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LEGAL OPINION:

THE COMPLIANCE OF EXPO TOKEN ICO WITH SECURITIES LAWS AND REGULATIONS

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1. INTRODUCTION.

This Legal opinion was prepared upon request of Mr. Spartakos Kalanidis and Vadim Romashov (Founder), who acts on behalf of ONLINE EXPOS (CYPRUS) LTD, Reg № HE381191, 2 Evagora Pallikaridi 3035 Limassol, Cyprus, (the Company) project as CEO (Director), to serve as a legal analysis of the Expo Token and its compliance with the requirements of the Listing Rules for the Trading Venue operated by Exchanges.

The Legal opinion was prepared based on information and documents furnished by Mr. Spartakos Kalanidis (his verbal comments, website, Whitepaper, opensource).

Leverton Consulting LP shall guard this position with respect to its consideration by courts or authorities if it will be necessary. Given that Leverton Consulting LP is an Ireland based law firm, its interpretation of law can be authority for Exchanges incorporated in UK and EU.

Subject to the foregoing, we hereby present you our opinion concerning the EXPO token issuance and its compliance with the requirements of the Listing Rules for the Trading Venue operated by Exchanges.

This legal opinion is made due to a complete analysis of the "legal matters" of the EXPO token, a business model of the Company, an EXPO token functions, processing and organizational token`s model, services and products of the company, the sales terms of the EXPO token. This Legal opinion is a professional, combined and justified opinion of experts from the field of a legal, Economics, securities market, stock exchange and brokerage, IT and blockchain technologies.

2. SPECIFICATION.

1. Definition of the key facts.

The description of the Issuer's business. The definition of frames of tokens using. The description all business processes where the token is used. The analysis of all possible actions of the tokenholders. The study of the proposal to sell the token.

2. The verification of the token for compliance with securities and investment legislation.

3. The assessment of the token for compliance with the Expo legislation.

4. The preparation of well-founded conclusions.

3. DEFINITION OF THE ONLINE EXPOS BUSINESSMODEL.

3.1. Business description. Key features.

The main business of the Company is a trading platform that allows exhibitors to sell their goods and services within the platform to users from all over the world, while the service acts as a guarantor of the transaction. The international network of retail and wholesale trade will become available, transparent and economically favorable.

Due to its strict use of Application Specific Smart Contracts (ASSC), ONLINE EXPOS solves the security, scaling and incentive issues that have plagued smart contracts since their inception. Additionally, ONLINE EXPOS combines leaps in technical design with an economic linkage that creates a self-regulating economy. Through decentralized governance and contract fees, structural mechanisms balance ONLINE EXPOS’s token value by dynamically adjusting supply based on the current exchange rate and volume within the ONLINE EXPOS network.

Online EXPOS uses distributed blockchain technology to provide guarantees to participants of the decentralized platform WWW.ONLINE-EXPO.COM. Online EXPOS implements a business model of a decentralized marketplace, providing participants with different roles to guarantee the execution of transactions.

Online EXPOS is a decentralized software application that uses blockchain technology. The main functionality of the EXPOS online platform provides more opportunities for interaction between participants in the field of exhibition activities. Online EXPOS is a real P2P technology and platform where network communication is implemented by users as "equal-to-equal". Platform (software) owners and users are independent of each other. Any user chooses his / her own role. The blockchain is the technical basis of processes of interaction between users of the platform. Thus, online exhibitions can be compared with a marketplace or a thematic social network.

ONLINE EXPOS is a good example of a closed P2P ecosystem. The token is the only digital (device) that allows members to use the platform services. Any outsider could start as a platform user who gets access to the platform by buying the EXPO token on the exchange or from ONLINE EXPOS website when the initial open sales period has been.

The main purpose of the platform.

Online Expo Platform is a decentralized arbitration service for safe cooperation between different users (agents) into P2P ecosystem, such as: customers and contractors, buyers and sellers.

Thus, any transactions made through arbitration guarantee security, where the customer is guaranteed to receive his order, and the seller proceeds. Online Expo acts as a guarantor and the holder of the transaction, until the conditions of the contract concluded between the contractor and the customer are fulfilled. In case of disputes, the company's specialists are involved in dispute resolution. In this process, the parties are given the opportunity to present evidence of their rightness. At the end of the arbitration, the arbitral Tribunal shall render its decision, send the funds in full or in part to the winning party or determine for the losing party a number of obligations binding.

It is also necessary to have a trusting relationship with Online Expo. To do this, the arbitration service is developed using blockchain technology. Smart contracts of different nature (labor, property and others) in blockchain remain unchanged and unadulterated. Financial disputes prisoners using ExpoToken not subject to the Commission.

The arbitrage transaction can be submitted to purchase, supply and lease of goods and services at virtual exhibitions and Expo Market, deals for hiring Expo Job employees, as well as an independent arbitration system for anyone.

3.2. EXPO Token description.

ERC20 Токен Online Expo (EXPO) - below as EXPO or EXPO token, token.

EXPO token (EXPO) – a discrete native digital asset of the ONLINE EXPOS Platform, attributed to a specific Address and transferrable between different Addresses. The EXPO is a cryptographic software product, created by the company as a proof of membership of their holders in the ONLINE EXPOS Platform (but not in a legal entity). Due to the fact that ONLINE EXPOS is an online virtual exposition platform, we could consider the token is the utility token as a "membership certificate".

The EXPO token is a tool of access to the platform ONLINE EXPOS services. This is an internal accounting unit of the Online Expo platform based on blockchain technology, which users can exchange for products and services of all services of the company. Thanks to the closed chain of Online Expo services, customers (exhibitors, sellers, offline exhibition organizers) using Expo Token can significantly reduce the costs of their business processes, freeing themselves from various external commissions.

On ONLINE EXPOS platform, there are several scenarios of using an EXPO token. It depends on the tokenholder choice. All scenarios of the EXPO token turnover are strictly ordered and implemented on the blockchain by smart contracts. There are no other scenarios are considered as technically feasible. None of the scenarios of utilizing the token has the signs of securities rights realizing.

The token EXPO has its own value (utility) regardless of the company's assets. Such a digital instruments are not the Company assets.

