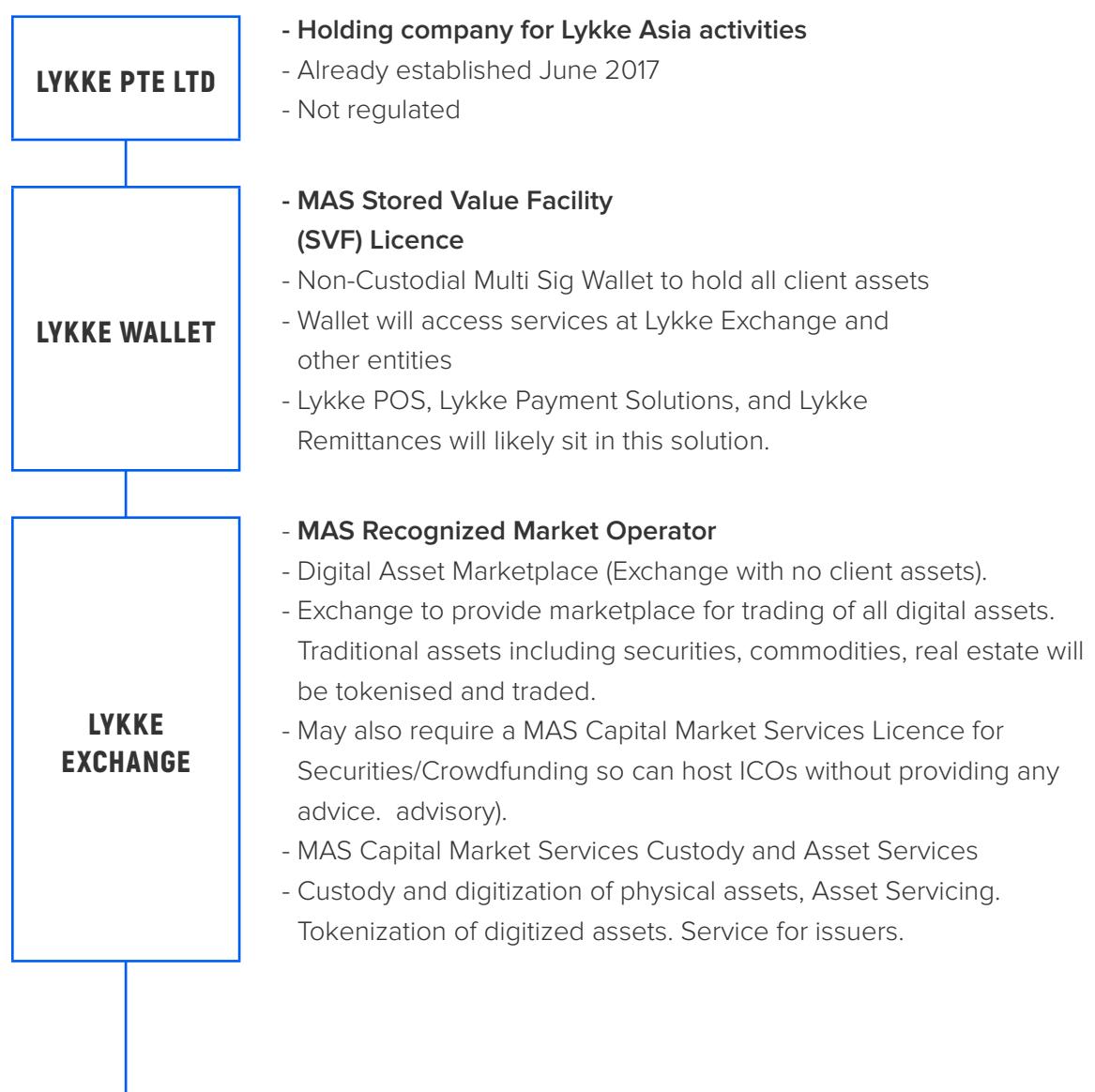
### **New Singapore Exchange Initiatives**

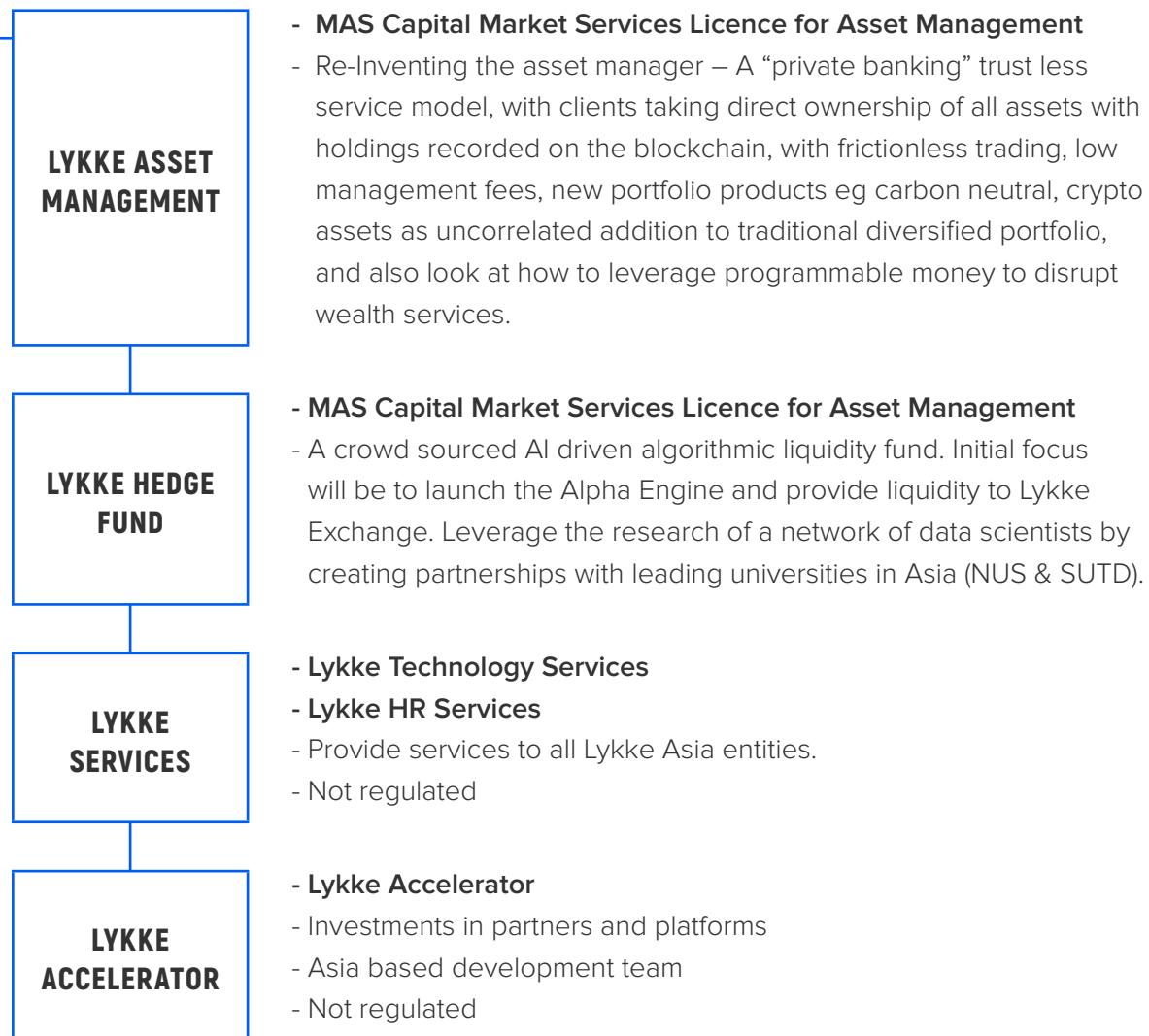
We are looking at a number of new innovations in the Singapore market place:

- To address performance and cost of transactions we will be migrating our colored coin FX tokens in ERC20 tokens;
- To enable bitcoin to be traded on decentralized exchanges we will be launching a bitcoin backed ERC20 token;

- We have been partnering with leading industry partners in the commodity space to launch ground breaking carbon and commodity backed tokens.

### **LYKKE ASIA – LEGAL ENTITIES (All 100% owned by Lykke AG):**





## INDIA AND BANGLADESH

Lykke will run its India & Bangladesh operations with Mumbai as its Hub.

### Roadmap:

1. Government and quasi government partnerships
2. A decentralized exchange for listing and trading tokens, as well as creation of purpose built exchanges with incumbents
3. Asset & Wealth management
4. India Technology and enterprise solutions hub
5. Mumbai entity as a holding company fully owned under the Asia legal structure hubbed in Singapore

### Strategic Partnerships to Accelerate our Regulatory Reach

We are actively seeking strategic partners in key markets such as Australia, Japan, and Korea that have securities or other similar regulatory licensing that would provide us domestic footholds and significantly accelerate what can be done organically. The digital asset sector is simply growing too quickly for us to build everywhere on our own without falling behind. This will continue to be a core focus for the management team in coming months. The same focus will be prevalent in India.

## **The Asia Accelerator**

The Asia team have extensive experience in financial markets across all asset classes. This provides us significant opportunities to engage incumbents in financial markets, educate them on the opportunities in digital assets and blockchain and ultimately to “Lykkefy” their operations. We have already built a strong pipeline of opportunities across the region and we expect these to be significant and recurring revenue opportunities for the Asia operation.

Lykke Asia intends to build a team of technology professional and business analysts in Singapore, India and Bangladesh to scale our accelerator initiatives. The regional teams will work with Lykke’s Global Development team to develop apps and customised products and solutions for Asia. Along with developing talent in Singapore, Lykke hopes to develop local talent in all the markets they enter in Asia with Singapore acting as mentoring Hub.

## UNITED STATES

The United States (US) remains the largest financial services market in the world, with the full spectrum of products and services developed and actively traded. Within the US, each key product has its own regulator. However, there currently is a gap in regulatory coverage for new assets such as Bitcoin and Ethereum, and utility token issuances. Our belief is that these gaps will close over the next 3 years as consumer demand increases. Therefore it is imperative to build the regulatory framework now in order to stay in business in the future.

In order to realize Lykke's overarching vision, we are building the regulatory foundations for each of the regulators. At a high level, it is building the brokerage channel, the exchange channel, the asset custody & movement channel, and the asset/wealth management. We will focus on both Retail and Institutional clients. The buildout has begun at the beginning of 2017 with determining priority, creating legal entities, engaging relevant legal counsel, and hiring key personnel. Applications have been prepared for many of the entities.

### **Strategic Partnerships**

We are aggressive and opportunistic on partnerships with firms that have the licenses and experience we will need. Strategic partnerships can take many forms, from acquisitions to joint ventures to simple vendor relationships. Included in this is offering to white label our exchange software to other firms. We are eager to speak with any potential partners who may see a fit.

## **Team**

Each member of the core US team has over 20 years of financial services experience, working at firms such as TD Bank (TD Ameritrade/Waterhouse), E\*TRADE, LPL Financial and Gain Capital, serving both Institutional and Retail. This unique experience has given us greater understanding of the regulatory framework and strategy to accomplish our goals in the most prudent way possible.

## **US Client Experience**

We will use the Lykke software to weave the various segregated regulatory silos (ie, SEC broker & the CFTC Broker) to present a unified and seamless client experience. The goal is to open one master account, which then opens accounts at four or five regulated entities to allow the easy movement of assets. This will allow clients to pair any asset; for example, sell Apple stock & buy gold with one trade pair.

## **US Brokerages**

There are two main regulators for brokerages: Securities & Exchange Commission (SEC) and Commodities Futures Trading Commission (CFTC).

## **SEC Brokerage**

The SEC oversees all equities, equity options, fixed income, and investment banking, along with client custody and trading of the above. The vast majority of US retail clients trade these products over any other product. There are several “levels” of licenses allowing for more complex levels of products. Our approach is to start with obtainable levels and add additional licenses as we become known to the SEC and build our capital and client base. Currently, we are under application for

a private placement & investment banking license, expected approval in Q1 2018. This will allow us to advise corporations on fund raising, place/sell private placements (including certain ICO/ITO's), and build our list of investors. Toward mid-2018, we will apply for additional functionality to be able to introduce clients to equities, options, and fixed income. At the beginning of 2019, we will apply to become a self-clearing broker, keeping all client assets in-house.

