
SANDBOX DIRECTIVE

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| AREA OF COMPETENCE | RESPONSIBLE | SUBJECT |
| Direction | Risk Manager and AMLA Officer | Bank licence exemption |
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1. GENERAL PROVISIONS

1.1. Activity and purpose

Ailia SA (hereinafter the “**Company**”) is a company active in the management of a blockchain developed through Java technology.

The Company issues two different tokens on the Takamaka Chain:

- the token green (TKG), the native token of the Takamaka chain
- the token red (TKR), the stable coin on the Takamaka chain

The purpose of this Directive is to set out at an organizational level the measures that the Company has taken to ensure that its business does not fall under the licence requirements of Swiss banking regulations.

1.2. Token green

The TKG serves in particular to reward nodes for the mining activity performed, to calculate the value of the blockchain, to allow stakeholders to bet their tokens to a specific node and for calculation according to the *Proof of Stake* protocol.

The TKG does not grant to the client (tokenholder) any reimbursement right towards the Company.

In the light of the above, the TKG does not qualify as a deposit within the meaning of the BA. Thus, it does not fall within the scope of Art. 6 BA, i.e. it is not subject to the limit of accepting deposits of up to CHF 1mio as provided for in Art. 6 para. 2 BA. In other words, the activity related to the TKR is not exercised on a professional basis and does not fall within the scope of the BA.

1.3. Token red

the “Token Red” (TKR), acts both as a “*gas*” for the Takamaka Chain, to remunerate the cost of creating new blocks, trigger transactions and smart contracts, and for the transfer of value through the Takamaka blockchain. This is a *stable coin* whose value is immutable and will always be guaranteed by Ailia SA in a ratio of 1:1 against acceptance of currency that is legal tender in a given jurisdiction (fiat currency). The purpose of this token is to be a means of payment for transactions on the Takamaka Chain.

The company issues TKR against acceptance and deposit by the customer of a predetermined amount of fiat money (e.g. TKR 1 = CHF 1). These customer claims take the form of deposits (cf. Art. 1 para. 2 of the Federal Act on Banks and Savings (BA) and Art. 5 of the Federal Ordinance on Banks and Savings (BO)). Therefore the TKR qualifies as a deposit within the meaning of the BA, with the consequence that the Company is only allowed to accept deposits from the public for a total amount of up to CHF 1 million, does not carry out transactions on interest differences and before they make the deposit, informs its clients in writing or in another form that allows proof that it is not subject to FINMA supervision and that the deposit is not included in the deposit guarantee.

Deposits tied to fiat currency accepted against the issuance of TKRs shall be deposited in a single bank account accessed in the name of the Company. The Company shall have no authority to draw on the funds in that bank account for business needs, except to reimburse customers holding TKRs should they wish to return them to the Company in order to get their deposits back.

1.4. Applicable provisions

This Directive is based on the following legal foundations:

- Federal Act on Banks and Savings (BA); SR 952.0);
- Federal Ordinance on Banks and Savings (BO); SR 952.02);

- Any circular, other publications and communications of the Swiss Financial Market Supervisory Authority FINMA, in particular:
 - FINMA Circular 2008/3 Public deposits with non-banks (professional acceptance of public deposits by non-banks pursuant to the Banking Act; FINMA Circular 2008/3);
 - Supplement to the guidelines for enquiries regarding the regulatory framework for initial coin offerings (ICOs), published 11 September 2019;
- Company By-laws;
- All other regulations and directives of the Company, if any.

The provisions set out below are to be considered solely as a concretization. In the event of any doubts as to interpretation, the detailed provisions contained in the applicable laws, to which reference should be made, and the regulations issued by FINMA shall take precedence.

1.5. Scope of application

The Company is not acting in a professional capacity within the meaning of the BA to the extent that it accepts over the long term more than 20 deposits from the public or publicly lends itself to accepting such deposits, but limits its activity:

- a. by only accepting a total amount of up to CHF 1 million,
- b. not carrying out transactions on differences in interest and
- c. before they make the deposit, informing clients that it is not subject to FINMA supervision and that the deposit is not included in the deposit guarantee (Art. 6 para. 2 BO).

Consequently, since the requirement of professional capacity is not met, the activity carried out by the Company in relation to the acceptance of fiat money against the issuance of TKR is not subject, within the limits set above, to banking regulations and does not require any licence in this respect.

2. RESPONSIBILITIES

2.1. Management

The Management of the Company (hereinafter referred to as “**Management**”) is ultimately responsible for ensuring that the legal conditions for exemption are met so that the Company's activities in connection with the TKR are not subject to any licence requirement under banking regulations (so-called “Sandbox”).

If at any time the balance in the deposit custody account related to the issuance of TKRs (hereinafter the “**TKR Deposit Custody Account**”) exceeds the threshold value set out in point 2.2.(ii) third bullet point, the Management must immediately notify it to FINMA within ten days.