The company and its product have been in existence since 2008. Online expo was created in 2008 as an innovative solution for international virtual exhibitions. The full launch of the online platform for organizing virtual exhibitions took place in 2011. By 2013, there were about 1,000,000 users on the platform and more than 5,000 transactions were conducted. At the time of token issuance (2018), the company was already established and the main product of the company has already established itself in the market.

There are no other scenarios are considered as technically feasible. None of the scenarios of utilizing the token has the signs of securities rights realizing.

A value and current price of the EXPO token does not depend on a value of the company business, cost of the assets, and company profit. Fees from platform user's transactions generate profit to the company. In turn, platformusers and tokenholders does not have the right and technical ability to receive the relevant part of the company's profit.

The platform does not carry out the reverse purchase of the token.

Tokens will not burned and token will remain owned by the other tokens holder. All the processes are based on blockchain. This sign is the equivalent of a real exchange of services between the platform participants. All the processes are based on blockchain.

Thus, the Company do not have the rights and technical ability to regulate the token issue. The ONLINE EXPOS does not keep tokens on its accounting balance, so under securities and accounting laws, the EXPO tokens are not the asset of the company.

- ✓ The most important! The founders of ONLINE EXPOS Platform has not any ability to affect on EXPO token price. The current price of the EXPO token depends on a set of indicators, such as:

  - the number of events and exhibitions initiated by the platformusers during the approximate period, for example six months,

  - number and costs of made deals,

  - the independent decisions of the utility owners to use them for transactions.

  Thus, a token price is depends on events statistics and dynamics of token holders ' actions. To use EXPO token smart contract deployed in decentralized platform.

- ✓ 3.2.1. General conclusions about EXPO token`s essence:
  The ONLINE EXPOS business model looks like a traditional for on-line marketplace. The modern blockchain technology is applied in the ONLINE EXPOS business process. The EXPO token is real utility digital tool, his main function could be defined as "an exhibition digital tickets / membership fee".

The Company performs the role of Escrow agent against the owners of the token, providing the purpose of the transaction between users and ensures the implementation of the agreements.

4. EXAMINATION OF THE EXPO TOKEN.

However, third parties with aim to define as securities can test the EXPO token.

Thus, the main purpose and subject of this analysis is to identify the hidden or evident signs of securities, investments, and violations of investors 'rights. As a result, the ability to identify EXPO tokens as securities should be excluded.

We must establish that an EXPO token is not a "digital surrogate" of securities.

We must eliminate the option to use tokens as securities.

We must conclude whether investors may perceives the EXPO token as a security or investment proposal.

4.1. Overview.

The EXPO token compliance was carried out in accordance with the legislation for securities, exchange and investment activities, off - exchange trade.

It is important to understand that token holders are platformusers such as exhibitors, merchandise sellers, commodity buyers, exhibition equipment sellers, exhibition organizers and any other participants in the exhibition services market.

When we conducted a detailed decomposition and analysis of all ONLINE EXPOS business processes, we were unable to detect and identify any process that can be regarded as a relationship between an investor and an Issuer of securities. On the other hand, if we aim to register the issue of securities, we will not be able to prove to the regulator body that tokens are securities.

Moreover, the main tokenholders are separate enterprises, individual businesses and companies they interested in participating in exhibitions. This is B2B mainly. Companies purchase a token as a ticket to participate in the exhibition, which cannot be an investment in the assets of the platform. Moreover, nowhere are any promises of the ONLINE EXPOS founders to pay any profit for the token buyers or give them a share of the Company.

- ✓ By our opinion, the expertise of EXPO token under securities legislation cannot be applied to EXPO due to the following:

All business processes and relationships between platform users are traditional relationships between exhibitors. There are no investment, stock exchange activities. There is no contribution to each other's business venture.

Nowadays, the matters of cryptocurrency turnover and production of digital assets has not special legal regulation. There are neither special laws, nor separate legal Institute or branch of law. Therefore, we cannot qualify a token as a «unique legal essence».

4.1.1. Token sale.

- ✓ Please note the following important information.

The company did not hold an ICO. There were no open public token sales.

The total number of token buyers does not exceed 50 companies and individual persons.

Almost all token buyers were professional participants (users) of the platform at the time of purchase.

There are no US, UK, Singapore, Hong Kong citizens among token buyers. KYC procedure was applied to each purchase fact. The company is able to provide all the data about each customer. Token buyers are not on any sanctions list.

4.2. The promise of income.

Thus, we must separate strictly two different legal definitions such as "*profit*" and other types of "*income*". Because in the context of securities laws the "Expectation of Profits" means the Right to profit from the company's activities («… from the managerial efforts of others»), and this means - "Expectation of "Net profit". Because, the «Net profit» is a result of the managerial efforts of others, including, for example, such managerial efforts as a paying taxes. The "… others" means "not the token buyers".

The source of the company's profit is the fee for the transactions of the platform participants (the traditional method of profit by any Expo online platform). We wrote above that token buyers do not have any rights to the company profit.

It`s normally, when a Net- or Gross profit of any company will be turned to business development or capitalization. However, in our case, the customer’s money were not spent on the company's creation and token production. These were two different moments when tokens were produced and sold. Thus, the token buyers did not received the "Expectations of Profits", but they got the real product - utility token to be applied on ONLINE EXPOS according to the clear instruction based on blockchain.

- ✓ The next important legal matter is the market price of token does not influence on a company profit and the company profit does not influence on the token market price.

The current price of the EXPO token depends on a set of indicators, such as:

- the number of events and exhibitions initiated by the platformusers during the approximate period, for example six months,

- number and costs of made deals,

- the independent decisions of the utility owners to use them for transactions.

Thus, a token price is depends on events statistics and dynamics of token holders ' actions. To use EXPO token smart contract deployed in decentralized platform.

4.3. General conclusions about the promise of income and token holder's rights.

- ✓ There are no declarations in Whitepaper promising "Expectation of Profits" to token buyers. Token holders can receive any income from token by their own efforts.
- ✓ This legal opinion is made due to a complete analysis of the "legal matters" of the EXPO token, a business model of the Company, an EXPO token functions, processing and organizational token`s model, services and products of the company, the sales terms of the EXPO token.

