



TRADING PRINCIPLES

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OVERVIEW

Blockchain's PIT allows Participants to execute Virtual Currency purchase and sale transactions in real-time with both other Virtual Currencies and fiat currencies. The PIT will be available to both retail and institutional customers, and will offer real-time price discovery and trade execution in virtual currencies, across various pairs of both virtual-to-virtual and fiat-to-virtual legs.

In order to provide a fair and orderly marketplace and prevent against potential market misconduct, Blockchain has developed the following principles and standards which must be followed by all Participants ("Principles"). All Participants who are approved to use the PIT agree and understand to abide by these Principles, which have been designed to prevent deceptive or manipulative conduct.

Blockchain may amend these Principles at any time and any such changes will take effect when posted on the Blockchain website, or when a Participant logs on to the PIT.

SECTION 1. ACCESS TO THE PLATFORM

1.1 *Eligibility.* An individual or entity is eligible to become a Participant only if such individual or entity agrees to the Blockchain Terms of Service (and any other applicable agreement).

1.2 *Trading Privileges.* Upon completion of onboarding requirements, Participants will receive Trading Privileges, which are non-assignable, non-transferable and may not be sold or leased.

1.3 Blockchain may deny a Participant's Trading Privileges or revoke, suspend or otherwise condition a Participant's Trading Privileges at any time and for any reason as set forth in the Blockchain User Agreement. Some important reasons are:

- (a) if Blockchain believes such Participant has not or may not adhere to these Principles, Applicable Law or the Blockchain User Agreement;
- (b) if servicing such Participant could bring the Blockchain into material disrepute; or
- (c) if servicing such Participant could interfere with Blockchain's provision of high quality services to other participants.

SECTION 2. OBLIGATIONS OF USERS

2.1 *Maker/Taker Pricing.* Blockchain charges fees based on a Maker/Taker pricing model. A maker order adds liquidity to the market. A taker order removes liquidity from the market. Maker orders, when executed, carry a lower transaction fee intended to reward those who bring liquidity to the PIT.

2.2 *Market Maker Programs.* Blockchain may, from time to time, establish programs that offer professional market makers financial incentives for meeting trading volume, liquidity or other thresholds, as established by Blockchain.

2.3 Each Participant, to the extent applicable, shall:

- (a) use the PIT in a responsible manner and not for any improper purpose;
- (b) use the PIT only to exercise Trading Privileges in a manner consistent with these Principles;
- (c) observe high standards of integrity, market conduct, fair dealing, and similar equitable principles of trade in conducting any activity on or through the PIT and in all aspects of its business connected with or concerning the PIT; and
- (d) keep all credentials related to the PIT confidential and secure.

SECTION 3. ORDER ENTRY TYPES AND ORDER HANDLING

3.1 *Orders.* All orders are accepted and executed in Blockchain's discretion.

- (a) Blockchain will limit a Participant's ability to place Orders consistent with the Participant's deposits on the PIT.
- (b) Blockchain will reduce a Participant's ability to place orders according to the value of the Participant's open Orders plus estimated fees.
- (c) A Participant may place an Order as either a Limit Order, a Market Order, or a Stop Order.
- (d) A Participant may request to cancel a Stop Order or an unexecuted Limit Order at any time before it is executed, which may or may not be honored by Blockchain. No fees are charged for canceled Orders.
- (e) Blockchain may cancel an Order on the request of a Participant for reasons including the Participant's inability to cancel such Order due to technological difficulties.

3.2 *Limit Orders.* Limit Orders may be placed with one or more of the following instructions.

- (a) Good Til Cancelled: If posted, unfilled Orders remain on the order book for 95 days or until canceled by the Participant.

- (b) Immediate or Cancel: This Order attribute instructs the PIT to cancel any remaining size after the Order matches against the order book. A minimum quantity instruction can be added to an Immediate or Cancel Order if a Participant desires to only allow an execution if a minimum size is met.
- (c) Fill or Kill: specifies that the Order should be filled immediately and entirely. If the full Order can not be filled, it should be cancelled.
- (d) Good Till Date: Allows a Participant to select an expiration date for the Order.
- (e) Add Liquidity Only: If the Order will match with anything on entry, then it will be cancelled. This attribute can be used if a Participant wishes to add liquidity to the order book.

3.3 Market Orders

- (a) A Market Order is a buy or sell order to be executed immediately at the current market price. Market Orders do not carry a limit price and will trade with anything on the order book. Market Orders default to Immediate or Cancel but they can also be sent as Fill or Kill.
- (b) Market Orders will not rest on the order book. If a Market Order can only be partially filled given the existing depth of the market, then the remaining quantity will be automatically cancelled.
- (c) During periods of high volume, fast market conditions, illiquidity, or volatility in the marketplace, the actual price that a Market Order is executed at may be different from the best price indicated at the time of your Order, in some cases significantly so.
- (d) A valid Market Order will be immediately posted to the PIT. Participants may not cancel a Market Order.
- (e) Market Orders may be placed with the following instructions: Immediate or Cancel or Fill or Kill.