### **CFTC Brokerage**

The CFTC oversees all leveraged commodities, forex, futures, swaps trading and custody. Similar to the SEC approach, we plan for first level of licenses, moving to further more complex/higher capital licenses. We are under application to become an Introducing Broker, and expect approval by December 2017. In Q2, we plan to apply for a Futures Commission Merchant (FCM), which is a self-clearing broker. We will not actively participate in the retail FX market, as the number of FX retail clients is less than 100,000. However we will participate at the Institution level.

### **US Trading Venues**

The SEC and CFTC also offer exchange type licenses. For items not explicitly regulated by those entities, we can create an exchange but need to follow regulation regarding money movement.

### **SEC Trading Venue**

We plan to apply for an Alternative Trading System (ATS) license through our BD entity in Q3 2018. This will allow us the exchange functions. Therefore the BD will hold the client relationship, and the ATS will be the exchange.

## **CFTC Trading Venue**

We plan to apply for a Designated Contract Market (DCM) license in Q2 2018. This will allow the trading venue to trade traditional CFTC contracts, along with derivative products of bitcoin and other virtual currencies.

## **Non-Regulated Trading Venue**

For products not explicitly regulated by the SEC or CFTC, compliance is enforced at the asset movement & client relationship level. So while we can have a spot Bitcoin exchange today with no regulation, we cannot handle any clients until the money movement compliance is established. This can be accomplished in several ways: 1. Federal Banking regulator, like the OCC, or 2. State Money Transmitter License (MTL) or 3. State regulated entity that has super parity (ability to transact across state lines). There are benefits and drawbacks to all. The OCC requires \$50MM as minimum capital requirement for a federal bank, and while they have proposed a new FinTech charter that is designed for firms like ours, it is unclear when it will be launched. The state MTL is lower cost, but time consuming as you need to apply to each state, each state having different compliance standards, and you are subject to 50 different regulators and the attendant maintenance. The state licensed entity with super parity can take form as a limited public trust or a state registered bank. We are actively engaged in all three paths, and plan to have a solution approved by end of 2018.

## **Lykke Wallet**

As with all entities, we plan to offer the Wallet as the main client information and custody portal. Every client will be subject to due diligence, KYC and Anti Money Laundering and OFAC/FinCEN reporting. The Wallets will be rolled out as each license is approved. Therefore the Wallet will have a small set of products available, with increasing products as additional licenses are received.

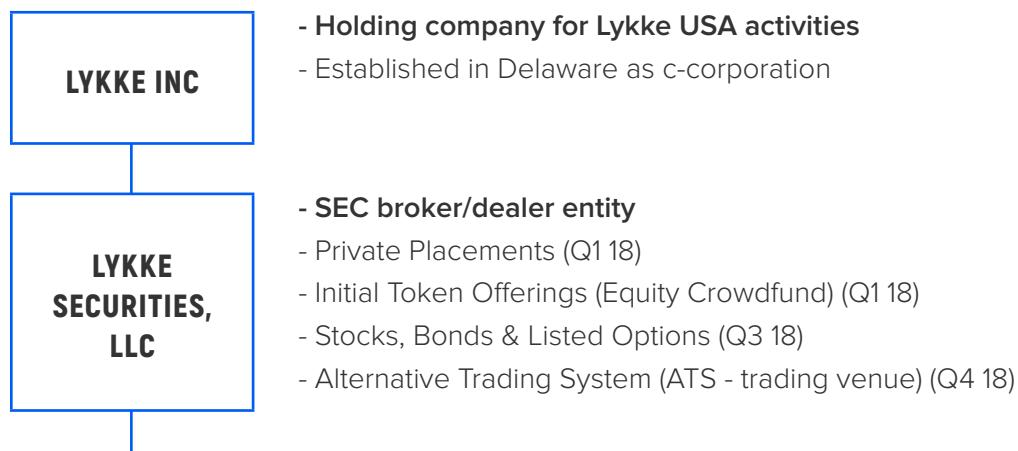
## **Asset Management & Liquidity**

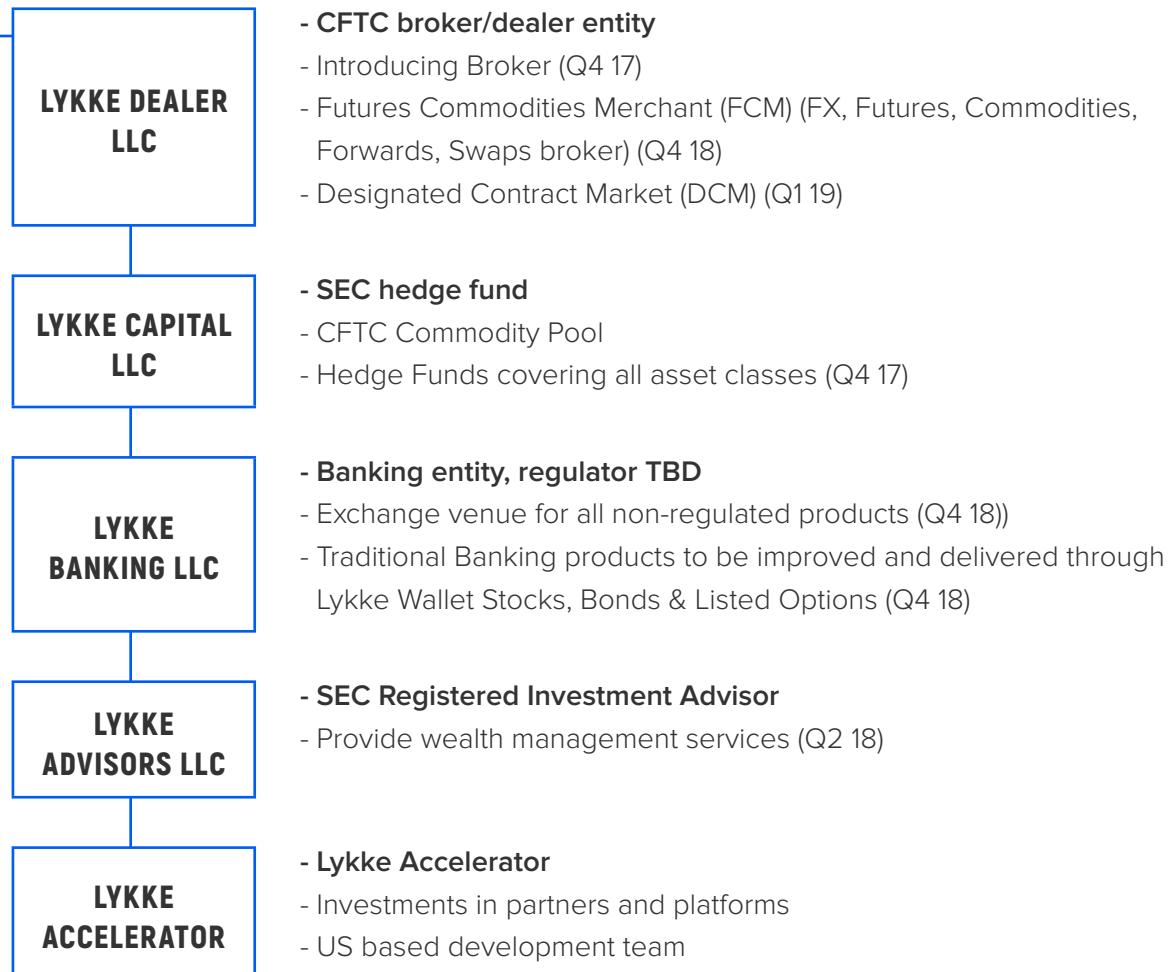
We are under application to create a series of hedge funds, available to both onshore & offshore clients, expecting approval by end of 2017. This will allow us to manage crypto-index funds to start, adding additional funds & strategies over the course of the next year. Additionally, we will use the vehicles as a liquidity provider to other exchanges and Institutional clients. This way we can fully utilize our exchange capabilities as a market maker on other venues outside of the Lykke exchange.

## **Wealth Management**

We will launch the Lykke Registered Investment Advisor (RIA) helping clients manage their wealth on a discretionary basis. We have deep experience in delivering this management in innovative ways, such as robo-advisory and other ways to utilize technology to deliver value. We expect this to launch at the end of Q1 2018.

## **LYKKE USA – LEGAL ENTITIES:**





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# Global Liquidity ECN & Alpha Engine

## LYKKE ALPHA ENGINE

Exchanges always struggle with launching successful contracts. Typically the biggest issue is liquidity. Lykke addresses this by creating a global liquidity network that will aggregate liquidity directly offered in listed tokens on the Lykke-owned and major global trading venues. All price making is supported by algorithmic models – **The Alpha Engine**.

Alpha Engine is a counter-trending liquidity provision trading model that opens a position when markets overshoot, and manages positions by cascading and de-cascading during the evolution of the long coastline of prices, until it closes in a profit.

The main focus at Lykke will be deployment of Alpha Engine algorithm on trading venues and exchanges that provide trading in digital assets issued on distributed ledgers - blockchain of Bitcoin, Ethereum etc. Those included most liquid crypto-currencies (Bitcoin, Ether, LiteCoin, Ripple, Dash,...), network participation tokens (IOTA, BitShares, Waves,...), digital currencies (CHF, USD, EUR etc.) and colored coins representing real world assets such as shares of companies, debt instruments, futures, options etc.

In addition to trading digital assets, the Alpha Engine will also be deployed on traditional trading venues (regulated exchanges, ECN's etc.) for the purpose of hedging its exposure.

Alpha Engine targeted daily turnover will be 10x the notional AMU. Annual targeted return is 15%, with a Sharpe ratio of 2.0 and maximum drawdown of 20% (computed on a daily basis). We anticipate to have in total \$10 million assets under management at launch of the fund, split between \$5 million in fiat currencies, and \$5 million in crypto-currencies.

**ORIGINAL PRICE CURVE**



**INTRINSIC TIME**



**THRESHOLD 0.2%**



**THRESHOLD 0.4%**



**THRESHOLD 0.8%**



For more details of the algorithm please refer to The Alpha Engine: Designing an Automated Trading Algorithm // High Performance Computing in Finance, Chapman & Hall/CRC Series in Mathematical Finance, 2017  
[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2951348](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2951348)

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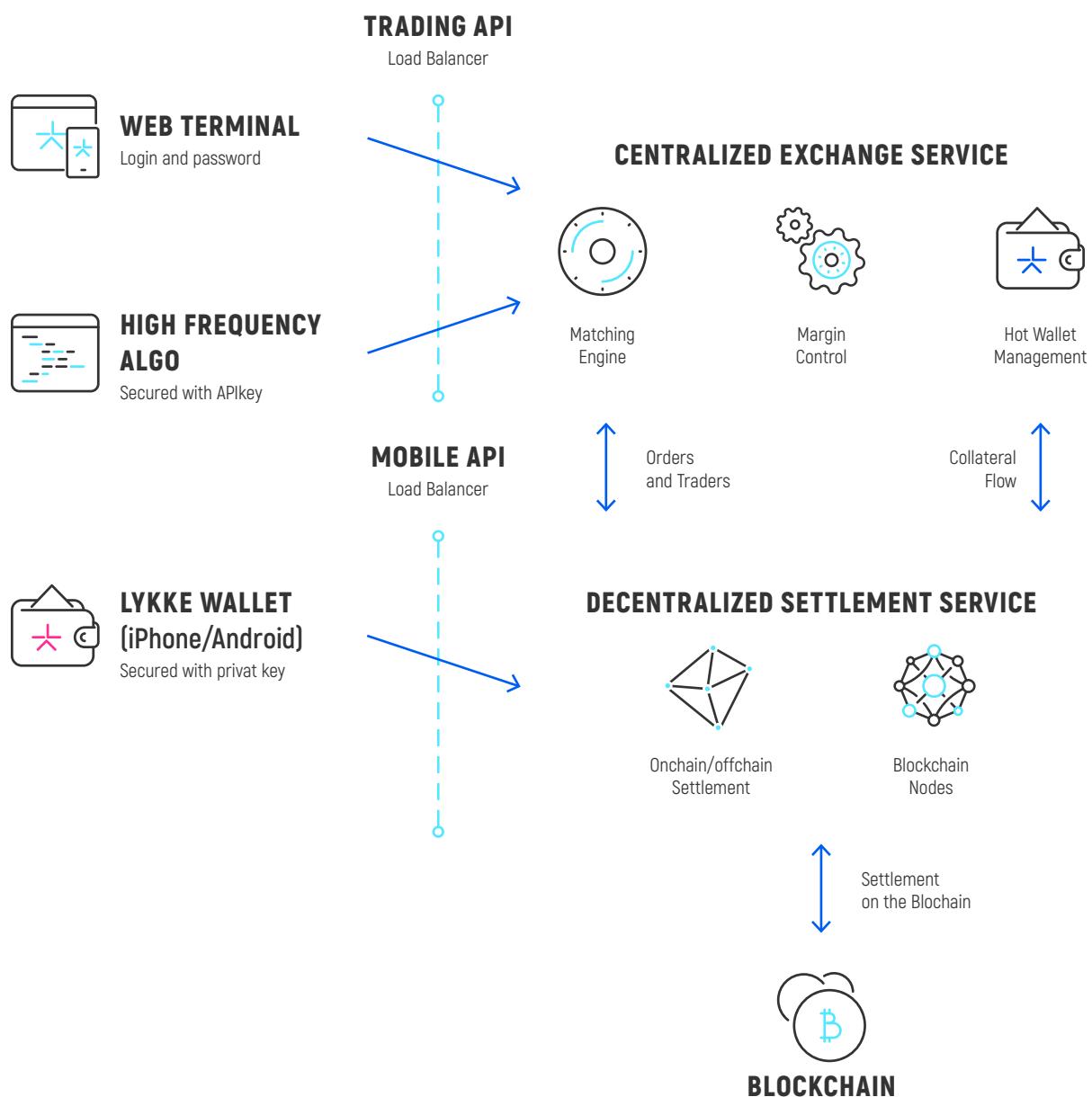
# Blockchain settlement infrastruc ture