4.4. Analysis under United States Federal Securities Law.

Today, there is no special legal regulation of tokens anywhere in the world. However, the world practice first appeals to the laws of the United States to determine the legal substance of the token. There are several main reasons. The U.S is a substantial market for selling blockchain tokens, and concurrently holds complicated set of laws which govern this area. In the US there are court decisions that are directly related to the token and ICO. All main exchanges follow the requirements of the US regulatory body.

This section sets forth our legal opinion as to whether the sale of EXPO tokens would likely constitute a securities offering for purposes of Section 2(a)(1) of the Securities Act of 1933 («Securities Act») and Section 3(a)(10) of the Securities Exchange Act of 1934 («Exchange Act»).

In order to analyze the EXPO tokens under federal securities laws, we begin with the definition of «security» contained in Section 2(a)(1) of the Securities Act: «any note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement …investment contract … or, in general, any interest or instrument commonly known as a «security», or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing». IN this document, we will be focusing on analyzing the EXPO token per the U.S Securities laws.

At a result of the analysis, it is possible to identify the main facts necessary for the preparation of conclusions:

1) The EXPO token does not grant any voting rights in the Company.

2) The Company does not grant any pecuniary profits to the token holders, nor any rights to claim against the Company to redeem the token for pecuniary value.
3) The EXPO token provides actual exhibition service to token holders, and therefore its nature fits to the definition as a utility token.
4) At the time of the token purchase, the buyer had no opportunity to determine the terms and cost of the token sale in the future. Thus there are no promise expectations of «investment income ".
5) There was no public sale of tokens.
6) Tokens were not sold to US citizens.

Under U.S. law, any investment assets are acquired only for the purpose of investing, making a profit, preserving and with "investment" purposes. This is impossible to regulate the exhibition activities under the securities and investment legislation.

Any Investment instrument (share, bond, investment contract, etc.) grants equal rights to its potential owners. Any holders of a particular type of securities have equal rights. Thus, certain types of securities determines the rights and actions of the holder of these securities.

This is securities when the investor does not receive property in nature (company assets), but he is entitled to a share of the property or profits that is create through the "efforts of others". The option of profit making by the tokenholders is excluded at the part of blockchain technology implementation.

EXPO is a tool for use in the exhibition ecosystem, which is transferred to the buyer and the buyer uses EXPO in accordance with the known conditions. Because EXPO is a «stand-alone» utility for the holders.

If you classify such actions of the platform as the issue of securities, it will create a precedent that destroys the legitimate and positive activity of market online platforms around the world. If the modern blockchain technologies and smart contracts are often used for issues the securities and for selling the organization assets, it does not mean the ban to use such technologies in other spheres such as online EXPO.

Therefore, customers buy EXPO to operate on online Exhibition Platform, but it is not an "investment in company assets". At least at a preliminary review, the EXPO token will not be categorized as a security token. More on that in the below.

4.4.1. The Howey test.

The «Howey test» has not yet been directly applied by the courts to any digital currency or blockchain token.

The DAO Report applied the Howey test to digital tokens offered and sold by a virtual organization known as «The DAO», and concluded that the tokens were in fact securities. To determine whether EXPO tokens are securities, we examine each of the Howey factors in light of the SEC's analysis of the DAO tokens. «Howey» focuses specifically on the term "investment contract" within the definition of security, noting that it has been used to classify those instruments that are of a "more variable character" that may not fit neatly into other categories and that may be considered a form of contract, therefore,

a. Investment of Money;

b. [in a] A Common Enterprise;

c. [with a reasonable] Expectation of Profits;

and d. [to be derived from the entrepreneurial or managerial] Effort of Others.

Modern legal practice and traditions in the field of cryptocurrency should be through the use of the test to give a legal opinion to any tokens.

This requires that the any actual token design must be considered under each prong separately.

1) Investment of Money.

Under Howey and subsequent case law, an investment of money may include not only the provision of capital, assets, and cash, but also goods, services, or a promissory note. In short, to constitute a security, there must be a contribution of value.

The EXPO tokens are being purchased by the public with fiat money and cryptocurrency such as Ethereum or Bitcoin.

Under Howey and subsequent case law, an investment of money may include not only the provision of capital, assets, and cash, but also goods, services, or a promissory note. In short, to constitute a security, there must be a contribution of value. However, Under U.S. law, any investment assets are acquired only for investing, making a profit, preserving and with "investment" purposes. This is impossible to regulate the Exhibition activities under the securities and investment legislation.

- ✓ In the case of investment agreements, buying the share of the company, or the purchase of securities there is a "Failure of consideration" when the investor gets the tokens as a digital tickets.

2) Prong 2: A Common Enterprise.

Thus, to be a security, the investment of money must be “in a common enterprise.” Different courts use different tests to analyze whether a common enterprise exists. The two dominant approaches are horizontal and vertical.

Under the horizontal approach, a common enterprise is deemed to exist where multiple buyer’s pool funds into an investment and the profits of each investor correlate with those of the other buyers such that the fortunes of all investors rise and fall together. Whether funds are pooled appears to be the key inquiry, thus, in cases where there is no sharing of profits or pooling of funds, a common enterprise may not be deemed to exist.

Vertical commonality test requires that the investors' fortunes be "interwoven with and dependent upon the efforts and success of those seeking the investment ... of third parties" (SEC v. SG Ltd., 265 F.3d 42, sec. 31-35 (1st Cir. 2001)).

Vertical commonality exists where the financial success of the seller’s enterprise itself rises and falls with the value of the tokens. This is the case where the seller is attempting to make a profit from an ongoing business that uses the token. However, where a seller is not seeking to make a profit, but instead plans to spend the money raised from the token sale on development (and then liquidate the entity), courts will be less likely to find vertical commonality. Under such a model, the seller intentionally becomes insolvent over a period, but the value of the utility token simultaneously increases.

