



SINGAPORE ACADEMY OF LAW

AUTHENTICATION CERTIFICATE

I hereby certify that –

Eben Ong Eng Tuan is a duly appointed Notary Public practising in Singapore, and that the signature appearing at the foot of the annexed Notarial Certificate dated 16th May 2019, is the signature of the said Eben Ong Eng Tuan.

This Certificate is not valid if the seal of the Singapore Academy of Law is removed or altered in any way whatsoever. This Certificate does not authenticate or confirm the content of the Document attached to the annexed Notarial Certificate.



Dated this 16th day of May 2019.

A handwritten signature in black ink, appearing to read "LAI WAI LENG".

LAI WAI LENG
SENIOR MANAGER
SINGAPORE ACADEMY OF LAW

1905204

Certified true signature



A handwritten signature in black ink, appearing to read "KHUI JOO YING".

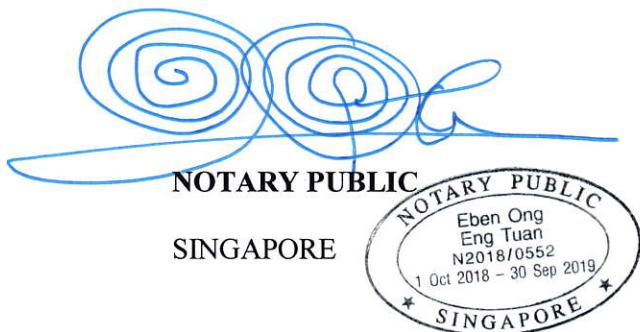
17 MAY 2019

To All to Whom These Presents Shall Come

I, EBEN ONG ENG TUAN, Notary Public, duly authorised and appointed, practicing in the Republic of Singapore, DO HEREBY CERTIFY AND ATTEST that on 16th May 2019, GIACOMO MERELLO (Singapore Identity Card No. S8066167C) appeared in my presence and signed the letter for and on behalf of MARVELUX CONSULTING PTE. LTD. annexed hereto.

In so certifying, the said Notary Public does not endorse, verify or make any statement as to the accuracy, truth, legality or otherwise of the contents of the document(s), or the purposes for which the document(s) may be used.

IN TESTIMONY WHEREOF I, the said Notary Public have hereunto subscribed my name and affixed my Seal of Office at Singapore this 16th day of May 2019.



Marvelux Consulting Pte. Ltd.

International Legal and Tax Advisory

COMPANY REG NO. 201720561E

ADDRESS : 37 Jalan Pemimpin, #06-12, Mapex, Singapore 577177

Singapore, 16th of May 2019

To Whom It May Concern:

The present **legal opinion** was commissioned by **Chintai LTD**, (hereon forward “Chintai”) to provide an in-depth international comparative legal analysis over the **nature and regulatory framework** of their Digital Token¹ (ticker: **CHEX**), based on EOS system and Blockchain² with the issuance of standard tokens³.

This document, the opinions expressed and the final conclusions are limited to the issues, matters and principles herein specifically examined, and are based on the study of the materials and information provided by Chintai⁴, including (but not limited to) the latest published Whitepaper⁵.

This legal opinion is written in good faith and with professional honesty and independence. While based on currently available and published guidelines and/or regulations from relevant authorities in different Countries as well as general legal and regulatory principles, no other opinion or conclusion is to be implied or inferred beyond what herein specifically expressed. There is no absolute guarantee or binding obligation to follow the opinions and conclusions herein exposed by any public authority, by a Court of Law or in a litigation, as their opinions and interpretations might be different. Lastly, being an International and Multi-Country analysis the opinions herein provided should be considered as motivated guidelines and while everything stated is updated and current at the time of our writing, part or all of its contents might be revised in the future, should significant changes or developments in relevant laws, official guidelines and interpretations, occur.

A) A Brief Introduction to Digital Tokens

Before entering into deeper details on the specific charge of the present legal opinion, it is useful to recap briefly what a Digital Token is and what types are generally recognized by most entities at an International level.