Architecture  
Offchain Settlement



DECEMBER 2017

# ARCHITECTURE



## OFFCHAIN SETTLEMENT

As long as any transaction on the bitcoin blockchain has to be confirmed by many network participants, this leads to scalability problems. For a quicker and more efficient settlement of the individual transactions on the trading system, the offchain settlement mode has been developed by Lykke based on the ideas of the Lightning Network of two-party consensus. Technically this is implemented through a so-called channel between each individual participant and Lykke. The net positions are only sent to the blockchain network under certain conditions and are posted there.

### **2-of-2 Multisignature Address**

Each participant has a 2-of-2 multisignature address which is assigned to his wallet. This multisignature address is used to produce a channel for Lykke for each traded product. All products that each participant holds are sent from the blockchain to the channel and are then available via the multisignature address. The 2-of-2 multisignature address makes it possible to have the products posted on it only if the respective transaction is confirmed (signed) by both the participant and Lykke. The products submitted by the participant to the delivery channel or sent to the multisignature address are never included in the sole power of Lykke.

## **Commitment Transactions**

In the channel, the individual trades are handled through the so-called commitment transactions and always lead to changes in the balance. Each individual trade consists of two commitment transactions, each of which is created by a party, which are signed by each party and then exchanged with the opposing party.

Since new commitment transactions are constantly being created in the delivery channel and they exist at the same time, they could basically all be forwarded to the blockchain network. However, in order to ensure that no false balance is immortalized in the blockchain, the commitment transactions are provided with a safeguard mechanism from their technical design; they are double-encoded.

### **a) Time Lock**

On the one hand, the two commitment transactions of trade contain a so-called time lock. This causes the listed content to be valid only after a certain period of time (normally 24 hours) after being forwarded to the blockchain network. If the participant with 1 BTC (This amount is in the delivery channel or is posted to the multisignature address.) wants to sell 0.4 BTC to Lykke, he creates a transaction with the content “Send total of 1 BTC, including 0.6 BTC to the participant and 0.4 BTC to Lykke” (Each transaction and thus each entry on the bitcoin blockchain consists of an input (“of a total of 1 BTC”) and an output (“0.6 BTC to the participant and 0.4 BTC to Lykke”) and must cover all bitcoins available to the respective sender (1 BTC)). The part “0.4 BTC to Lykke” is encrypted by the participant with the 24h lock. Conversely, Lykke creates the same transaction and encrypts the part “0.6 BTC to the participant” with the 24h lock.

If the two transactions are now signed and exchanged by the parties,

each party can also sign the commitment transaction received from the opposite side and send it to the blockchain network (The participant can then send the transaction with the 24h lock of “0.6 BTC to the participant” signed by Lykke and the transaction with the 24h lock of “0.4 BTC to Lykke” signed by the participant to the blockchain network). The consequence would be that every party would have to wait for the bitcoins for 24 hours before disposal, while the other side could have its share immediately.

### b) Hash Lock

In addition to the time lock, the “own” part of each commitment transaction is encrypted with a so-called hash. The hash is generated from a so-called script (numerical order), which is reassigned to each participant for each transaction. This encryption is programmed so that the script can compute the hash, but not the script from the hash. This makes it possible for a transaction encrypted with a hash to be able to favor only those who also have the corresponding script. For the commitment transactions, it is used as follows:

- If the participant with 1 BTC wants first of all to sell 0.4 BTC to Lykke, each of the parties creates a Commitment Transaction No.1 with the content “Send total of 1 BTC, including 0.6 BTC to the participant and 0.4 BTC to Lykke”. The participant encrypts the part “0.6 BTC to the participant” with a hash P from the assigned script P. Lykke in turn encrypts the part “0.4 BTC to Lykke” with a hash A from the script A associated with it.
- If the two parties exchange the transactions (The participant then has the transaction signed by Lykke, who encoded “his 0.6 BTC” with the 24h lock and “his 0.4 BTC” with the hash A; Lykke has the transaction signed by the participant, who encoded “his 0.4 BTC” with the 24h lock and “his 0.6 BTC” with the hash P.) and the participant sends the

commitment transaction received from Lykke to the blockchain network, the latter can decrypt the hash A with his script A and can immediately dispose of 0.4 BTC. However, the participant has to wait 24 hours for his 0.6 BTC. If Lykke sends the transaction to the network from the participant, the participant can decrypt the hash P with his script P and dispose of 0.6 BTC, while Lykke has to wait 24 hours for his 0.4 BTC.

- If the participant wants to sell 0.3 BTC to Lykke out of 0.6 BTC at a later date, each of the parties creates a new Commitment Transaction No.2 with the content “Send 0.3 BTC out of 1 BTC to the participant and 0.7 BTC to Lykke” and the prevalent hashed-time-locked encryption. The Commitment Transaction No.1 is thus reversed or replaced by No.2.

In order for this to be technically secured, the parties also exchange the script assigned to them in transaction No.1 with the formation of the Commitment Transaction No.2. If the participant behaves unlawfully and sends the old Commitment Transaction No.1 to the blockchain network, Lykke immediately gets 0.4 BTC and the participant may have 0.6 BTC after 24 hours. During these 24 hours, however, it would be possible for Lykke to decrypt the hash P with the script P and dispose of 0.6 BTC himself; on the other hand, it would be the same. This inherent risk of encryption prevents both parties from sending old commitment transactions to the network.

The process described above is completely automated and is not visible to the user in the wallet. It is also not possible for a participant to send commitment transactions to the blockchain network through the wallet itself. The mechanism described above is an additional safety measure. In addition, the blockchain is monitored by Lykke.

## Irrevocability

The commitment transactions are booked at Lykke as well as on the participant's wallet and are irrevocable from that date. Settlement on the blockchain takes place only in the following cases:

- Lykke sends enough respective products to the multisignature address or to the delivery channel – up to 10 times for forwards at the run, and only the required quantity for BTC. This transaction is kept in the blockchain so that the current balance on the blockchain always covers the traded quantity in the delivery channel or on the multisignature address. This is used to keep the number of time-consuming transactions as low as possible via the blockchain network.
- Lykke's system automatically scans the individual delivery channels once per day for bitcoins. As soon as the system recognizes in the channel that there are more than predefined threshold on the balance that are booked for the benefit of Lykke, they are requested by the participant and moved to the private wallet of Lykke. Only Lykke has access to this wallet. To implement this transfer via the multisignature address, the participant's app automatically creates and signs a so-called reopening transaction requested by the Lykke server. Herewith, all bitcoins of Lykke, which exceed the balance of three, are transferred from the respective channel and to the private wallet of Lykke and then a new channel is opened with the original balance of the participant. If the participant is off-line for a longer period of time and there is no reopening transaction, Lykke sends the most recent commitment transaction to the network, thus closing the channel and waiting for 24 hours.

- Each participant can transfer their products via the Lykke app from their private wallet address (outside or in the Lykke app). Only the participant has access to this private wallet address and it cannot be used for trading activities with Lykke. If such transactions (transfer from or to a private wallet address) are initiated by the participant, they are also recorded via the blockchain. As this is normally done with the consent and signature of Lykke, there is no 24h delay.

### **Settlement via the Ethereum Blockchain**

Settlement via the ethereum blockchain is provided directly in the network. However, the problem of scalability is also being mitigated by the above mentioned channels. The settlement, which is described in advance, is carried out via the ethereum blockchain by a so-called smart contract. This is programmed directly into the blockchain, which provides a direct “tracking of the account balance” in the blockchain network.

LYKKE 2-YEAR FORWARD  
THE FIRST STEP TO LYKKE 2.0  
WHITE PAPER

# Product Ecosys tem

Lykke Wallet  
Lykke Exchange  
Lykke Margin Trading  
Lykke Pay

POS terminal  
Ecosystem B2B  
and partner projects



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## PRODUCT ECOSYSTEM

Lykke has built a comprehensive ecosystem that includes business applications, such as Lykke Wallet, ICO platform, Partner API, core market infrastructure of Lykke Exchange with clearing & blockchain settlement, trading services and bridges.



New components and platforms that are envisioned to build include:

- Asset management: Securities lending, Crypto ETF
- Payments services: Payment networks / POS / Crypto ATM / Merchant Plugins
- Market infrastructure: Funding market, ‘Whales’ OTC market,

## LYKKE WALLET

### BLOCKCHAIN WALLET & EXCHANGE PLATFORM

#### 'Swiss Bank' in a Pocket

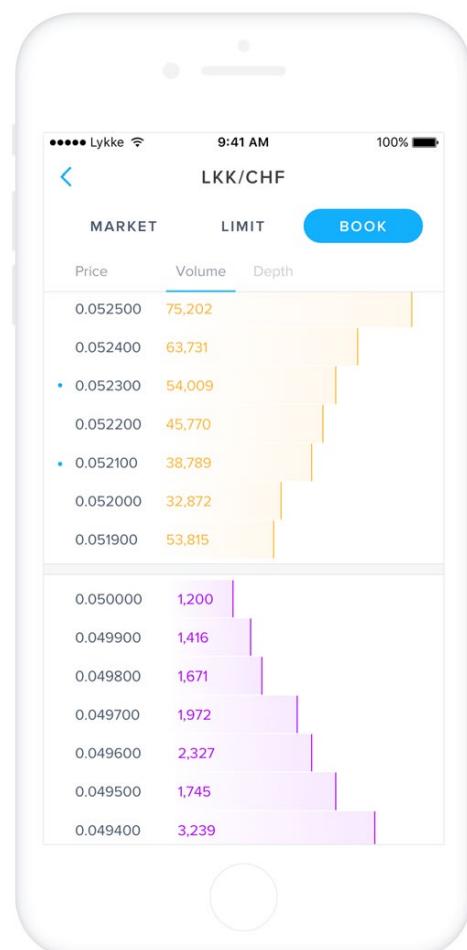
- Online onboarding
- Digital assets trading
- Private and cold wallets
- Blockchain payments

#### Clients

- 30k retail clients from 168 countries
- 20% MoM growth
- 4k monthly active users
- \$1.5m average daily volume

#### Features

- 0% commission trading
- Instant blockchain settlement
- Direct ownership with client private key
- 24\*7 service



## LYKKE EXCHANGE

### LYKKE EXCHANGE TRADING PLATFORM & API

Low-latency cloud-based matching engine

- High-throughput API
- Open source code base
- Market maker protection
- Maker/taker fee schedule