Thus, the horizontal commonality test’s requirements are not met. By applying the narrow vertical commonality test, we can clearly see that the investors’ funds are not connected or dependent upon the success of the token issuer. The right of the token holders to receive services from the company is definitely not subject, dependent or in any way based upon the success of Company. We see these vertical commonality tests’ requirements unmet.

It`s normally, when a Net- or Gross profit of any company will be turned to business development or capitalization. However, in our case, the customer’s money was not spent on the company's creation and token production. These were two different moments when tokens were produced and sold. Thus, the token buyers received not an "Expectations of Profits", but they got the real product - utility token will be applied on ONLINE EXPOS according to the clear instruction based on blockchain.

The next important legal matter is the market price of token does not influence on a company profit and the company profit does not influence on the token market price. The source of the company's profit is the fee for the transactions of the platform participants (the traditional method of profit by any online Expo platform). We wrote above that token buyers do not have any rights to the company profit.

The main thing is that the buyer of the token can apply it only as an exhibitor. The profit of the exhibitor always depends on his own decisions.

3) «Expectation of Profits".

Thus, we must strictly separate two different legal definitions such as "profit" and other types of "income". Because in the context of securities laws the "Expectation of Profits" means the Right to profit from the company's activities («… from the managerial efforts of others»), and this means - "Expectation of "Net profit". Because, the «Net profit» is a result of the managerial efforts of others, including, for example, such managerial efforts as a paying taxes. The "… others" means "not the token buyers". The whitepaper not contains any declarations promises income to token buyers. Because any type of income is not a share of The Company's profits and token holders can receive such income by their own efforts.

4) Solely from the Efforts of Others.

We wrote above that token buyers do not have any rights to the company profit. The source of the company's profit is the fee for the transactions of the platform participants (the traditional method of profit by any online platform).

The fourth prong of the Howey test examines whether or not the profits of an instrument are derived from the managerial efforts of others. Typically, courts have been flexible with the word "solely," such that, in addition to the literal meaning, it need only be predominately from the efforts of others.

The founders of ONLINE EXPOS has not any ability to affect on the token price. Current price of the token depends on a set of indicators, such as:

- the number of events and exhibitions initiated by the platformusers during the approximate period, for example six months,

- the number and costs of made deals,

- the independent decisions of the utility owners to use them for transactions.

The important legal matter is the market price of token does not influence on a company profit and the company profit does not influence on the token market price. However, the market price of the token depends on the actions of the token holders. Current token price depends on the statistics of business events and dynamics of actions of the tokenholders.

This prong also makes the Howey test negligible when it touch the transfer of money or tokens to the platform. Because the company's profits and users ' incomes are not related to each other.

4.4.1.1. Interim conclusion – the Howey Test.

The test does not apply to legal relations arising between token buyers and the seller (the Company). Because we have not been able to identify any relationship for the issue and purchase of securities.

Our firm has conducted a thorough analysis under the Howey test to determine whether or not your token may qualify as a utility token. We can safely assume that the EXPO token will not be deemed as a security per the Howey Test.

The main positions on which we rely:

1) The ONLINE EXPOS business model looks like a traditional for on-line Expo business.

The token EXPO has its own value (utility) regardless of the company's assets. Such a digital instruments are not the Company's assets.

The EXPO token is a tool of access to the platform ONLINE EXPOS services. Any outsider could start as a platform user who gets access to the platform by buying the EXPO token on the exchange or from ONLINE EXPOS website when the initial open sales period has been.

On ONLINE EXPOS platform there are several scenarios of using an EXPO token. It depends on the tokenholder choice.

2) In the case of investment agreements, buying the share of the company, or the purchase of securities there is a "Failure of consideration" when the investor gets the tokens as a digital ticket.

3) The source of the company's profit is the fee for the transactions of the platform participants (the traditional method of profit by any online platform). Token buyers do not have any rights to the company profit. The EXPO tokens don't give any rights to their holders. This fact excludes the identification of the token as securities.

4) The founders of ONLINE EXPOS has not any ability to effect on the token price. The market price of token does not influence on a company profit and the company profit does not influence on the token market price.

5) The founders of ONLINE EXPOS has not any ability to effect on the token price. Current price of the token depends on a set of indicators, such as:

- the number of events and exhibitions initiated by the platformusers during the approximate period, for example six months,

- the number and costs of made deals,

- the independent decisions of the utility owners to use them for transactions.

The important legal matter is the market price of token does not influence on a company profit and the company profit does not influence on the token market price. However, the market price of the token depends on the actions of the token holders. Current token price depends on the statistics of business events and dynamics of actions of the tokenholders.

4.4.2. The Risk Capital Test.

The U.S securities laws are both federal and state. State laws are called “blue sky laws”.

An ICO or any other instrument must comply with both, each time it is offered to the public. It may be possible that under state law the token will be considered as a security.

Some U.S states use an different test to determine whether an token is being a security or not. The test is “the risk capital test”.

The Risk Capital Test was also applied to cooperative initiatives (Silver Hills; Jet Set Travels Club v. Corporation Com’r, 21 Or. App. 362 (1975) (hereinafter, “Jet Set”)), wherein under the federal courts definition these cooperatives were not to be deemed as securities because the members joined the club to get the benefits of membership, and not for a financial return.

In the constitutive Silver Hills case, the Risk Capital Test stipulated that an investment contract exists when four prongs are met:
1. funds are being raised for a business venture or enterprise (the risk capital);
2. an indiscriminate offering to the public at large;
3. a passive position on the part of the investors, i.e. investors do not affect the success of the initiative;
4. the conduct of the enterprise by the issuer with other people's money.

The test reviews whether the funds were used.

The court in Silver Hills held that the sale of membership to a country club was a security because the initiative utilized risk capital. The investors were risking their capital in expectation or receiving the benefits of membership.

We can consider that the «Risk capital Test» is not applicable in the case of EXPO tokens because there is no legal link between the purchase of tokens for use as keys / utility to obtain the company's services (membership benefits) and the directions of use of the seller's funds received. There is no connection between the use of funds and the specific customer expectations, except to buy a token for the purpose be platform users.

As already mentioned above, the platform was created and operated at the time of token sale. Buyers of tokens were not offered to become business owners.