A “**Digital Token**” is widely recognized to be “*a cryptographically-secured representation of a token-holder's rights to receive a benefit or to perform specified functions*”⁶.

1 Please find in below section A) the most widespread legal definition of a “Digital Token”.

2 <https://en.wikipedia.org/wiki/EOS.IO>

3 <https://medium.com/coinmonks/the-future-of-eos-tokens-c98bdbadbc36>

4 <https://chintai.io/>

5 <https://chintai.io/whitepapers/Chintai%20Tokenomic%20Model.pdf>

6 As an example <http://www.mas.gov.sg/News-and-Publications/Media-Releases/2017/MAS-clarifies-regulatory-position-on-the-offer-of-digital-tokens-in-Singapore.aspx> under section 2.

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Being the above definition extremely broad, an effort was done by most Financial Regulator Authorities in the past few years to create levels of differentiation within this expression. While not a fully standardized international official categorization, Digital Tokens are widely understood to be divided in the following macro-groups:

1. **Payment or Framework Tokens⁷:** Tokens which purpose is to provide alternative means of payment⁸ and/or upon which blockchain other tokens of a varied nature can be based upon (E.g. *Bitcoin, Ethereum, EOS*); also called “virtual currencies” they typically function “*as a medium of exchange, a unit of account or a store of value*”⁹. Some regulators treat them as **commodities¹⁰**.
2. **Utility Tokens:** Tokens representing or providing a specific or generic service to/for the user or giving digital access rights to applications or services¹¹, with no direct connection to the capital markets. This usually results in the token, or the company behind it, not to be subjected to specific regulatory frameworks.
3. **Security Tokens:** Tokens that following several criteria can be compared in nature to **securities, capital market products, shares, debentures**, future contracts and/or refer to a **secondary derivative market**, asset or benefit and that might be traded as such on international or local capital markets. This means that they are theoretically to be regulated by a financial authority like the SEC in the U.S., or FINMA in Switzerland. We will examine this type of token in-depth under lett. **C**) of the present document.

7 A growing number of Regulators, starting with Malta’s MFSA, is starting to define these tokens as Virtual Financial Assets (VFAs) as a sandbox definition of all the tokens not falling within the other categories.

8 FINMA’s position is one of the clearest in separating these tokens from Utility and Security ones: “*Given that payment tokens are designed to act as a means of payment and are not analogous in their function to traditional securities, FINMA will not treat payment tokens as securities.*”

9 <http://www.mas.gov.sg/News-and-Publications/Media-Releases/2017/MAS-clarifies-regulatory-position-on-the-offer-of-digital-tokens-in-Singapore.aspx> under section 2.

10 In a recent case, U.S. Federal Judge Jack Weinstein ruled that this type of *crypto* are **commodities** and they should be regulated by the CFTC and not the SEC; that being said the SEC currently does not exclude considering even these as “**Securities**” as further explained in section C.2.8) below.

11 One of the clearest definitions on what a Utility Token is was once more provided recently by Switzerland’s FINMA, in paragraph 3.2.2 of their latest guidelines on the matter:
<https://www.finma.ch/en/~/media/finma/dokumente/.../myfinma/.../wegleitung-ico.pdf>

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4. **Hybrid Tokens:** While not expressly defined or mentioned, any Token that mixes one or more functions between the above is considered to be a “Hybrid” Token. This means that it will still be subjected **to the strongest regulamentary framework** among the ones whose functions it intermixes, because the obligations of the security elements absorb all other ones under their legal requirements.

B) Chintai's project, business model and CHEX Token.