Asset classes

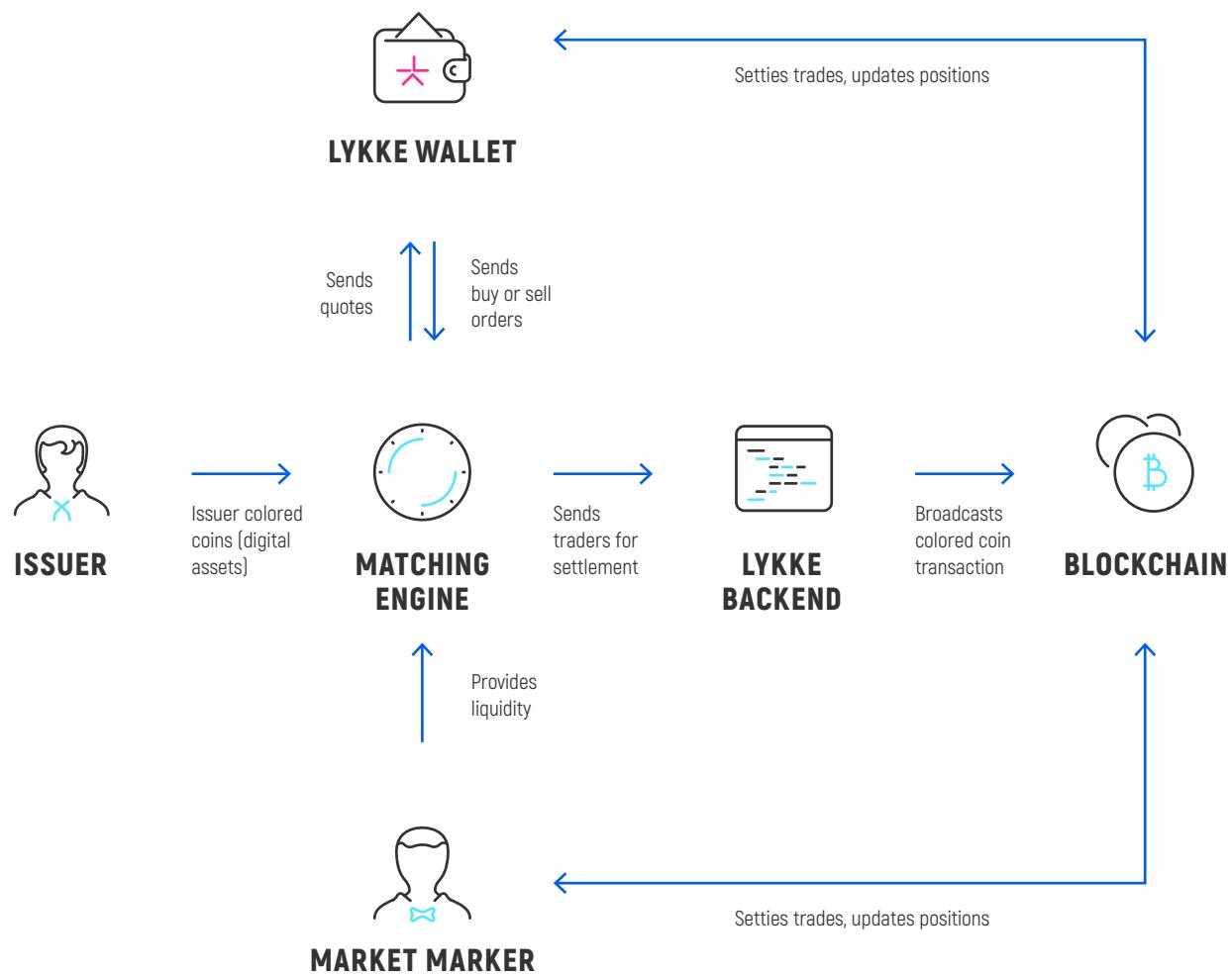
- FX cash coins (22 in total)
- Cryptocurrencies (Bitcoin Ethereum)
- Crypto-equity (Lykke coin)
- Derivatives (Lykke 1-year forward)
- Metals (XAU, XAG, XPT, XPD)

Clients

- Professorial clients
- Algorithmic traders

## Trading bridges

- REST API
- FIX/FAST



## LYKKE MARGIN TRADING

### LYKKE MT

#### FX & Cryptocurrencies margin trading

- Mobile trading
- Web-based terminal
- p2p-funding market

#### Asset classes:

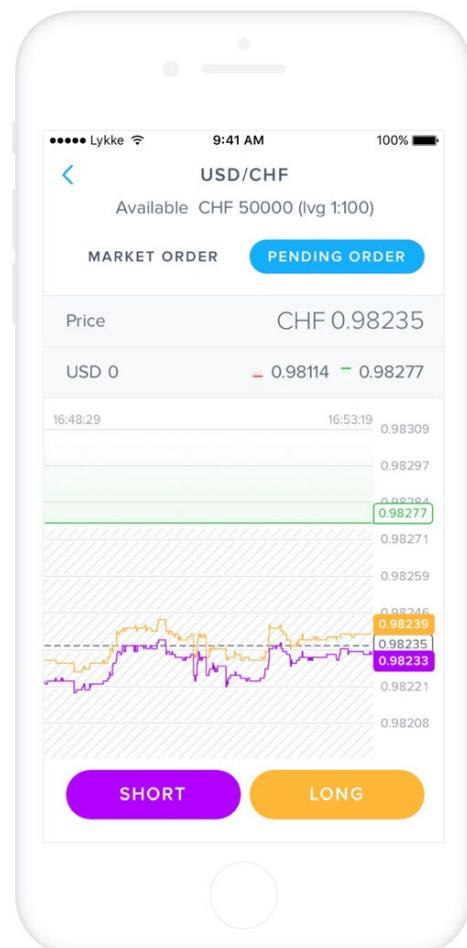
- FX pairs
- Cryptocurrencies (Bitcoin, Ethereum)
- Metals (XAU, XAG, XPT, XPD)

#### Clients:

- Retail clients
- Professional clients

#### Regulation:

- VFSC Dealer license
- CySEC Broker license



## LYKKE PAY

### PAYMENT NETWORKS

#### Payments infrastructure on blockchain

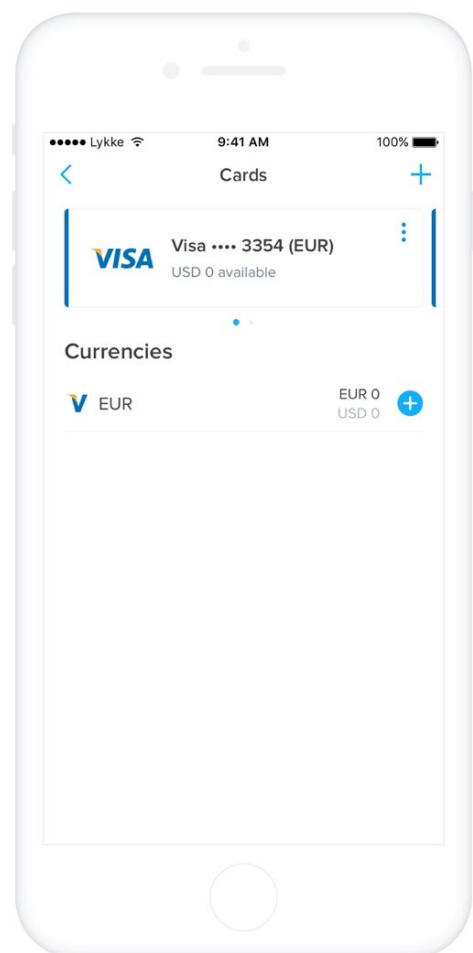
- Blockchain payments & transfers
- Debit card linked to digital wallet
- Credit card powered by securities lending
- Crypto POS terminal
- Crypto ATM
- eCommerce plugins
- Exchange services for PSPs

#### Features:

- Client pays with available digital assets
- Merchant receives asset of choice
- ‘On-the-fly’ conversion in matching engine
- Stable coins (FX Forward-at-the-run)

#### Technology:

- Lightning Network
- Raiden Network



## POS TERMINAL

Working on Lykke Pay we look into the future and believe, micro-payments on the blockchain will be available at every shop and restaurant, as banking cards nowadays.

Our partner – 34Bytes – manufactured for us a POS handheld terminal connected to Lykke Pay, that prints out a check with QR code containing a receiver address and amount to be paid in Bitcoins. As soon as Lykke Pay detects the required amount on the provided address, the terminal prints out a confirmation receipt.

While we are waiting for a payment from a customer we take care of the market risk, once the payment is received, merchants working with us can convert received Bitcoins to FIAT currency at Lykke Exchange immediately.

## **ECOSYSTEM B2B AND PARTNER PROJECTS**

We welcome our partners to integrate applications with Lykke Exchange; we provide Lykke Wallet API used by our own Lykke Wallet application along with related services for supporting the partners' users, such as email/ sms notifications as part of the functionality of Lykke Wallet API, finance operations and KYC/AML checks for the users.

The quick start guide describes minimum required steps to let you build a real life product based on Lykke infrastructure.

The guide as well as our sandbox are publicly available, and can be used by any company or person free of charge.

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# About Lykke

[Our Mission](#)

[Our Team](#)

[Key Facts](#)

[Metrics and Financials](#)



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## OUR MISSION

Lykke is the thought leader for applied blockchain technology.

We create open-source products that have positive, lasting impact. We provide a transparent, trustworthy, and secure global marketplace to give liquidity to traders and investors. We push the envelope on the problems we take on. We inspire others to build, innovate, and leverage our tools. We build a collaborative, inviting community.

Let's be provocative!

## OUR TEAM

Lykke's Team is a key differentiator. We have assembled leaders with on average 20 years of financial services experience, from founding firms that became dominant in their industry, to working for the largest entities including Barclays, Deutsche Bank, TD Bank, E\*TRADE, Gain Capital, Oanda, IBM Services.

Vision is a foundation, but without execution it remains ephemeral. The core team has proven experience in executing at firms large and small. We have joined Lykke as firm believers in the vision and want to make it a reality. We have the experience and enthusiasm to realize the vision.



**Richard Olsen**

Founder, CEO

Richard is a pioneer in high frequency finance with extensive entrepreneurial experience and well known for his academic work. He was a co-founder of OANDA, a currency information company and market maker in foreign exchange. Under Richard's stewardship as CEO of OANDA

the company was a shooting star that launched the first fully automated FX trading platform offering second-by-second interest rate payments and netted 37 Mio of profits in 2007. Already at OANDA, he conceived the first trading platform with second-by-second interest payments. He is visiting professor at the Centre for Computational Finance and Economic Agents at the University of Essex. His ambition is to transform financial

markets into a seamless system without the inefficiencies that we today take for granted.



### **Sergey Ivliev**

#### **Operations**

Sergey's dream is to make financial market better, faster and more inclusive. For 20 years being an industry professional, lecturer, author, events curator, member of editorial boards of academic journals and expert councils he contributes to promote best practices of financial

markets and risk management. Regional Director at PRMIA Russia and associate professor at Perm State University.



### **Michael Nikulin**

#### **Architecture**

Michael is architect, designer and developer with 10 year experience in creating market solutions for financial institutions, including Anti-Money Laundering, Fraud Detection and Financial Markets Compliance solutions. Combines deep knowledge of financial

architecture with Blockchain settlement mechanisms.



### **Anton Golub**

#### **Research**

Anton is a co-founder of Lykke Corp and the company's Chief Research Officer. Prior to Lykke, Anton worked as a quantitative analyst at Olsen Ltd, a Zurich-based asset management company. He also worked at the Manchester Business School as a Marie Curie Research

Fellow on high-frequency trading, market microstructure, and flash crashes. In 2012, he was invited to participate in the Foresight Project—the Future of Computer Trading in Financial Markets—an international project on algorithmic, high-frequency trading funded by the treasury of the UK. Anton was involved in several research projects funded by the European Union, including risk management and risk reporting, self-organized information processing, and criticality and emergence in multilevel systems. He is currently a supervisory board member for the BigDataFinance project. He has coauthored eight research papers and two book chapters.



### **Benedikt Schuppli**

#### **Legal**

Benedikt is an attorney-at-law and works as legal counsel for Lykke. He obtained his law degree from the University of Zurich and went on to work for organizations in the private and public sectors, including a Swiss bank and several law firms. A resident of Basel, Switzerland, he has a

lifelong love of learning. For several years, his professional interests have included cryptocurrencies and equity. In his spare time, he enjoys sports

such as running, hiking, and tennis. He is also a passionate musician and multi-instrumentalist.