5. ANALYSIS UNDER THE LAWS OF RELEVANT FOREIGN JURISDICTIONS

In addition to United States federal securities laws, it is important for any token sale to consider and comply with the regulatory regimes of foreign jurisdictions that may be implicated in the sale. Below, our firm has flagged and assessed the likely securities treatment and implications for relevant foreign jurisdictions that have taken a position on token sales.

5.1. Republic of Singapore.

This section sets forth our firm's legal opinion as to whether the EXPO tokens would likely constitute an ownership interest in EXPO`s assets or property for purposes of the Securities and Futures Act.

Following the SEC's DAO Report, Singapore's financial regulatory body and central bank, the Monetary Authority of Singapore ("MAS"), clarified its own position and treatment of token offerings.

The statement indicated that the offer or issue of digital tokens in Singapore will be regulated by MAS if the digital tokens constitute products regulated under the Securities and Futures Act (Cap. 289) ("SFA"). Specifically, where digital tokens fall within the definition of securities in the SFA, issuers of such tokens are required to issue and register a prospectus with MAS before the offering of such tokens, unless otherwise exempted.

Digital tokens may be securities subject to the SFA where they represent ownership or a security interest over an issuer's assets or property and may therefore be considered an offer of shares or units in a collective investment scheme.

- ✓ However, the MAS guidance leaves open the possibility that not all token sales are subject to the SFA and that some token sales may be distinguishable from equity or debt interests in the issuer or its assets. To date, MAS has not explicitly declared that SFA applies to utility tokens. Thus, similarly to the SEC regime, there appears to be an implied carve-out for utility tokens.

Here, applying the Howey analysis above, the sale of EXPO tokens does not appear to trigger the SFA securities laws since the EXPO tokens function as utility coins rather than representations of equity or debt interests.

Below we give a more detailed exam.

5.1.1. Overview of applicable legislation.

In November 2017 MAS has issued a Guide to Digital Token Offerings2, clarifying the MAS position on implementing the national legislation to the token offerings. According to the Guide, offers or issues of digital tokens may be regulated by MAS if the digital tokens are capital markets products, which may mean any securities, futures contracts, contracts or arrangements for the purposes of foreign exchange trading,

contracts or arrangements for the purposes of leveraged foreign exchange trading, and such other products as MAS may prescribe as capital markets products. For instance, digital tokens may constitute a share, a debenture, or a unit in a collective investment scheme, and as such become subject to the applicable regulations imposed by the SFA[1].

Another possible regulation that can be considered as applicable to the EXPO are the regulations on the Stored value facility (SVF) as prescribed by the PSOA[2].

It is necessary therefore to assess whether EXPO can be considered a capital market product or a stored value facility under the Singapore law.

5.1.2. Capital market products.

According to the Section 2.—(1) of the SFA, capital markets products means any securities, futures contracts, contracts or arrangements for the purposes of foreign exchange trading, contracts or arrangements for the purposes of leveraged foreign exchange trading, and such other products as the Authority may prescribe as capital markets products.

5.1.2.1. Securities.

The definition of security is provided by the SFA and include:

(a) debentures or stocks issued or proposed to be issued by a government;

(b) debentures, stocks or shares issued or proposed to be issued by a corporation or body unincorporated;

(c) any right, option or derivative in respect of any such debentures, stocks or shares;

(d) any right under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in (i) the value or price of any such debentures, stocks or shares; (ii) the value or price of any group of any such debentures, stocks or shares; or (iii) an index of any such debentures, stocks or shares;

(e) any unit in a collective investment scheme;

(f) any unit in a business trust;

(g) any derivative of a unit in a business trust; or

(h) such other product or class of products as the Authority may prescribe.

It is therefore necessary to assess in detail whether EXPO can be considered each of these instruments.

5.1.2.1.1. Debentures or stocks issued by a government.

This clearly does not apply to EXPO tokens since the Company is not a government of any country.

5.1.2.1.2. Debentures, stocks or shares issued by a corporation or any right, option or derivative for them.

The definition of the debenture as provided by the same article and includes any debenture stock, bond, note and any other debt securities issued by a corporation or any other entity, whether constituting a charge or not, on the assets of the issuer.

EXPO is not a debt instrument and does not entitle its holder to any assets of the Company, nor the right to acquire such a right, so it cannot be considered as a debenture;

1 Securities and Futures Act (Chapter 289 of the laws of Singapore).
2 Payment Systems (Oversight) Act (Chapter 222A of the laws of Singapore).

The definition of share and stock is provided by the section 4(1) of the Companies Act: share means a share in the share capital of a corporation and includes stock except where a distinction between stocks and shares is expressed or implied.

EXPO does not grant its holder any rights associated with a share in the share capital of any corporation, nor does it grant any rights similar to the rights provided by shares, so it cannot be considered a share or a stock; neither is it a derivative in respect to any such rights.

5.1.2.1.3. CFDs or other contracts with reference to fluctuations in securities

EXPO is not related to any debentures, stocks or shares, and holder of EXPO does not have any rights related to the fluctuations of such assets.

5.1.2.1.4. Unit in a CIS

According to the Section 2.—(1) of the SFA, collective investment scheme means an arrangement in respect of any property under which the participants do not have day-to-day control over the management of the property, whether or not they have the right to be consulted or to give directions in respect of such management; and the property is managed as a whole by or on behalf of a manager; under which the contributions of the participants and the profits or income from which payments are to be made to them are pooled; and the purpose or effect, or purported purpose or effect, of which is to enable the participants (whether by acquiring any right, interest, title or benefit in the property or any part of the property or otherwise) to participate in or receive profits, income, or other payments or returns arising from the acquisition, holding, management or disposal of, the exercise of, the redemption of, or the expiry of, any right, interest, title or benefit in the property or any part of the property; or to receive sums paid out of such profits, income, or other payments or returns.

In relation to a collective scheme, unit means a right or interest in a collective investment scheme, or an option to acquire any such right or interest.

The business operations of the Company does not constitute a collective investment scheme, since the EXPO holders are not entitled to participate in any profits generated by the Company, and the act of purchasing EXPO does not grant its holder any rights toward any property or proceeds of any property.