The next step is examining schematically what CHEX is and the basic project idea behind it:

1. **Brief history of Chintai¹².** The project started in 2018, co-founded by David Packham and David Kalin and initially chaperoned by EOS42 as one of their community, open-source projects. Completely redesigned and overhauled in 2019 by David Packham and Charles Holtzkampf, Chintai launched an auction for its new token CHEX on the 8th of April 2019.
2. **Chintai's idea, function and business model.** Chintai defines itself as a “Decentralized Resource Exchange”. To better understand what this means and how it works, we need to briefly summarize the core functions of EOS; contrary to Bitcoin or Ethereum, which work based on a proof-of-work algorithm, EOS is and was one of the first projects to be based from the beginning on a delegated proof-of-stake system, for the purpose of solving a number of issues including but not limited to the number of transactions per second experienced by the Ethereum framework. Within EOSIO, which is a framework system, it is possible to launch and maintain new dAPPs only by having access to a certain number of resources (named RAM, CPU and NET), which the user can obtain only by “staking” a certain minimum amount of EOS tokens in proportion to the desired activity.

Because of the high price volatility on EOS tokens, if they were to reach relatively high levels, it would take a great investment to start even the smallest new dAPP, making business prohibitively expensive.

Chintai's platform aims to solve this problem, by allowing some users, defined as “lenders” to stake their own EOS token utility CPU or NET capacity rights for set amounts of time and get rewarded with an “interest”. Other users, defined as “borrowers” can then access the platform and “borrow” the required amount of EOS CPU/NET capacity for the time and use they need, paying only a small “interest” for this, without having to physically purchase the equivalent amount of EOS tokens.

¹² This information was extracted from Chintai's Website, Whitepaper other than by other sources available online and it is easily referenced.

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Chintai's platform in an initial phase provided its service fee-less as a Community/Network added value proposition of sorts. Currently the Chintai platform is transitioning to become self-sustaining and eventually commercial by the application of transaction fees and facilitated by the adoption of the CHEX token.

3. **CHEX Token.** The token, which is being issued in a finite supply, permits the holder the following uses: **a)** to pay a reduced cost for the **Chintai Platform's fees** as opposed to using other crypto tokens; **b)** to activate a lock-on/lock-off **security feature** against theft; **c)** to activate and pay for a "**Smart Matching**" feature allowing greatly reduced conversion costs between tokens.

C) Chintai's CHEX Token in-depth analysis

C.1) Utility and Security Tokens. Chintai self-defines its token as "**Utility**" in nature; however, it is extremely important to point out that, as consistently signaled by most of the Financial Regulators that expressly commented or published guidelines about Crypto/ICO/Digital Tokens (among these MAS, FCA, SEC, MFSA and many others) the fact that a startup identifies its token in a specific way doesn't automatically mean that it will hold after an in-depth scrutiny; indeed a case-by-case somewhat "holistic" approach is needed instead.

One of the most emblematic positions on this is the United States SEC Chairman's Jay Clayton who, in a published official declaration on December 11, 2017 stated: "*Following the issuance of the 21(a) Report, certain market professionals have attempted to highlight utility characteristics of their proposed initial coin offerings in an effort to claim that their proposed tokens or coins are not securities. Many of these assertions appear to elevate form over substance. Merely calling a token a "utility" token or structuring it to provide some utility does not prevent the token from being a security.*"¹³

Therefore it is clear that, to better and more firmly ascertain if, from a legal and regulatory point of view, CHEX tokens are "**Utility**" or "**Security**" in nature, we first of all need to clarify and understand well what is a "**security**".

13 <https://www.sec.gov/news/public-statement/statement-clayton-2017-12-11>

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In the purely financial sense, it can be defined as an instrument that “represents an ownership position in a publicly-traded corporation (via **stock**), a creditor relationship with a governmental body or a corporation (represented by owning that entity's **bond**), or rights to ownership as represented by an **option**”¹⁴.

In an even more schematic way (which is also somewhat followed by the SEC) a “**security**” is a **tradable financial asset** broadly categorized in **Equity** (eg. Shares and common stocks), **Debt** (eg. Bonds and other debentures) and **Derivatives** (eg. Forwards, futures, options and swaps)¹⁵

Beyond the financial definition of the term, each Country's financial regulator authority defines, in a more or less restrictive way, what a “security” is.