In accordance with Art. 6 para. 4 BO, if the threshold balance of CHF 1 million on the TKR Deposit Custody Account is exceeded, the Management must submit an application to FINMA for authorization within 30 days.

2.2. Risk Manager and AMLA Officer

The Risk Manager is appointed by the Management and has, in general, the duties assigned to him/her through this Directive.

In particular, she/he is responsible to:

- (i) Verify that customer deposits associated with the issuance of TKR flow into a single bank account, different from the Company's bank account used for corporate payment traffic;
- (ii) Perform constant monitoring of the balance in the TKR Deposit Custody Account with the following frequency according to the following maximum thresholds deposited in the TKR Deposit Custody Account:
 - Up to CHF 500,000: daily monitoring;
 - Over CHF 500,000: monitoring twice a day;

- If an amount of CHF 900,000 is reached: immediately report the case to the Management for announcement to FINMA (see point 2.1..);
- (iii) Track the result of daily balance monitoring on the TKR Deposit Custody Account;
- (iv) Verify that debits to the TKR Deposit Custody Account occur to reimburse clients holding TKRs who wish to return them to the Company in order to get their deposits back;
- (v) Order, if necessary, the Compliance Officer to provide additional clarification regarding the circumstances referred to in paragraph (iv) above;
- (vi) In the event of unresolved doubts about any of the circumstances set forth in (iv) above, immediately refer the case to the Management;
- (vii) If the threshold of CHF 1 million is exceeded in the TKR custody account, immediately report the case to the Management;
- (viii) Set up and maintain all necessary documentation pertaining to all incoming and outgoing movements of the TKR Deposit Custody Account;
- (ix) Verify on a regular basis that clients are always adequately informed, either through a specific notice in a provable form or a disclaimer posted on the homepage of the Company's website, that these deposits are not included in the deposit guarantee;
- (x) Monitor the implementation of this Directive and, in the event of a violation, immediately notify the Management;
- (xi) Plan and supervise the ongoing training of employees under this Directive.

The AMLA Manager is directly accountable to Management to whom he/she refers:

- (i) by immediately reporting any problematic or unusual cases;
- (ii) by periodically submitting the TKR Deposit Custody Account Monitoring Report.

Management will decide how to make refunds to clients to ensure compliance with legal limits.

2.3. Employees

All employees are directly responsible for compliance with this Directive and compliance with applicable banking laws.

In particular, employees are required to perform their duties diligently, exercise the necessary critical thinking, observe the obligation of completeness in documents and prepare detailed reports if necessary.

If there is any doubt about the interpretation of the legislation or about the issuance of TKRs, as well as about the in- and outflow transactions of the TKR Deposit Custody Account, employees should contact the Risk Manager as soon as possible.

3. CONTROL PROCEDURE

3.1. TKR Deposit Custody Account

The TKR Deposit Custody Account is a single bank account that is opened in the name of the Company, where all fiat currency amounts (deposits) that customers deposit in order to obtain TKRs are deposited and stored.

The use of the TKR Deposit Custody Account for business needs is excluded, except:

- (i) for the acceptance of deposits against the issue of TKR (*cash-in*) and
- (ii) to refund their deposits to customers holding TKRs who wish to return them to the Company (*cash-out*).

3.2. Controls

In addition to the controls in accordance with the separate AMLA Directive, the Risk Manager ensures that

- (i) at the time of cash-in, the person purchasing the TKRs indicates a wallet address over which she/he has exclusive power of disposal;
- (ii) at the time of the cash-out, the person who holds the wallet in which her/his TKRs are held is the same as the holder of the bank account to which the fiat money is to be credited. As a method of cash-out the Company only accepts to credit the amount of the deposit to a bank account in the name of the account and wallet holder.

Aside from that, the Risk Manager fulfils the duties set out in 2.2. and observes the provisions of the separate AMLA Directive.

3.3. Documentation

The Company shall be able to produce at all times an updated document containing the result of the constant monitoring of the balance on the TKR Deposit Custody Account.

The aforementioned document, together with the TKR Deposit Custody Account movement statements and any additional clarifying documents obtained pursuant to this Directive shall be retained in a manner such that they may be delivered to authorized third parties within a reasonable time for any inquiries.

The documents produced must be stored in Switzerland in a secure location that is accessible at all times for at least ten years after the business relationship has ended. If they are stored digitally, the documents must be stored on a server located in Switzerland.

3.4. New Employees

Each new employee shall receive a copy of this Directive at the time of hire and shall sign for receipt and knowledge.

The Risk Manager is responsible for delivering these documents, which are part of the employment agreement.

4. ENTRY INTO FORCE OF THE REGULATION AND AMENDMENTS

This Directive shall become effective immediately upon approval by the Board of Directors and shall supersede any and all regulations previously in effect.

Any changes to this Directive shall be the sole responsibility of the Board of Directors.