EXPO, therefore, cannot be considered a unit in a collective investment scheme.

5.1.2.1.5. Unit in a business trust or derivatives of such unit.

Business trust is defined in section 2 of the Business Trusts Act as a trust that is established in respect of any property and that has the following characteristics: the purpose or effect of the trust is to enable the unitholders to participate in or receive profits, income or other payments or returns arising from the management of the property or management or operation of a business; the unitholders of the trust do not have day-to-day control over the management of the property, whether or not they have the right to be consulted or to give directions in respect of such management; the property subject to the trust is managed as a whole by a trustee or by another person on behalf of the trustee; the contributions of the unitholders and the profits or income from which payments are to be made to them are pooled; and the units in the trust that are issued are exclusively or primarily non-redeemable; or the trust invests only in real estate and real estate-related assets specified in accordance with the MAS prescriptions.

Unit in a business trust means a share in the beneficial ownership in the trust property of the business trust.

Since the Company is not a trust and EXPO holders are not entitled to any profit, EXPO cannot be considered a unit in a business trust or a derivative thereof.

5.1.2.1.6. Other products prescribed by the MAS.

MAS has not taken any action in regards to EXPO tokens and has not prescribed EXPO tokens or similar products as securities.

5.1.2.2. Futures contracts.

According to the Section 2.—(1) of the SFA, futures contract means a contract the effect of which is that one party agrees to deliver a specified commodity, or a specified quantity of a specified commodity, to another party at a specified future time and at a specified price payable at that time; or the parties will discharge their obligations under the contract by settling the difference between the value of a specified quantity of a specified commodity agreed at the time of the making of the contract and at a specified future time, and includes a futures option transaction. EXPO does not constitute a futures contract, since it does not grant its holder any rights towards delivery of any commodity in the future.

5.1.2.3. Forex contracts or arrangements.

According to the Section 2.—(1) of the SFA, foreign exchange trading has the meaning given to it in the Second Schedule, which is the act of entering into or offering to enter into, or inducing or attempting to induce a person to enter into or offer to enter into, a contract or an arrangement the effect of which is that

(a) a party agrees to exchange currency at an agreed rate of exchange with another party whether the currency exchange is effected at the same time or at a specified future time and whether by way of delivery of an amount of currency for another currency, by way of crediting the account of the other party with an amount of another currency, by way of settlement or set-off between 2 or more persons or otherwise; or

(b) a party agrees to settle in any manner with another party the difference between the value of any currency index agreed at the time of the making of the contract or arrangement and at a specified future time.

This is clearly not the case with EXPO; neither is the leveraged foreign exchange trading, specified by the same Schedule as a special case of foreign exchange trading.

5.1.2.4. Other products prescribed by the MAS as capital markets products.

MAS has not taken any action regarding EXPO tokens and has not prescribed EXPO tokens or similar products as capital market products.

5.1.3. Stored value facilities.

PSOA[1] imposes certain regulations on the stored value facilities. It is necessary to assess whether EXPO tokens can be considered SVF under the Singapore law.

According to Section 2.—(1) of PSOA, SVF is defined as a facility (other than cash), whether in physical or electronic form, which is purchased or otherwise acquired by the user to be used as a means of making payment for goods or services up to the amount of the stored value that is available for use under the terms and conditions applying to the facility, and payment for the goods or services is made by the holder of the stored value in respect of the facility (rather than by the user). The holder is defined as a person who holds the stored value and makes payment for such goods or services; and the stored value is defined as a sum of money that has been paid in advance for such goods or services, is available for use from time to time for making payment under the terms and conditions applying to the stored value facility and is held by the holder of the stored value facility.

It is a question therefore, whether EXPO tokens shall be considered SVF and the Company shall be considered a holder of SVF for the purposes of the PSOA.

1 Payment Systems (Oversight) Act (Chapter 222A of the laws of Singapore).

It seems unlikely for the reasons similar to those mentioned in the section on the European regulation of the electronic money. While it is possible to purchase EXPO tokens by paying a sum of money to the Company, such a sum of money will not be available for making any payments by the user, and thus cannot be considered a stored value. Furthermore, by transferring EXPO to another user - a service provider - as a consideration under the contract between such users, no obligation to pay to such service provider arises for the Company, since the transfer of the EXPO is a consideration in itself.

It is unlikely that regulations of the stored value facilities are applied to EXPO.

5.1.4. Singapore overview.

As it has been demonstrated in this Section, EXPO token is unlikely to be considered a capital market instrument according to the Singapore legislation. Furthermore, it is unlikely that regulations on stored value facilities can be applied to the Company in regard to the issuance or listing of the tokens.

5.2. Canada.

This section sets forth our firm's legal opinion as to whether the EXPO token sale would likely constitute a securities offering for purposes of Canadian securities law.

The leading Supreme Court case for determining whether an instrument meets the definition of security is Pacific Coast Coin Exchange v. Ontario Securities Commission. The Court articulated a test similar to the Howey test in the United States. The test is as follows:

(i) an investment of money; (ii) in a common enterprise; (iii) with the expectation of profit;

(iv) to come significantly from the efforts of others.

Most recently, the Canadian Securities Administrators ("CSA") released guidance on treatment of cryptocurrency offerings and revealed that tokens that function like securities under the Pacific Coast test will be treated as such. The securities laws of Canada will apply if (1) the person or company selling the securities is conducting business from within Canada; or (2) if there are Canadian investors.

Here, if the EXPO token sale were found to be a securities offering, it would need to comply with the securities laws of Canada since it allows for Canadian investors. However, applying the Howey analysis above, EXPO tokens do not appear to be securities under the Pacific Coast test, and, thus, Canadian securities laws are not triggered.

Among the buyers of tokens, there is no Canadian investor.

5.3. China.

This section sets forth our firm's legal opinion as to whether the EXPO token sale will be lawful in China. Most recently, the People's Bank of China ("PBOC") has announced that virtual currency transactions are "unapproved" illegal activities. The announcement is functionally an indefinite freeze on all ICOs and token sales. The ban applies regardless of the characterization of the tokens. As such, marketing or selling EXPO tokens to Chinese citizens would be unlawful.