For the purposes of this document, however, it is more interesting to understand with what criteria a **digital token** could potentially be assimilated to a “security” and therefore be subjected to all the regulamentary obligations the latter can fall under.

The general, internationally accepted criterias¹⁶ for a token to be identified as a security are:

C.1.1) Share. When the token, with different degrees of rights, acts as a “**share**” of the company that emits it, basically **giving the holder property or voting or other rights over the company itself**, its direction and its governance, potentially rewarding him for his capital investment.

C.1.2) Debenture. When the token represents a **debenture**, an **obligation of payment** or repayment, a **bond**, rewarding or not a **loaned capital with interests**.

C.1.3) Units and derivatives. When the token is a digital **unit of a collective endeavor** (akin to an investment **fund**, a **CIS** or a **PIF**) to invest in different assets or allows options, forwards and in general **derivative** actions in a **secondary market** or on secondary financial instruments which it aims to track.

It is important to note, once more, that no matter what other “Utility” functions or features a Digital Token has, as long as there are also one or more of the above three elements, it will

14 <https://www.investopedia.com/terms/s/security.asp>

15 [https://en.wikipedia.org/wiki/Security_\(finance\)](https://en.wikipedia.org/wiki/Security_(finance))

16 As we will see later in Gibraltar's section C.2.9), the small country is adopting a totally different, and extremely open, view than the vast majority, if not all, of the other Countries.

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in all likelihood be considered a “hybrid” **token** and **still subjected** to the same standard and requirements of a “security”, **even if the securitised aspects are minor to other functions of the token itself.**

C.2) International Comparative Analysis. While the above stated general principles are explicitly mentioned by many financial authorities, they might not necessarily be exhaustive or valid for and strictly followed by all of them; for this reason, and also for our analysis to be as complete as possible in the current general lack of better and stronger official regulations, we are going to briefly review below what positions, opinions and criteria the major Countries that are central to the blockchain space adopted as a way to identify the correct nature of a Digital Token:

C.2.1) Switzerland

FINMA, the Swiss body regulating securities and financial assets, clearly defines security tokens as “**standardized certificated or uncertificated securities, derivatives and intermediated securities** (Art. 2 let. B FMIA), which are suitable for mass standardized trading”¹⁷.

C.2.2) Singapore

The Monetary Authority of Singapore (MAS), published official guidelines to help identifying security tokens, stating that they are **capital markets products** that include any securities, futures contracts and contracts or arrangements for purposes of leveraged foreign exchange trading, for example **shares, debentures or units in a CIS**.¹⁸

For professional transparency we have to point out that the MAS since January 2019 is requiring legal opinions – on tokens wishing to list in locally incorporated exchanges – only drafted from Singapore’s laws and regulations point of view and signed by a locally registered lawyer.

C.2.3) Malta

Malta and its financial regulator MFSA were basically the first to release a comprehensive package of laws to reorganize the Digital Token and blockchain

17 <https://www.finma.ch/en/~/media/finma/dokumente/.../myfinma/.../wegeleitung-ico.pdf>

18 <http://www.mas.gov.sg/News-and-Publications/Monographs-and-Information-Papers/2017/Guidance-on-Digital-Token-Offerings.aspx>

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realities and collectively denominated “Digital Innovation Framework”. The legislation is quite complex and divides DLT tokens in *Electronic Money* (like Bitcoin), *Financial Instruments* (which would be *Security Tokens*), *Virtual Tokens* (which are the commonly known *Utility Tokens*), *Virtual Financial Assets* (which is everything else, like ETH and EOS). There are a number of rules, including a “test” to ascertain if a token is “securitised” or a *financial instrument*, and the sheer difficulty of its application and focus strictly on the local law definitely is outside the scope of this legal opinion. However the MFSA consistently considered previously and still today as ‘*Securitised tokens’ [those] defined as ... embedding either underlying assets (akin to commodities) or rights (e.g. quasi-equity rights) and effectively refer to those tokens that qualify as financial instruments*’¹⁹.