**Thomas Birrer**

**Finance**

Dr. Thomas K. Birrer is Director of Finance of Lykke Corp and a fellow of the Lucerne University of Applied Sciences and Arts. Thomas' background is in commerce and banking. He holds a Ph.D. (Dr. rer. pol.) in Economics from the University of Basel, where he wrote a dissertation

on coping with FX risk management in Swiss enterprises. At the Lucerne University of Science and Arts, he is engaged as project leader and as tutor for the CAS Swiss Certified Treasurer program. Thomas is a Swiss citizen and speaks German, French and English.



**Roland Gemayel**

**Market risk**

Roland Gemayel is a senior finance professional with over six years of international experience in risk management, market making, financial modeling and forecasting, consulting, product development, business operations, and strategy. His current work at Lykke involves developing

market making algorithms and building performance metrics and risk systems to ensure steady growth of trading operations. Roland obtained his Ph.D. from King's College London, where his research investigated the performance and behavioral biases of traders on social trading platforms. His work is currently under review in top academic finance journals.



### **Andrey Migin**

#### **Development**

Andrey is exceptional team leader with 8 year professional experience of FX marketplace systems development.



### **Niklaus Mettler**

#### **Processes**

Niklaus makes financial markets more accessible, democratic, and open. He brings more than 30 years of professional experience in project management across different industries, including overseeing fundamental banking changes, leading and coaching high-performing teams,

and training and mentoring leaders. He is a citizen of Switzerland and the European Union, and he speaks German, English, French, and Italian.



### **Philipp Netzer**

#### **Lykke Switzerland**

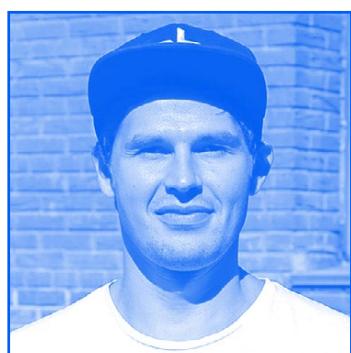
Philipp Netzer brings Lykke's vision to life in the regulatory framework of Switzerland. Before joining Lykke, he worked at PwC and Accenture for more than fifteen years as a management consultant in the financial services industry. He helped many banks and insurance companies to transform their

business and operating models. Lykke affords him a fantastic opportunity to do the same for the entire financial system.



**Demetrios Zamboglou**  
**Business Development**

Demetrios brings a wealth of technical experience finely dovetailed with operational creativity, required to propel Lykke's growth and popularity worldwide. A financial services visionary, with extensive award-winning experience in the fields of risk management, trading, compliance, product development and behavioural science — Demetrios delivers a high-calibre balanced package of real-time operational proficiency and forward-looking invention to the Lykke vision of changing the world for the better — and for all.



**Igor Samohin**  
**B2B projects**

Igor is Project Manager for Lykke's B2B projects. He has extensive experience in delivering Business Intelligence solutions to organizations and enterprises around the world and in developing long-term business relationships. His goal is to care for Lykke's partners while helping them to bring innovative products to market.



**Michael Klena**

**Lykke USA**

Michael Klena is responsible for building Lykke's vision in the USA. Over the past 25 years, he has helped financial services to transition into the digital space. He was a senior executive at several of the largest retail trading firms, at various times overseeing the Sales, Product,

Service, and Operations divisions in the U.S. and around the world. Today, he is actively involved in the delivery of blockchain products and services. He believes that it has the same disruptive potential on financial services as the Internet had.



**Yiannis Menelaou**

**Lykke Cyprus and ICO Platform**

Yiannis is the regional director of Lykke Europe (Cyprus) and the Chief ICO Manager for the Initial Coin Offerings taking place on the Lykke Exchange. He holds an M.S. degree in financial mathematics from Leeds Business School, and he serves as an adjunct lecturer for

the Master's program in digital currency at the University of Nicosia, which is currently the highest academic qualification in the field of cryptoeconomics. As a certified and recognized investment expert and contributor to various professional organizations, Yiannis has deep experience in investment analysis and portfolio management, as well as anti-money laundering practices, financial compliance, and securities laws.



**Seamus Donoghue**  
**Lykke Singapore**

Seamus is spearheading our buildout in Asia. He has 25 years of experience in financial markets, having worked for top-tier investment banks and a FinTech startup focused on the wholesale trading of physical commodities. He has been based in Singapore and Japan since 1998.



**Simran Mulchandani**  
**Lykke South Asia**

Simran Mulchandani is responsible for Lykke's efforts in South Asia. He is currently working on the launch strategy of Lykke Blue, Lykke's entry-level crypto wallet. Prior to joining Lykke in February 2017, Simran built a world-recognized music brand, gaining lessons in value creation, marketing, and communications. He is also a 15-year veteran of Wall Street. His interest in Lykke extends beyond business. He is particularly inspired by how the platform can be used to address the plight of the poor and enable investment in our ecological commons.



**Venky Sethuraman**

**Lykke Singapore**

Venky has more than twenty years of experience in Asian equities, with stints in Citigroup and Standard Chartered Bank. At Citi, Venky ran the ASEAN Equities business out of Singapore. He remains a keen investor in equities, and he is also an active angel investor in startups in the financial services space.

He is working to expand Lykke's footprint in Asia through the regulatory approvals and partnerships necessary to tap the Asian markets.



**Quah Zheng Wei**

**Lykke Singapore**

Quah Zheng Wei joined Lykke Asia in August 2017. His experience includes corporate finance at a major investment bank and mobile payments at a fast-growing startup, and he is on route to becoming a chartered accountant in Singapore. He is fully utilizing his experience to manage

the Lykke ICO Platform, the Lykke Pay Network, and Lykke Finance in Asia. He believes that, with the help of the blockchain, Lykke will be the revolution in creating an individual-centric digital world where each person has true ownership of assets and data.



### **Alan Laubsch**

#### **Natural Capital Markets**

Alan Laubsch, leader of Lykke's Natural Capital Markets group, is a connector and ecosystems builder. His mission is to protect earth's most vital ecosystems by democratizing impact investment with the blockchain. He has over two decades of risk management experience

with leading financial institutions, and he was a founding member of the RiskMetrics Group. He is an avid kitesurfer and ocean lover.



### **Iulian Circo**

#### **Natural Capital Markets**

Iulian Circo is a human rights lawyer who thrives at the intersection of social impact, entrepreneurship, and technology. He has spent his entire professional life on the front lines of aid delivery, first as a relief professional pursuing aid operations in some of the world's most

challenging environments, and later as a development executive running large field operations for global nonprofits. He has led humanitarian missions in East Timor, Cambodia, and the Democratic Republic of the Congo; set up operations for a UN agency in Somalia; and turned around country operations for a global public health charity in Swaziland and Mozambique. More recently, he co-founded Triggerise, a global social enterprise that rewards consumers for improving their communities. He is currently leading the development of Proof-of-Impact, a decentralized global platform for impact delivery.



### **Lena Mechenkova**

#### Communications

Lena is a communications professional with more than 17 years' experience in public relations and mass media. Areas of expertise include corporate communications, internal communications, event management, change communications, writing, and public speaking.



### **Tim Zinin**

#### Marketing

Tim has grown his marketing career from a formal education in technology. While running his own agency in Moscow, he provided services for companies including Panasonic and ASUS and conducted many successful campaigns around concepts such as SEO,

CPA, and mobile traffic. He became involved in crypto investments in 2015, which eventually led to his joining the marketing team at Lykke. His responsibilities include raising Lykke's brand recognition in the challenging and minimally regulated cryptocurrency market.



### **Nick Gogerty**

#### **Strategy**

Nick Gogerty invented the SolarCoin global solar energy reward system. As a recognized leader in finance and technology, he has worked for some of the largest banks and hedge funds in the world and served as an advisor to the UNEP, UNDP, UNFCCC, and G20. He is also a published author, multiple international prize winner, and guest lecturer on the subject of value investing. He earned his MBA from École Nationale des Ponts et Chaussées. After living in six different countries, he has settled in the New York City area with his family.



### **Erwin Fedier**

#### **Lykke de México S.A.**

Erwin Fedier is CEO of Lykke de México S.A. Prior to joining Lykke Corp, he worked for GAM as Executive Director responsible for business development with intermediary clients in Switzerland for more than 14 years. He also spent 9 years on the equity sales side and 8 years as a stock exchange trader for UBS. He holds Masters degrees from the Swiss Banking School at the University of Zurich and from the Investment Banking Institute of New York.



### **Heinrich Zetlmayer**

#### **Board of Directors**

Heinrich Zetlmayer is engaged in a number of growth companies in FinTech, crowdtasking, and other digital domains, whether as a board member, in operations, or as an investor. He has served as Co-Managing Director of Turtle Entertainment, the largest eSports company

globally; he was a member of IBM's Executive Board in Switzerland and served as Vice President and Country Leader of IBM Global Business Services; and he was Global Head of Operations Management Practice for Arthur D. Little, where he improved revenue, cost, and capital efficiency for major corporations in the United States and Europe. He holds a Ph.D. in industrial engineering and speaks five languages.



### **Ralph Zurkinden**

#### **Board of Directors**

Ralph Zurkinden is convinced that the nascent application of blockchain technology has the potential to eliminate many of the existing flaws in finance, economics, and social systems. Over the past ten years, Ralph was an active angel investor with a focus in FinTech. He currently

serves as a director on the board of Verve Capital Partners, a large angel network serving investors and startups alike. Prior to this, he spent more than 30 years with UBS in different global positions, and he served as Head of Foreign Exchange during a ten-year stint in several locations across the Asia-Pacific region. Returning to Switzerland,

he became Global Head of Foreign Exchange for Wealth Management Clients for UBS and served on the Management Committee of the UBS Investment Bank Switzerland.



**Michael Hobmeier**

**Board of Directors**

Michael Hobmeier spent ten years as a partner at PwC/IBM, where he led the Swiss financial services practice, and spent nearly ten years afterwards as CEO of a Swiss bank. He is now on the board of Lykke Corp, in addition to his involvement in a number of other startups. He

holds a master's degree in electrical engineering from ETH Zürich and an MBA from the University of St. Gallen.



**Alexander Spuller**

**B2B projects**

Alexander Spuller works as a managing engineer in his family's construction business. Over the years, he has contributed to numerous projects of various sizes and scopes, from local impact to international reach. He presently sits on the Board of Directors of Lykke and manages B2B

projects. He holds a degree in civil engineering and legal studies.

## KEY FACTS

(AS OF 1 NOVEMBER)

**\$4,8M**

total investments  
in Lykke

**6K+**

LKK  
coinholders

**1K+**

LKK1Y  
coinholders

**30K+**

Lykke Wallet  
users from  
168 countries

**80**

Asset pairs

**\$250M**

trading  
volume (12m)

**100+**

team members  
from 22 countries

## METRICS AND FINANCIALS

(\$USD M)	2017	2018	2019	2020	2021	2022
Total Revenues	3.7	29.6	119.7	209.9	262.2	315.0
Total Direct Costs	1.6	6.9	17.8	23.0	22.8	25.5
Gross Profit	2.1	22.7	101.9	186.9	239.4	289.5
Total SG&A	6.5	21.2	56.8	81.5	81.2	85.5
EBITDA	(4.4)	1.6	45.1	105.4	158.2	204.0
Depreciation	1.0	3.6	6.2	8.2	10.2	11.2
Net Income Before Tax	(5.4)	(2.0)	38.9	97.2	148.0	192.8
Tax	(1.6)	(0.6)	11.7	29.2	44.4	57.8
<b>NET INCOME</b>	<b>(3.8)</b>	<b>(1.4)</b>	<b>27.2</b>	<b>68.1</b>	<b>103.6</b>	<b>134.9</b>