5.4. Cyprus.

Unlike many other EU members, Cyprus has decided to stay aside and so far in any way not responding to the ICO.

In Cyprus it is allowed to own bitcoins, buy them, extract and change. Cyprus charges income tax on all types of profit for both individuals and legal entities; but individuals may exclude income derived from the sale of securities, therefore, classification (in this case) is key. As for the increase capital from transactions (exchanges), Cyprus pays only the tax on income from the sale real estate. (In addition) schools and

universities of this state favorable to payments in bitcoins...". In this aspect, of course, Cyprus is set a positive, but regulatory enforcement is still virtually absent.

In October 2017, the Commission on securities and stock market of the Republic of Cyprus (CySEC) clarified the requirements for investment companies operating in the country (Cypriot Investment Firm, hereinafter — CIF) in the provision of services related to virtual currencies and derivatives in which it acts as a underlying asset, in particular, with contracts for difference prices (Contract for Difference, hereinafter — CFD).

In the EU, there is no direct regulation of the turnover of virtual currencies or derivatives in which they are the underlying asset. There is no common understanding of how the provisions of Directive 2004/39/EC on financial instrument markets apply to them.

CySEC has actually localized the procedure for providing investment services related to virtual services, pointing to the need to conduct legal checks for compliance of such investment products with the established requirements in each jurisdiction.

The legal analysis of the token under the EU legislation is below.

5.5. Malta.

At the moment, in Malta, the cryptocurrency market is mostly unregulated. These confirmations have so far, just reiterated the fact that the bitcoin business and related industries are unregulated at the moment.

Presently, Bitcoin and other cryptocurrencies are not considered, as regulated instruments under MiFID[1] and any company that handles cryptocurrencies are not required to undergo any form of licensing process with the MFSA (Mata Financial Services Agency).

The only exception to this rule is if the coin can be considered as an investment instrument under the Investment Services Act, and if they did, they would trigger the obligations of the act.

However, a detailed analysis has been given above and Malta's legislation does not make exceptions for cryptocurrencies if the token is not an investment tool in its legal essence.

According to the statement issued by ESMA[2] on November 13, 2017[3], the firms conducting ICOs shall meet the requirements imposed by the relevant Directives, including MIFID II, UCITS Directive4 and AIFMD5.

5.6. EUROPEAN UNION.

5.6.1. Financial Instruments.

Financial instruments are defined by the Article 4(1)(15) of MIFID II as those instruments specified in Section C of Annex I of MIFID II; those are:

(1) Transferable securities;

(2) Money-market instruments;

(3) Units in collective investment undertakings;

1 Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349–496).
2 The European Securities and Markets Authority.
3 https://www.esma.europa.eu/press-news/esma-news/esma-highlights-ico-risks-investors-and-firms.
4 Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, p. 32–96).
5 Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 1.7.2011, p. 1–73).

(4) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;

(5) Options, futures, swaps, forwards 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 other than by reason of default or other termination event;

(6) 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, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;

(7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments;

(8) Derivative instruments for the transfer of credit risk;

(9) Financial contracts for differences;

(10) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates 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 other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF;

(11) Emission allowances consisting of any units recognized for compliance with the requirements of Emission Directive. It is necessary to individually assess each of these instruments and determine whether EXPO tokens can be considered one of these. For the purpose of this analysis, instruments listed in Annex I Section (C) (4) –

(10) can be grouped together as the derivative financial instruments.

5.6.2. Transferable securities.

Transferable securities are defined in Article 4(1)(44) as those classes of securities which are negotiable on the capital market, with the exception of instruments of payment, such as:

(a) shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares;

(b) bonds or other forms of securitized debt, including depositary receipts in respect of such securities;

(c) any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures.

Although no formal test for defining an instrument as a transferable security has been devised by the European regulator, the key characteristics of a transferable security can be derived. Such characteristics would consist of three formal criteria and a substantive one.

The formal criteria would be transferability (meaning that the units shall be able be assigned to another person), negotiability (meaning that the units can be transferrable with ease), and standardization (meaning that the units are sufficiently standardized for the purposes of the ease of search and purchase).

In case of EXPO token (as with practically any other kind of token) all these criteria are fulfilled: tokens can be transferred between addresses and it can be done sufficiently easy, and all EXPO tokens are the same - which is a considerable argument for their standardization.

The fourth criterion is a substantive one. MIFID II provides a non-exhaustive list of instruments that are typically considered securities; it is likely that this list shall be used as a reference in determining whether a new product can be considered a transferrable security. Therefore, to be considered a security, EXPO token must be at least comparable to the examples provided in MIFID II.

The examples provided are the shares and their equivalent, bonds or other forms of securitized debt, and the derivative instruments that give the right to acquire such securities or giving rise to the cash settlement.

EXPO tokens are in themselves neither shares nor bonds; their holders are not entitled neither to the fixed income like the bonds do, nor do the EXPO tokens grant their holders the equity stake in any corporation or any other rights, typically associated with shares or their equivalent, such as the right to receive a share in the revenue of the respective business or the right to vote or otherwise define the course of business of the issuer. EXPO holders do not have the right to acquire any such securities, and neither does cash settlement arise from holding EXPO tokens, since no obligation of payment exists in regard to the EXPO holders.

It is unlikely for EXPO tokens to be considered transferable securities under MIFID II.

5.6.3. Money-market instruments.

Money-market instruments are defined in Article 4(1)(17) as classes of instruments which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment. Since EXPO token bears no similarities to these instruments and is not intended to be dealt on the money market, it is unlikely a money-market instrument.

5.6.4. Units in UCITS.

Units in collective investment undertakings are defined by the UCITS Directive, Article 1 of which defines UCITS as an undertaking with the sole object of collective investment in transferable securities or in other liquid financial assets referred to in Article 50(1) of the same Directive of capital raised from the public and which operate on the principle of risk-spreading; and with units which are, at the request of holders, repurchased or redeemed, directly or indirectly, out of those undertakings' assets. Action taken by a UCITS to ensure that the stock exchange value of its units does not significantly vary from their net asset value shall be regarded as equivalent to such repurchase or redemption.