As per C.2.2 above, also in Malta now the legal opinions can only be drafted in a specific format, by specially accredited Maltese firms and only from the point of view of their own law.

C.2.4) Canada

Canadian authorities (both Ontario and British Columbia in similar terms) expressed a general concept of “**substance over form**”, similar to the US SEC’s, but there are still listed criteria that should be applied such as “1. An **investment of money**²⁰ 2. In a **common enterprise** 3. With the **expectation of profit**²¹ 4. To come significantly from the efforts of others”.²²

C.2.5) Australia

For the ASIC most tokens that can be considered “securities” need to have required people from the mass market to pay for an “**interest**” (and notice, quite importantly **not a service**) in the scheme/project, that the pooled resources are used in a **common enterprise to produce financial benefits or interests in property** and the contributors do not have day-to-day control over the operation of the scheme but, at times, **may have voting rights or similar rights**, as if akin to shareholders.²³

19 The full guidelines can be downloaded from <https://www.mfsa.com.mt/> together with new interesting material in discussion phase, to potentially in the future implement some sort of “test”

20 Please note that the term “money” seems to exclude/exempt other forms of payment, for example cryptocurrencies.

21 This is a very interesting aspect; it implies that tokens which main underlying purpose is **not giving back a dividend or a profit of sorts** might be exempted of falling under the “security” umbrella regulations.

22 http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20170824_cryptocurrency-offerings.htm

23 <https://asic.gov.au/regulatory-resources/digital-transformation/initial-coin-offerings-and-crypto-currency/>

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C.2.6) Hong Kong

Hong Kong has a very similar position as of Singapore, using the three-pronged concept of “**shares, debenture and Units** in a CIS”: “*Where digital tokens offered in an ICO represent equity or ownership interests in a corporation, these tokens may be regarded as “shares”. For example, token holders may be given shareholders’ rights, such as the right to receive dividends and the right to participate in the distribution of the corporation’s surplus assets upon winding up.*

Where digital tokens are used to create or to acknowledge a debt or liability owed by the issuer, they may be considered as a “debenture”. For example, an issuer may repay token holders the principal of their investment on a fixed date or upon redemption, with interest paid to token holders.

If token proceeds are managed collectively by the ICO scheme operator to invest in projects with an aim to enable token holders to participate in a share of the returns provided by the project, the digital tokens may be regarded as an interest in a “collective investment scheme” (CIS)”²⁴

Recently, Hong Kong, while keeping a far more relaxed view on blockchain/dlt/crypto projects than mainland China, which for most purposes and effects totally banned any related activity, decided to tighten the local regulations to include capital limits (in the form of how much Bitcoin in percentage a startup needs to hold) and time limits (how long a certain token must be active and existing), but the main indicators on how to identify a *security* token from a *utility* one remain currently unchanged, even after a comprehensive cross-examination of the guidelines on “*security token offerings*”²⁵ newly released by the Securities and Futures Commission.

C.2.7) United Kingdom

Britain’s FCA openly indicated that tokens akin to **shares** or with **derivative assets** are to be regulated, but initially decided to keep the definitions loose and examine the tokens on a “case-by-case” basis.²⁶ Recently, however, a relatively comprehensive guideline²⁷ was released, with the adoption of a fairly standard International division

24 <http://www.sfc.hk/web/EN/news-and-announcements/policy-statements-and-announcements/statement-on-initial-coin-offerings.html>

25 <https://www.sfc.hk/web/EN/news-and-announcements/policy-statements-and-announcements/statement-on-security-token-offerings.html>

26 <https://www.fca.org.uk/news/statements/initial-coin-offerings>

27 <https://www.fca.org.uk/publication/consultation/cp19-03.pdf>

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of tokens in: “**exchange**”²⁸ (like Bitcoin, Ethereum and so on) that are to be considered “*outside the perimeter*” of the application of the Regulatory framework because they are solely or mainly intended to be “*decentralized tools for buying and selling goods and services without traditional intermediaries*”; “**security**”, when they meet the FCA’s definition of a “Specified Investment” and overall they feature share, debt or derivative assets characteristics; “**utility**”, with a somewhat “residual” definition, when the tokens “*grant holders access to a current or prospective product or service*” that, however, do not fall within the terms or characteristic of a “Specified Investment”.