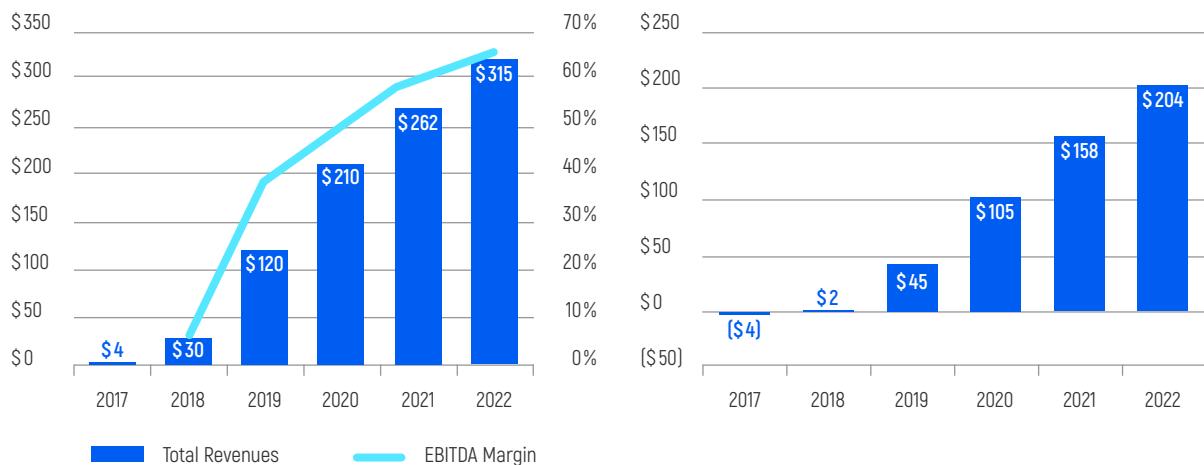
### KEY STATISTICS:

Revenue Growth	703.5%	304.3%	75.4%	24.9%	20.1%
Gross Profit Margin	57.2%	76.8%	85.1%	89.1%	91.3%
Gross Profit Growth	978.7%	348.4%	83.5%	28.1%	20.9%
SG&A Expense Margin	177.1%	71.5%	47.5%	38.8%	31.0%
EBITDA Growth	N/M	2,795.8%	133.9%	50.0%	28.9%
EBITDA Margin	5.3%	37.7%	50.2%	60.3%	64.8%

## ABOUT LYKKE

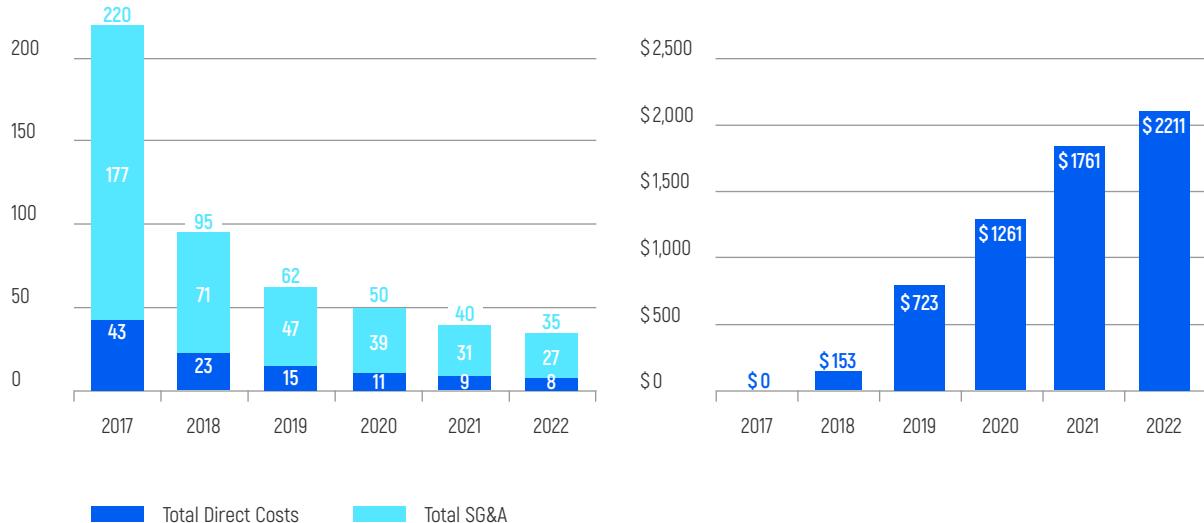
### OPERATING SUMMARY

### EBITDA (\$USD M)



### EXPENSE MARGIN (%)

### TOTAL FEE EARNING AUM (\$USD M)



LYKKE 2-YEAR FORWARD  
THE FIRST STEP TO LYKKE 2.0  
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# Governance, Risk Mana gement and Compliance

Governance  
Risk Infrastructure  
and Management

Compliance Risk  
Management Framework



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## Institutional grade

Lykke is committed to build Institutional grade, governance, risk management and compliance processes. Since incubating Lykke in 2016 we have now implemented a risk management and compliance framework. Lykke is working with the best experts in each geography and aims to be as local as possible in every market it operates with local risk and compliance communities under the guidance and support available via a dedicated Group risk and compliance community.

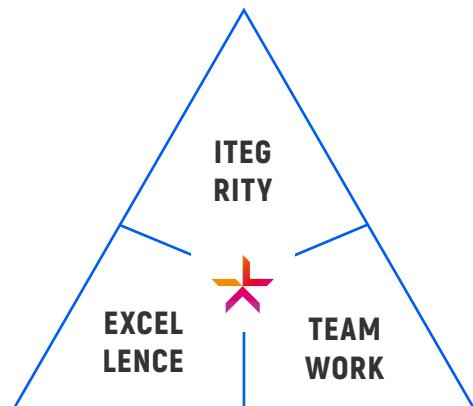
## Corporate sustainability through Lykke's business principles

**Integrity:** We demand of each other and ourselves the highest standards of individual and corporate integrity. We safeguard company assets. We foster an environment of trust with our co-workers, customers and communities. We comply with all company policies and laws, and create an environment of transparency.

**Excellence:** We continually challenge each other to improve our products, our processes and ourselves to be known as global best-of-class.

**Teamwork:** We are dedicated to diversity, fair treatment, mutual respect and trust. We bring the best out of each other and elevate to highest performance.

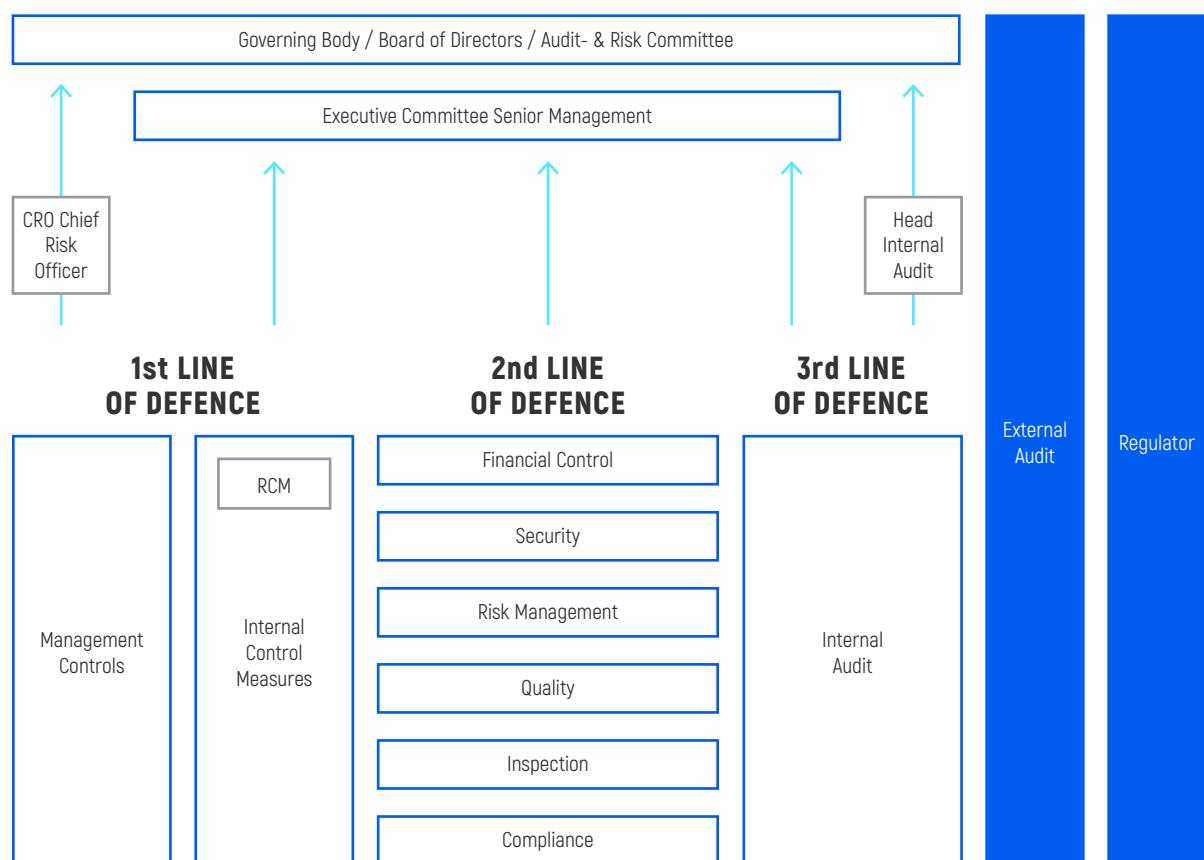
We also commit ourselves to the UN Global Compact Principles (UNGC) like many other global players. UNGC has more than 9'000 company-members and 4'000 non-business members.



We shall be a "good citizen/company" shaping our future and be build to stay.

# GOVERNANCE

At Lykke we adapted the corporate business standard “three lines of defense model”. Because of the real-time nature and flat structure of our business, the 1st line can escalate (via CRO) directly to the governing body with an open communication approach (eg. Volatility in the market brings high risk and direct threads up to the very existence of Lykke).



Outlined below is a brief description of the main responsibilities of the key organs of the governing body that support the governance environment.

BOARD OF DIRECTORS	RISK COMMITTEE	AUDIT COMMITTEE
<ul style="list-style-type: none"> <li>— Foster the Lykke risk culture.</li> <li>— Establish and monitor an effective risk management and compliance function.</li> <li>— Monitor overall risk and general best practices.</li> <li>— Ensure appropriate risk and control environment, appoint and monitor internal audit, commission external regulatory audit firm, assess reports.</li> <li>— Discuss enterprise risks with senior management and committees, annually re-assess risk strategy and risk profile.</li> <li>— Meet the internal audit requirements.</li> </ul>	<ul style="list-style-type: none"> <li>— Evaluate and assess impacts of environmental changes on the risk potential and risk exposure of Lykke</li> <li>— Assess the Lykke risk management framework and present relevant enhancement/recommendations to the board of directors.</li> <li>— Assess Lykke's capital and liquidity planning and report to the board of directors.</li> <li>— Assess, at least annually, the Lykke risk management framework and ensure that necessary changes are made.</li> <li>— Control whether Lykke has an adequate risk management function with effective processes which are appropriate to its particular risk situation.</li> <li>— Monitor the implementation of risk strategies, ensure in particular that they are in line with the defined risk tolerance and risk limits defined in the Lykke risk management framework.</li> </ul>	<ul style="list-style-type: none"> <li>— Draft general guidelines for internal auditing and financial reporting for submission to board of directors.</li> <li>— Monitor and assess financial reporting and internal control adequacy, discuss with executive management, lead auditor of financial audit and head of internal audit.</li> <li>— Monitor and assess effectiveness of ICS, as well as effectiveness and independence of regulatory external audit firm, discuss audit reports with lead auditor.</li> <li>— Assess regulatory audit plan, audit rhythm and audit results.</li> </ul>