3.4 Stop Orders

- (a) A Stop Order is an Order that will rest off of the order book and wait for the market to move into its stop price. This must be an Order outside of the current market price. For a sell Order, the stop price must be below the current last sale.
- (b) A Stop Order is not posted to the PIT and is not visible to other Participants, but any resulting Order is posted and visible.
- (c) A Stop Order can be placed as either a Stop Market Order, which posts a Market Order when the stop price is triggered, or a Stop Limit Order, which posts a Limit Order when the stop price is triggered. Buy Stop and Buy Stop Limit Orders are not accepted at this time.

- (d) Stop Limit Orders may be placed with one of the following instructions: Good Til Cancelled, or Good Till Date.

3.5 *Order Sizes*. All Orders are subject to minimum and maximum sizes according to the corresponding Virtual Currency. Participants may find a list of such minimum and maximum Order sizes on the Blockchain website.

3.6 *Order Handling*

- (a) Order handling rules have been carefully constructed in order to offer a fair and equitable marketplace. Generally speaking, orders that are routed to the order book are prioritized first by price and then by time. Buy Orders at the highest price are prioritized first over the the oldest Order placed in the order book. Similarly, sell Orders at the lowest price are prioritized first over the oldest Order placed in the order book. Market Orders take priority over Limit Orders, which will not be ranked on the order book until they are triggered.
- (b) *Binding Obligation*. Any Order placed by a Participant and accepted by Blockchain is a firm Order and represents a binding obligation by the Participant to buy or sell the specified quantity of Virtual Currency.

3.7. *No Cancellation or Modification of Transactions*. All Transactions are final and will not be reversed except in Blockchain's sole discretion. Blockchain may reverse a Transaction, for example, in the following circumstances:

- (a) Blockchain is compelled to do so by any Applicable Law; or
- (b) Due to a serious technical error, Transactions do not occur as specified in these Principles, - in which case Blockchain would make reasonable efforts to restore Participants to the position they would have been in had the technical error not occurred.

3.7.1 *Cancellation of Orders by Participants*. The Participant understands that when they place a request to cancel an Order, such cancellation request may not be executed. The Order will be canceled only if the request to cancel is received by Blockchain before it is executed. Mere submission of a cancellation request prior to confirmation of a Transaction does not ensure that an Order will not be executed.

3.7.2 *Cancellation of Orders by Blockchain*. Orders that are not yet Transactions may be cancelled by Blockchain in the following circumstances:

- (a) Orders placed by Participants who, in Blockchain's sole discretion, have engaged in abusive use of the PIT;
- (b) Orders which under the circumstances and in Blockchain's sole discretion involve an obvious error with respect to price, quantity, or other parameters, as described in Section 4.10 of these Principles;
- (c) If required by Applicable Law, including but not limited to circumstances where Blockchain is required to suspend or terminate a Participant's Trading Privileges; or

(d) If required for technical reasons, in Blockchain's sole discretion.

3.8 *Clearly Erroneous Transactions*. Participant is responsible for verifying the Transaction details prior to finalizing any buy, sell, exchange, or other action taken in connection with use of the PIT. Blockchain may consider a transaction to be clearly erroneous or inconsistent with current market conditions and take certain action to remedy the situation, including but not limited to canceling the Transaction in its entirety.

SECTION 4. MARKET CONDUCT PRACTICES

4.1 *Market Manipulation*. No Participant shall engage in any conduct, either with the intent to manipulate, or that which results in the manipulation of the Virtual Currency markets.

4.2 *Fraud*. No Participant shall engage in fraud or deception in connection with the use of the PIT.

4.3 *Illicit Transactions*. No Participant shall use the PIT in connection with illicit activity, including money laundering, financial crimes, the financing of terror or any other illegal activity.

4.4 *No Misuse of Information*. No Participant shall use information gained from the PIT for purposes or services which PIT were not designed to provide Participants. No Participant shall resell information provided by the PIT or use any robots, spiders, scraping or other technology to access, query, or use the PIT to obtain any such information.

4.5 *Front Running*. No Participant shall enter or solicit a bid, offer, or Order through the PIT when in possession of material nonpublic information about another Bid.

4.6 *Wash Trading*. No Participant shall engage in any conduct that results in a transaction with no economic or legitimate purpose. This includes the practice of engaging in wash trading, or otherwise entering Orders for different accounts with common beneficial ownership with the intent to evade or negate market risk or price competition.