C.2.8) United States

The SEC has been up to now the most difficult authority of all, for a long time with no clear guidelines (save for a vague and generally speaking negative statement from Chairman Jay Clayton²⁹). In the past, but it was never actually tested in any Court of Law with Digital Tokens and blockchain startups, the “**Howey Test**”³⁰, a sort of creation of the Supreme Court to ascertain the likelihood of a certain instrument to be considered a security, was used by U.S. lawyers and consultants as a way to pre-assess risks with the SEC. More recently a few consultants even created a sort of unofficial “**point system**” (not present in the original incarnation of the “test”) to use as a guideline (but please read further below as well). It is a somewhat effective method but unfortunately not fully binding by itself and that also appears to be contradicted by some of the SEC positions³¹. As it stands, the guidelines are all about “**substance over form**” with the SEC, and in some cases the FBI, even overreaching in situations clearly not originally meant to be securitised at all.

On April 3rd, 2019, Bill Hinman, Director of Division of Corporation Finance and Valerie Szczepanik, Senior Advisor for Digital Assets and Innovation of the SEC released a **statement**³² accompanying a **framework**³³ that while openly stated as non-binding and not necessarily an official legal position of the SEC can still be considered the next-best guideline on at least how the current *SEC Staff* views ICOs and cryptocurrency/tokens in general. The framework, other than specifying how to apply the **Howey Test to DLT tokens** in the *SEC’s Staff opinion*, is extremely broad

28 Which has to be understood as an alternative name for the “Payment” or “Framework” tokens presented in section A) paragraph 1 of this document.

29 <https://www.sec.gov/news/public-statement/statement-clayton-2017-12-11>

30 Securities and Exchange Commission v. W. J. Howey Co., 328 U.S. 293 (1946)

31 <https://www.sec.gov/ICO>

32 <https://www.sec.gov/news/public-statement/statement-framework-investment-contract-analysis-digital-assets>

33 <https://www.sec.gov/corpfin/framework-investment-contract-analysis-digital-assets>

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and encompasses a range of actions (like, for example, “**burning**” of the token in deflationary models) and even the mere promise of any financial benefit or appreciation of the token under potentially “**security**” ground.

As the situation stands, it is our **strong opinion** that most DLT/Blockchain projects in ICO phase and later on – as Chintai did already – **exclude U.S. citizens and permanent residents from participating** even if based legally abroad, to avoid conflicting with U.S. Federal authorities and the SEC.

C.2.9 Gibraltar

Gibraltar has been trying hard to promote itself as a sort of “crypto heaven”, or better “ICO heaven”, with quite a few official statements and guidelines by its Financial Regulator as well as interesting laws currently being drafted. While this attitude wasn’t fully followed by its own Banking Institutions, which are still very reluctant in accepting business from blockchain related startups, it changed over time, surprisingly becoming more relaxed, possibly in an attempt to retain a sort of market advantage it had until recently. While last year the guidelines were still indicating that “*Tokens vary widely in design and purpose. In some cases, tokens represent securities, such as shares in a company, and their promotion and sale are regulated as such*”, the latest position it is the somewhat exotic idea that Digital Tokens represent just rights of Commercial obligations from the company that emits them, like phone companies do with pre-paid SIM cards: “*Most often, tokens do not qualify as securities under Gibraltar or EU legislation. In many cases, they represent the advance sale of products that entitle holders to access future networks or consume future services. They are akin to mobile phone companies pre-selling airtime in networks they plan to build using the proceeds of those airtime sales. As such, these tokens represent commercial products (albeit reliant on future availability and utility) and are not caught by existing securities regulation in Gibraltar.*”³⁴

While their interpretation is original and somewhat alluring, the vast majority - if not all - of the other Countries (including in the EU that Gibraltar seems to include in their statement) **do not share this position at all**. Furthermore, this attitude risks leading a lot of ICOs getting based and launched in Gibraltar, only to after find blocks and problems wherever else their startup companies would like to expand their businesses into.