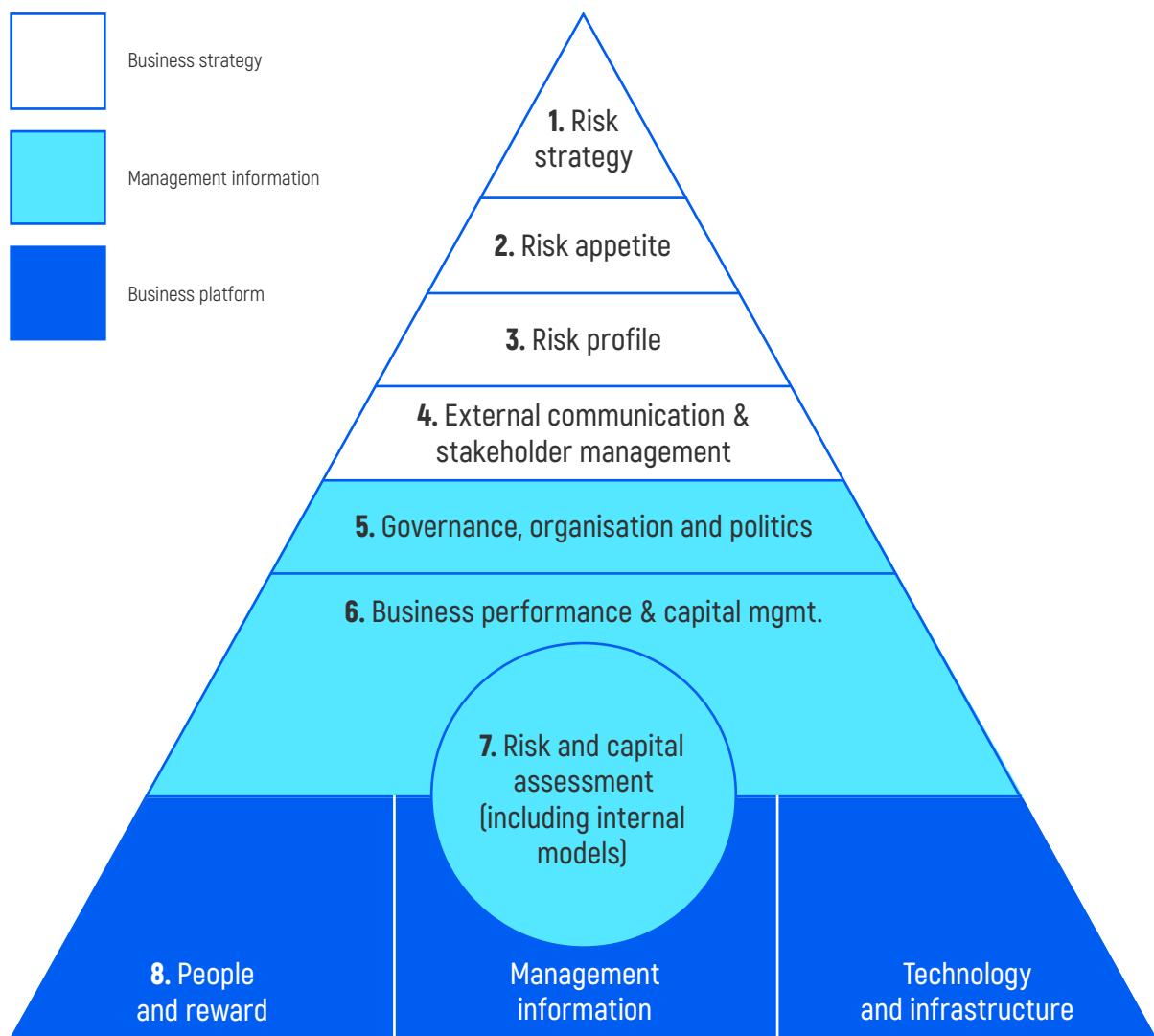
- Take notice of relevant interactions with regulating authorities and assess precautions and activities to comply with legal and other requirements. Assess appropriateness of implemented processes to fulfill compliance.

At Lykke the risk and compliance environment is intentionally decentralised and built according to the local markets we operate in. To support a general sense of coherence and efficiency the Board of Directors have adopted both a risk management and a compliance framework, as described below.

## **Risk Management Framework**

The Lykke group-wide risk management framework includes risk elements, risk governance responsibilities and risk governance resources on all levels to support all those involved in our activities identify, manage and control associated risks. Sharing best practices to contribute to the overall success of Lykke.

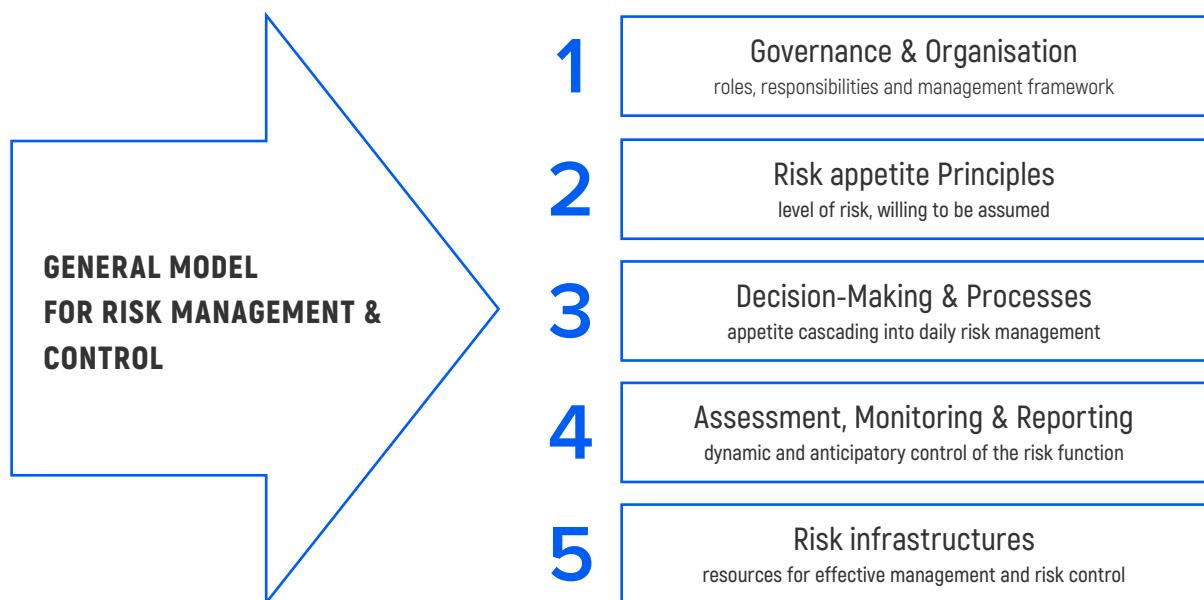
The framework has been developed by the executive board and approved by the board of directors. It comprises the risk policy and risk tolerance as well as the risk limits in all key risk categories.



## RISK INFRASTRUCTURE AND MANAGEMENT

At Lykke we foster the many communities operating in the network to communicate relevant risk areas in their specific environments both individually and in the collective. In doing so, this creates a more effective risk environment where risk matters are identified and addressed early.

The risk management model provides **strength** and **stability** to Lykke, according to its management and strategy.



## COMPLIANCE RISK MANAGEMENT FRAMEWORK

At Lykke we believe that effective management of Compliance Risk maximises Lykke's opportunities in the market and enhances our competitive position by building trust. Integrating a strong compliance risk management programme into the daily management of our communities and planning gives us a strategic competitive advantage. It helps us to protect our reputation, lower the cost of capital, reduce costs and helps us to minimise the risk of investigation, prosecution and penalties because we aim to do the right things the right way.

The Compliance Risk Management Function operates within the context of Lykke Group's Risk Management strategic framework.

Lykke operates in a complex, international regulatory environment with local and international compliance obligations. Lykke aims to comply with the letter and spirit of our obligations, in our employees' conduct and in our systems and processes. To achieve this Lykke utilises a framework to manage Compliance Risk as summarised below.

RISK MANAGEMENT STRATEGY	COMPLIANCE RISK MANAGEMENT PURPOSE
<b>Risk Business</b>	<p><b>Understand and advocate the rules,</b> regulations and laws and the effective management of Compliance Risk and proactively work with and advise the business to manage Compliance Risk throughout our products' life cycle to meet stockholder expectations</p>

RISK MANAGEMENT STRATEGY	COMPLIANCE RISK MANAGEMENT PURPOSE
<b>Risk Reporting Controlling</b>	<b>Develop and Enhance Tools</b> to strengthen the three lines of defence to detect, communicate, report and manage Compliance Risks in order to limit surprises
<b>Risk Strategy</b>	<b>Support Group Strategy</b> by establishing clear roles and responsibilities to help embed good compliance risk management practice throughout the business by using a risk based approach to align business outcomes with Lykke's risk appetite
<b>Risk Disclosure</b>	<b>Deepen the Culture of Compliance</b> by partnering with the business to increase the culture of trust, accountability, transparency and integrity in evaluating and managing Compliance Risk

In addition, the conduct of those connected to Lykke is of paramount importance. At Lykke we categorise such Compliance Risk into four conduct related integrity risk areas.

**GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE**

<b>CLIENT CONDUCT RELATED INTEGRITY RISK</b>	<b>PERSONAL CONDUCT RELATED INTEGRITY RISK</b>	<b>FINANCIAL SERVICES CONDUCT RELATED INTEGRITY RISK</b>	<b>ORGANISATIONAL CONDUCT RELATED INTEGRITY RISK</b>
<b>EXAMPLES OF COMPLIANCE/INTEGRITY RISK</b>			
Money laundering	Market abuse and personal trading	Marketing, sales and trading conduct	Organisational conflicts of interest, market abuse and insider trading
Money laundering	Market abuse and personal trading	Marketing, sales and trading conduct	Organisational conflicts of interest, market abuse and insider trading
Terrorist financing	Breaches of the LYKKE business principles or local code of conduct	Conduct of advisory business	Anti-trust/Competition Law
Political or reputational exposed person	Outside positions held by LYKKE officers	Transparency of product offerings (e.g costs disclosures)	New or modified products and services (e.g. customer base, design) and governance changes
Client engagements or transactions with sanctioned countries	Gifts or entertainment given or received; bribery	Complaint handling	Agreed sector/industry standards
	External incident reporting		Regulatory registration and reporting requirements
			Third party intermediaries as representatives of LYKKE

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# Executive Bodies

Shareholders' Meeting

The Board of Directors

Advisory Board

Auditor

Authorized  
Representatives

## SHAREHOLDERS' MEETING

The annual Shareholders' Meeting takes place each year within six months after the close of the financial year. Extraordinary meetings will be convened as needed.

The Shareholders' Meeting is the supreme governing body of the Company and passes its resolutions and carries out its votes by an absolute majority of the voting shares represented, unless otherwise provided for by law or under the Articles of Incorporation. A resolution of the Shareholders' Meeting passed by at least two thirds of the voting shares represented and an absolute majority of the nominal share capital represented shall be required with respect to:

- All resolutions in accordance with Article 704 of the CO;
- All resolutions relating to a merger, spin-off or similar occurrences pursuant to the Swiss Merger Act.

Pursuant to the Articles of Incorporation, shareholders will be notified of Shareholders' Meetings in writing at least 20 days prior to the meeting date. The shareholders shall exercise their voting rights at the Shareholders' Meeting in proportion to the overall nominal value of the shares they hold.

The 2016 Annual Report [https://www.lykke.com/Annual\\_Report\\_2016.pdf](https://www.lykke.com/Annual_Report_2016.pdf)

The 2016 Annual Report voting results <https://report2016.lykke.com/>

## THE BOARD OF DIRECTORS

The Board of Directors is composed of one or more members who are elected for a term of three years. The Board of Directors appoints its Chairman and the Secretary.

The Board of Directors is currently composed of the following members, who have been elected until the annual Shareholders' Meeting of 2018:

**Dr. Richard Björn Olsen, resident of Zurich**

President of the Board

**Michael Hobmeier, resident of Wollerau**

Member of the Board

**Dr.-Ing. Heinrich Klaus Zetlmayer, resident of Rüschlikon**

Member of the Board

**Ralph Martin Zurkinden, resident of Egg**

Member of the Board

The President of the Board of Directors is a Swiss citizen. The Board of Directors represents the Company with sole signatory power. Details as to the professional occupation and education as well as business connections of the Board of Directors member can be found in the Business Report.

## EXECUTIVE BODIES

The ultimate responsibility for management rests with the Board of Directors, which is responsible for the overall management of the Company. The tasks are based on the Swiss Code of Obligations, in particular Article 716a of the CO. The Board of Directors may delegate management in whole or in part to individual Board members or to a third party subject to the Organizational Regulations.

## **ADVISORY BOARD**

The Advisory Board of the Company is currently composed of the following persons:

Chairman of the Advisory Board (CEO)

**Dr. Richard Björn Olsen**

Members of the Advisory Board

**Prof. Dr. Paul Embrechts, Switzerland**

**Dr. Luka Müller-Studer, Switzerland**

**Nick Szabo, United States**

## AUDITOR

### **Grant Thornton**

is designated as an auditor.

Grant Thornton has conducted an independent audit of Lykke's financial statements and income for the year 2016.