4.7 *Coordination*. No Participant shall coordinate actions with other Participants that are designed to disrupt or otherwise create the false appearance of legitimate market activity. Coordination includes directing another market participant, to enter into, or alter, a transaction with specific details, either in a threatening, intimidating, collusive or otherwise improper manner. Coordination also refers to the practice of pre-arranged trading, where two (2) or more Participants use the PIT after previous discussions with an intent to profit from or merely disrupt the competitive nature of the PIT.

4.8 *Spoofing / General Misconduct*. No Participant shall engage in activity that is designed to disrupt or otherwise manipulate the Virtual Currency or other financial markets, which includes engaging in the practice of Spoofing.

4.9 *Self-Trading*. No Participant shall take, directly or indirectly, the opposite side of the Order for its own account, an account in which it has a direct or indirect financial interest, or an account over which it has discretionary trading authority.

SECTION 5. SYSTEM AVAILABILITY

5.1 *Availability*. With limited exceptions, Blockchain's goal is to make markets available to Participants for monitoring and transacting 24 hours a day.

5.2 *No Guarantee of Uninterrupted Access*. Blockchain does not guarantee uninterrupted PIT access, that any Order will be posted, that any Order cancellation will take place or that any Order will be filled. Blockchain may suspend access without prior notice during scheduled or unscheduled system repairs or upgrades and to modify the PIT at any time without prior notice.

5.3 *Regular Scheduled Maintenance*. The PIT undergoes regular maintenance. During such times, some or all of the PIT's functionality may be unavailable to Participants. In order to minimize disruption to the PIT, its Participants and the Virtual Currency marketplace as a whole, Blockchain will often publish regular maintenance. Upon resumption of operations, Blockchain will work to ensure the PIT undergoes an orderly auction restart process.

5.4 *Unscheduled System Maintenance or System Disruptions*. Blockchain may temporarily halt operations in the event that the PIT requires unanticipated maintenance. In the event of any such required maintenance, some or all PIT functionality may be unavailable to Participants. The PIT may experience disruptions in service, including but not limited to unexpected computer or virtual currency network functionality or speed, partner or vendor outages, or cybersecurity incidents. In any such case, some or all PIT functionality may become unavailable or unreliable, requiring Blockchain to halt operation of the PIT. Notice of such a disruption may be posted on Blockchain's website. During the course of any such unexpected disruption, Blockchain will take work to timely restore PIT functionality.

SECTION 6. MISCELLANEOUS

6.1 *Transaction Confirmation*. For each Transaction, Blockchain will provide a Participant that is a party to the Transaction an electronic record of the material terms of such Transaction at the time of execution, which will serve as a confirmation of the Transaction ("the Confirmation"). Access to this Confirmation will be provided by tools that allow Participants to review their transaction history.

6.2 *OTC Trading Desk*. Blockchain operates an over-the-counter trading desk that facilitates purchase and sale transactions in Virtual Currency on a proprietary basis and for institutional and high net-worth individuals. For more information about Blockchain's OTC trading desk and other product offerings, Participants may visit the Blockchain website.

SECTION 7. DEFINITIONS

When used in these Principles, the below terms shall have the following meaning:

7.1 “**Applicable Law**” means any rule, regulation, legislation, statute or other directive from a governmental or self-regulatory authority applicable to Participant or Blockchain.

7.2 “**Limit Order**” means an Order to purchase or sell a Virtual Currency at a specified price or better.

7.3 “**Market Order**” is an Order to buy or sell a specified quantity of Virtual Currency at the best available price of existing Orders.

7.4 “**Order**” means either a bid or an offer for a Virtual Currency accepted by Blockchain and made by a Participant with Trading Privileges and the intent that such Order result in a valid Transaction.

7.5 “**Participant**” means an individual or entity that is granted Trading Privileges to access and use the PIT.

7.6 “**PIT**” means Blockchain’s electronic trade execution system that is used for trading Virtual Currency on the terms set forth in these Trading Principles.

7.7 “**Spoofing**” means the practice of entering bids, offers or Orders with an intent to cancel prior to any such Order being filled.

7.8 “**Stop Order**” means an instruction to post an Order to buy or sell a specified quantity of Virtual Currency but only if and when the last trade price equals or surpasses the stop price.

7.9 “**Trading Privileges**” means any right granted to a Participant to transmit Orders and execute Transactions on or through the PIT.

7.10 “**Transaction**” means the successful execution of two valid Orders on the PIT.

7.11 “**Virtual Currency**” means a cryptocurrency, digital currency, digital asset, cryptoasset or other such similar term describing, for example, Bitcoin or Ether, but does not include a derivative of a virtual currency or a security.