³⁴ <http://gibraltarfinance.gi/20180309-token-regulation---policy-document-v2.1-final.pdf>

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C.2.10) Estonia

This Baltic Country is also trying to become a prime player in providing a regulated and solid framework for the blockchain space. Being a very “digital” nation (at least in the ideas of its Government) and a EU member, but with Eastern European roots, it could also act as a sort of bridge to connect and launch the great creativity of the projects coming out of Russia, Ukraine and other ex-eastern block countries and the West.

That being said, its approach is still fairly aligned when we are examining their criteria on how to judge the nature of a Digital Token: the EFSA positions is that “*tokens which give investors certain rights in the issuer company or whose value is tied to the future profits or success of a business are likely to be considered securities*”³⁵

C.2.11) Lithuania

Another Baltic Country that strives to be at the forefront of “fintech” and “Smart Nation” concepts in general, Lithuania has been a strong player for blockchain startups and ICOs. Recently its Ministry of Finance published clear and fairly complete guidelines on ICOs, how to identify the nature of a Digital Token and also several other interesting tax and accounting related aspects. In particular their financial regulator may consider a token a “security” if it grants to the holder a “*right to participate in the company management process, receive part of the company’s profit, receive part of the company’s income, receive interest for invested funds*”³⁶. Despite being the latest published, it still adheres in a quite clear and open way to what the other Countries and financial regulators consider the most important elements to consider a Token “securitised”.

C.3) Chintai’s Token Analysis. After this fairly comprehensive view of current criteria worldwide both **in general** (C.1) and **with each specific Country relevant** in the current international setup of the blockchain space (C.2), we are now better able to cross them with and against **the specific characteristics** of Chintai’s Token.

C.3.1) Share, stocks, rights on the company. A CHEX **does not**, in any way, give **any** power of **control, ownership or voting right** over Chintai LTD. It also doesn’t award or

35 <https://www.fi.ee/index.php?id=21662>

36 <http://finmin.lrv.lt/uploads/finmin/documents/files/ICO%20Guidelines%20Lithuania.pdf>

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grant any kind of financial/monetary interest or expectation or promise linked to the fact of simply holding it as an investment of sorts.

The tokens are used to pay the fees and open up **further services, activities and functions** of the Chintai platform itself. It is also worth noting that still, functions and options available in the platform are **only decided by Chintai**, and not by its users or token-holders, who can only later unlock some or all of those functions.

For the reasons above it is therefore absolutely clear in our opinion that **CHEX Tokens are not to be considered** akin to **shares, stocks** or in any way granting **any** sort of **controlling, governance** or **voting right** over the **Chintai company itself**.

C.3.2) Loan, Debenture, Bond, Obligation of Payment or Interest. CHEX's Tokens also **do not** represent a money-lending or a crowdfunding with any expectations of future dividends, repayment, interests or economic reward by themselves. The company never solicited in a direct or indirect way a remunerated funding, there was **no economic reward** in buying and holding the token at all. The token has no interest paying component and the user holding CHEX by itself receives nothing, it needs to be used and "burned" by Chintai to access its utility and purpose.

There is therefore absolutely **no indication** whatsoever that Chintai's CHEX tokens **are debentures** by any stretch of the term and concept.

C.3.3) Units in a Common Investment in an underlying asset or financial product.

To avoid any confusion, it is clear by the analysis of the project, the framework, the Whitepaper and the published material, that the CHEX token is NOT a unit representing a basket of other tracked cryptocurrencies, currencies or assets/securities or even commodities of any kind; each user simply spends the token only within the ecosystem to pay for services of a utilitarian nature.

Therefore because **CHEXs are not Units in a larger investment scheme** and **neither are tracking any underlying asset of any kind**, there is absolutely **no indication** that Chintai's Tokens can be considered **CIS Units** or derivatives investment products.