2016 Auditors Report

[https://www.lykke.com/2016\\_Lykke\\_report\\_independent\\_Auditor.pdf](https://www.lykke.com/2016_Lykke_report_independent_Auditor.pdf)

## AUTHORIZED REPRESENTATIVES

The Company has at least two authorized representatives who represent the company. The following persons are included in the Commercial Register as authorized representatives of the Company:

**Thomas Birrer (1982)**

Director of Finance, resident in Sarnen (OW)

**Philipp Richner (1989)**

Head of Accounting, resident in Staufen (AG).

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Share Capital and  
Shareholders' Equity  
  
Changes in Share Capital  
  
Authorized Share Capital  
  
Conditional Share Capital

Outstanding Bonds  
  
Own Equity  
  
Significant Shareholders  
Employee Stock Ownership



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## SHARE CAPITAL AND SHAREHOLDERS' EQUITY

The share capital in the amount of CHF 128,569.00 is divided into 12,856,900 fully-paid registered shares with a nominal value of CHF 0.01 per share. There are no dividend certificates, participation certificates or preferred shares. There are no preferential rights for individual share categories.

The shares are registered on blockchain. In total 1,285,690,000 Lykke coins were issued. Each registered share of Lykke Corp corresponds to 100 Lykke coins.

The asset definition URL:

[https://blockchainexplorer.lykke.com/asset/  
AXkedGbAH1XGDpAypVzA5eyjegX4FaCnvM](https://blockchainexplorer.lykke.com/asset/AXkedGbAH1XGDpAypVzA5eyjegX4FaCnvM)

<b>ASSET ID</b>	AXkedGbAH1XGDpAypVzA5eyjegX4FaCnvM
<b>TICKER</b>	Lykke
<b>TYPE</b>	Stock
<b>DIVISIBILITY</b>	Divisible to 6 places
<b>ASSET DEFINITION JSON</b>	<a href="https://lykke.com/asset/LKK">https://lykke.com/asset/LKK</a>

## CHANGES IN SHARE CAPITAL

The following changes in share capital at Lykke Corp have taken place since 2013:

- Upon incorporation, the Company had a share capital of CHF 100,000.00.
- With the ordinary share capital increase of November 30, 2015, the share capital of CHF 100,000.00 was increased to CHF 119,750.00.
- With the capital increase from authorized share capital of December 18, 2015, the share capital was increased from CHF 119,750.00 to CHF 125,000.00.
- With the capital increase from authorized share capital of 25 May 2016, the share capital was increased from CHF 125,000.00 to CHF 128,569.00.

## AUTHORIZED SHARE CAPITAL

By resolution dated November 30, 2015, the Shareholders' Meeting of Lykke Corp authorized the Board of Directors of the Company to increase the share capital within two years by a maximum of CHF 51,056.00 through the issuance of 5,105,600 fully-paid registered shares with a nominal value of CHF 0.01 per share (authorized capital increase). The provisions of the Articles of Incorporation provide as follows:

*"Art. 3B – Authorized Share Capital*

*The Board of Directors shall be authorized to carry out at any time within two years a capital increase in the maximum amount of CHF 51,056 through the issuance of a maximum of 5,105,600 fully-paid registered shares with a nominal value of CHF 0.01 per share.*

*The Board of Directors shall decide in each case on the allocation of the subscription rights that have not been exercised, taking into account the interests of the Company.*

*An increase in partial amounts is permitted. The relevant date of the dividend entitlement and the type of contributions shall be determined by the Board of Directors. The restriction on the transferability of the new shares shall be governed by [cf. Section E.]."*

## CAPITAL

### **CONDITIONAL SHARE CAPITAL**

The Company does not have any conditional share capital.

### **OUTSTANDING BONDS**

The Company does not currently have any bonds outstanding.

### **OWN EQUITY**

As of the date of this Memorandum, the Company held 836,340 (6,5%) of its own shares.

### **SIGNIFICANT SHAREHOLDERS**

Dr. Richard B. Olsen is the only significant shareholder with a holding in excess of 10 percent.

### **EMPLOYEE STOCK OWNERSHIP**

Currently, no employee stock ownership plans exist for the awarding of shares or options of the Company.

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# Risk Factors and Investment Considerations

General Risks

Legal and Regulatory Risks

## GENERAL RISKS

Investments in shares offer an opportunity for significant capital gains but also entail a high degree of business and financial risks, including the possibility of a complete loss of the investment. This Memorandum was compiled with due care and to the best of the Company's knowledge. Nonetheless, this document does not represent any solicitation for the purchase or sale of securities or rights. Instead, each investor is requested to engage in his own independent research and make his own decisions with respect to the purchase or shares or subscription rights of the Company. It is assumed that each person willing to subscribe for shares is familiar with the risks that are normally entailed by the purchase, sale and holding of shares.

Investors who are considering purchasing shares of Lykke Corp should carefully read and consider, in addition to the other information set out in this Memorandum, also the following specific risk factors described below. The risks described below are not the only risks that come into question for Lykke Corp or its business activities and are by no means intended to represent a comprehensive list. The order in which the individual risks were chosen to be presented does not provide any indication of the probability of occurrence or the seriousness or importance of the individual risks or their impact on Lykke in the event that they occur. Additional risks that are not business-specific and that are not yet currently known to the Company or that the Company does not currently deem to be relevant may likewise have an impact on the business activities. Each of these risks may negatively influence the business activities, the financial situation and/or the profitability of Lykke Corp.

## **Business Model, Competitive Situation**

Trading of Colored Coins/Tokens is based on a novel system developed by Lykke (Lykke Exchange). Such a marketplace depends on the regulatory qualification of Colored Coins/Tokens. Upcoming security, privacy or other regulatory concerns could require Lykke to implement changes to its digital securities trading system that could disrupt trading in Colored Coins/Tokens for any kind of asset.

Also undiscovered technical flaws in the Lykke technology may occur and prevent trading for a period of time. This relates also to all required processes regarding consensus and recording in distributed public ledgers. In order to have the best and most transparent quality, the source code of the Lykke technology is public and everybody is able to test and enhance the current state of development. The contribution is incentivized by the open and crowd sourced organizational setup of Lykke.

The management board undertakes monthly reviews of the development of the Company and act accordingly to optimize the cost of operation and development of the business. Especially the Company will monitor concentration risk in order to minimize the reliance on a small number of customers. The Company actively looks to recruit multiple members and a wide range of underlying customers.

## **Dependency on Certain Personnel**

Key personnel have equity interests. This mitigates the risk of key personnel leaving and knowledge drain. The recruitment and interview process for new employees is extensive to ensure all aspects of an employee's suitability for a role are considered. Regular and formal updates take place to ensure all senior employees are fully informed.

## **Security Risks**

The company uses public distributed ledgers that are available to the public and store the complete trading history from issuance until cancellation of digital tokens. As a result, robust and transparent trading data will be publicly available, but still only sanitized and secured by cryptographic key pairs. Personal identity information to match a trading party to the entry in the blockchain is maintained in a separate database that is not exposed to the public.

Failure in the Company's IT systems or through negligent action of an employee could breach rules on confidentiality and cause loss of business or damage to the Company's reputation. Therefore, servers are backed-up in several copies in different locations real-time and daily. In addition, firewalls and regularly updated anti-virus software are in place which offers a high level of intruder protection. A data security policy is in place which includes reasonable measures to mitigate the threat to the Company's data – including no removal of data from the Company's premises, and lockdown /controlled access to data. The policy is reviewed no less than on an annual basis.

For systems failure or inability to access the building as a result of a terrorist attack/similar event the Company has a disaster recovery and business continuity plan (BCP). Staff can work remotely/from home or in BCP offices as appropriate.

## **Operational Risks**

Public blockchains are still in the early stage and there might be new innovations that will not work as expected or fail totally in future. Therefore, the Company is independent of the blockchain technology and uses only leading blockchains with the biggest amount of nodes. Small, new and private ones are not allowed to be used for settlement. Individuals who supervise outsourced activities ensure that outsourced services meet high standards. Appropriate operational monitoring and procedures are in place: Trained staff, appropriate service level agreements, appropriate choice of professional and competent counterparties.

The Company's secretarial function is carried out in-house by the Finance director, supported by an external consultant and reviewed annually by the Company's auditors.

## **Volatility**

Like cryptocurrencies in general the value of the token may be extremely volatile and vulnerable to dramatic price changes.

## **Financing**

A clear road map and the related cost of building the business are defined conservatively. But the regulatory costs for building such a market place could be substantial.

Since the Company holds own tradeable shares it has a lot of room for maneuver to find innovative ways for compensating work of employees or requested services from third parties.

## LEGAL AND REGULATORY RISKS

All disputes in connection to our customers is managed through the relevant Compliance Officer and escalated as necessary and in accordance with our general terms and conditions of use.

Staff are trained on the Company's procedures and report their PAD, inducements etc. to the Compliance Officer. Staff's competence is assessed at the point of recruitment and annually thereafter. In order to prevent fraud and insider dealing those involved in our operations are subject to certain insider trading requirements and disclosure. The Company provides staff members with regular training on such matters as anti-money laundering and market abuse and bribery.

### **Know your clients**

Comprehensive client onboarding procedures are in place including Know Your Customer (KYC) and risk assessment using outsourced third-party provider's: KYC Spider, GBG ID3GLOBAL and Chainalysis software. Each provider is routinely monitored through service level agreements and key performance indicators in place.

### **Anti-money laundering and financing terrorist activities**

There is a risk that funding is obtained from illicit or illegal activities in respect of cryptocurrencies. To limit this risk there is a substantial and competent team involved in the continual monitoring of transactions inwards and outwards in compliance with current standards and regulations.

## **Protection**

Owing to the current regulatory immaturity of the industry participants are highly unlikely to obtain any financial protection from regulatory authorities.

## **Regulatory Environment**

The industry is evolving rapidly and there is a risk that market conditions change without notice, particularly in respect of regulators. This might have a negative impact on participants and our future plans where our activities might be restricted or prohibited.

## **Taxation**

We intend to comply to prevailing taxation requirements, however, certain products and services might attract varying taxation interpretations and generate a liability to the Company that might not otherwise be passed on to or be recoverable.

## **SALES & DISTRIBUTION RESTRICTIONS**

The distribution of this Memorandum and the offer and sale of Lykke Tokens is not being made directly or indirectly in, nor is it intended to extend to, a country or jurisdiction where such offer would be considered unlawful or in which it would otherwise breach any applicable law or regulation or which would require Lykke to amend any term or condition of the offer in any way or which would require Lykke to make any additional filing with, or take any additional action with regards to, any governmental, regulatory or legal authority. Materials relating to such offer may not be distributed in nor sent to such country or jurisdiction and may not be used for the purposes of soliciting the purchases of any Lykke tokens from anyone in such country or jurisdiction.

The Company and the Board of Directors invite persons who obtain access to this Memorandum to familiarize themselves with and adhere to these restrictions. Neither the Company nor the Board of Directors accepts any legal responsibility in the event that these restrictions are breached by a third party, regardless of whether or not such party is a potential purchaser.

## DISCLAIMER

This document is for informational purposes only and is neither a prospectus within the meaning of Articles 652a and 1156 CO nor Article 5 CISA.

This document does not represent either an offer or solicitation to subscribe for or purchase any security, nor does this document contain or form the basis for any contract or obligation. The purchasers shall make a purchase decision on their own (and possibly contact their bank, their broker or their investment adviser or portfolio manager), based on the information on hand (including, in particular, the most recent Business Report). The Company is not responsible for consequences, in particular losses, which result or will result through the use or the failure to use the information set out in this Memorandum.

This Memorandum contains statements with respect to financial and operational developments and results as well as other forecasts that are forward-looking in nature or that include subjective assessments, including statements that include terms such as «believe», «estimate», «assume», «expect», «intend» and similar formulations. Such forward-looking statements are made on the basis of assessments, assumptions and conjectures that the Company deems appropriate at the current point in time. A number of factors, such as the uncertainties and risks described in this Memorandum, may mean that the events that in actual fact occur, including the actual business, earnings and financial situation of the Company, may deviate in significant fashion from the forecasted situation. Potential purchasers should also note that past events are no guarantee for future events. The Company therefore does not make any guarantee that the suggested developments will be achieved.

The background is a dark blue space filled with numerous thin, glowing blue lines of varying lengths. Some of these lines are straight, while others curve slightly. Interspersed among these lines are small, glowing blue dots that appear to be moving along the paths of the lines. The overall effect is one of a complex, dynamic system or network.

lykke.com