C.3.4) "Substance over Form". In a public interview by the SEC's Chairman Clayton to the CNBC network, when asked to give a clearer definition on which criteria are to be looked for when assessing the nature of a Digital Token, he clearly stated that the authority he leads will consider as securities **all tokens which are sold to fund a business venture with the promise of a financial return**.³⁷ Because Chintai **did not promise** any return of investment and/or the Tokens **do not entail any kind** of interest, dividend or economic return

37 <https://www.youtube.com/watch?v=wFr10oaVPjY>

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out of the simple holding of the token itself or even with the potential use of secondary markets of reference, it is our motivated opinion that even when trying to ascertain CHEX's nature using the strictest "case-by-case" and "substance over form" principles, **there are no elements** whatsoever that would lead any Authority (of the Countries not explicitly excluded from Chintai's ICO) or legal professional **to identify Chintai's tokens as "securities".**

D) Conclusions

After an in-depth analysis of the current international regulation framework, **both** following **general principles** and **country-specific guidelines**, including the most restrictive, **case-by-case** and "**substance over form**" interpretations it is **our clear and strongly motivated professional opinion** that **Chintai's Token CHEX** with its functions and characteristics **is identifiable as a clear-cut strictly "Utility" token**, of which theoretical template almost perfectly adheres to within the boundaries of the so-far published definitions and guidelines.

Furthermore, given the nature and mechanics of CHEX and Chintai's activities, **we are also confident that it will remain future-proof in its nature** for the foreseeable time ahead even if new official guidelines, laws and regulations should supersede the current ones, unless changes would intervene to produce a total dismantling of the currently worldwide accepted classifications of Digital Tokens, which seems extremely unlikely.

D.1) Conclusion on CHEX Token's nature: quick reference comparative table by Country.

| <u>Country Analyzed:</u> (in alphabetical order) | <u>Summary of Official Guidelines for discriminating Utility and Security Tokens</u> | <u>Nature of Chintai's CHEX Token:</u> (with statistical assessment) ³⁸ | <u>Notes</u> |
|---|--|---|--|
| Australia (Section C.2.5) | Share rights; Promise of Profit | <i>Certainly Utility</i> | |
| Canada (Section C.2.4) | Substance-over-Form; Expectation of Profit | <i>Certainly Utility</i> | Applicable to both Ontario and British |

³⁸ The statistical assessment follows this categorization: "Unlikely", "Possible", "Likely", "Almost Certainly", "Certainly".

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| | | | |
|--|--|--------------------------|---|
| | | | Columbia. |
| Estonia (Section C.2.10) | Share, Debenture, Unit characteristics | <i>Certainly Utility</i> | |
| Gibraltar (Section C.2.9) | Advance Sale of Services; Commercial Products | <i>Certainly Utility</i> | The only Country with different principles. |
| Hong Kong (Section C.2.6) | Share, Debenture, Unit ch. | <i>Certainly Utility</i> | |
| Lithuania (Section C.2.11) | Share rights; Promise of Profit | <i>Certainly Utility</i> | |
| Malta (Section C.2.3) | Share, Debenture, Unit characteristics | <i>Certainly Utility</i> | New Laws require specific counsel |
| Singapore (Section C.2.2) | Share, Debenture, Unit characteristics | <i>Certainly Utility</i> | Local Exchange listings require specific counsel |
| Switzerland (Section C.2.1) | Share, Debenture, Unit ch. | <i>Certainly Utility</i> | |
| United Kingdom (Section C.2.7) | Substance-over-Form; Share rights; new guidelines | <i>Certainly Utility</i> | |
| United States of America (Section C.2.8) | Substance-over-Form; Promise of Profit; new Howey Test guidelines. | <i>Not Applicable</i> | Chintai excluded US Citizens and Permanent Residents. |

I declare that all of the above content is written by me in good faith, with independence, professional honesty and current at the signing date and should the relevant laws, guidelines and regulation not change substantially.

Singapore, 16 of May 2019

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