The Company is not planning to invest the proceeds from the sale of EXPO tokens in transferrable securities or other financial instruments mentioned in the Article 50(1) of the UCITS Directive, such as financial derivative instruments, units in UCITS or money-market instruments. The EXPO tokens themselves are not redeemable, and the Company has no intention of repurchasing them; and while it is unlikely that Trading Venue would constitute a stock exchange for the purpose of the Article 1 of the UCITS Directive, the Company does not intend to take action to influence the market price of EXPO tokens sold to the token holders.

It is therefore unlikely that the Company may be considered a UCITS under the UCITS Directive, and EXPO tokens are most likely not the units in UCITS.

5.6.5. Derivative instruments.

A derivative is a type of financial instrument whose value is based on the change in value of an underlying asset or a basket of assets. Instruments provided for by the Section C(4)-(10) are all types of derivatives, of which the exact mechanics (option, future, swap, etc.) and the underlying assets (securities, currencies, commodities, credit risk, etc.) vary.

Article 4(1) of CIR mandates the EMIR report to specify a derivative on the basis of the contract type and the asset class; according to Article 4(2) of CIR the derivative shall be specified in Field 1 of Table 2 of the Annex as one of the contract types:

(a) financial contract for difference;

(b) forward rate agreement;

(c) forward;

(d) future;

(e) option;

(f) spreadbet;

(g) swap;

(h) swaption;

(i) other.

These types of derivative contracts are defined in the Article 1(8) - (12) of Annex III to RTS 2:

Future means a contract to buy or sell a commodity or financial instrument in a designated future date at a price agreed upon at the initiation of the contract by the buyer and seller. Every futures contract has standard terms that dictate the minimum quantity and quality that can be bought or sold, the smallest amount by which the price may change, delivery procedures, maturity date and other characteristics related to the contract.

Option means a contract that gives the owner the right, but not the obligation, to buy (call) or sell (put) a specific financial instrument or commodity at a predetermined price, strike or exercise price, at or up to a certain future date or exercise date Swap means a contract in which two parties agree to exchange cash flows in one financial those of another financial instrument at a certain future date.

Forward or forward agreement means a private agreement between two parties to buy or sell a commodity or financial instrument at a designated future date at a price agreed upon at the initiation of the contract by the buyer and seller.

Another type of derivative instrument is a financial contract for difference, which is specified in ACP as a derivative product that gives the holder an economic exposure, which can be long or short, to the difference between the price of an underlying asset at the start of the contract and the price when the contract is closed.

Neither EXPO holder nor the Company or any third party are subject to obligations similar to specified for the typical derivative contracts, and EXPO holders are not entitled to demand any commodity or financial instrument to be sold to them; neither are they entitled to demand an exchange of cash flows in any financial instruments or a cash settlement from any third party. The value of EXPO token is not based on or relate to securities, commodities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures, or any other assets, rights, obligations, indices and measures and is only determined based on the current market demand for it, and EXPO token is not used to transfer credit risk.

Therefore, EXPO tokens are unlikely to be considered derivative financial instrument as specified in Annex I Section (C) (4) – (10) of MIFID II.

5.6.6. Emission allowances.

According to the Article 3(a) of the Emissions Directive, allowance means an allowance to emit one ton ofcarbon dioxide equivalent during a specified period, which shall be valid only for the purposes of meeting the requirements of this Directive and shall be transferable in accordance with the provisions of this Directive.

Since none of the activities carried out by the Company are connected to the emissions of the carbon dioxide, and EXPO holders do not grant the rights to emit carbon dioxide or its equivalents, EXPO is unlikely to be qualified as an emission allowance.

5.6.7. Prospectus Requirements.

The PD requires publication of a prospectus before transferable securities are offered to the public or traded on a regulated market. Since EXPO tokens are unlikely to be considered transferable securities, requirements of the PD do not apply to the issuance and listing of EXPO.

5.6.8. Alternative Investment Funds

The AIFMD lays down the rules for the authorization, ongoing operation and transparency of the managers of alternative investment funds (AIFMs) which manage and/or market alternative investment funds (AIFs) in the Union. Therefore, it is necessary to assess whether the Company may be considered an AIFM.

The Article 2(1)(c) defines the scope of AIMFD regulations as applicable to non-EU AIFMs which market one or more AIFs in the Union irrespective of whether such AIFs are EU AIFs or non-EU AIFs.

According to Article 4(1) of the AIMFD, AIF means a collective investment undertaking, including investment compartments thereof, which raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors, and does not require authorization pursuant to Article 5 of UCITS Directive. AIFM means legal persons whose regular business is managing one or more AIF.

Since the Company is not raising capital by selling EXPO tokens with a view to invest it for the benefit of EXPO holders, it cannot be considered neither AIF, nor AIFM. Therefore, the regulations of the AIFMD do not apply to the issuance and listing of EXPO tokens.

5.6.9. Electronic money.

Another question that must be answered is whether the special regime for electronic money as covered by the EMD can be applied to EXPO tokens.

According to the Article 2(2) of the EMD, 'electronic money' means electronically, including magnetically, stored monetary value as represented by a claim on the issuer which is issued on receipt of funds for the purpose of making payment transactions as defined in point 5 of Article 4 of Directive 2007/64/EC, and which is accepted by a natural or legal person other than the electronic money issuer.

It seems that EXPO tokens do not fit the definition of electronic money. While EMD states that e-money shall be issued on receipt of funds, the amount of EXPO tokens to be generated is constant and does not rely upon the amount of possible purchasers; while it is entirely possible to acquire EXPO tokens via the transfer of the funds to the Company, EXPO tokens can be obtained in other ways, and can be used by the Company itself. Furthermore, EXPO tokens are not represented by a claim on the Company, since they are non-redeemable, and the Company is not obliged to make any payments in respect to the holders of EXPO tokens.

Furthermore, as provided by the Article 1(4) of the EMD, even if the instrument can be considered electronic money, the EMD provisions do not apply if the instrument is exempt under the Article 3(k) of the PSD I. While the PSD I is repealed with the entrance of PSD II in force, according to the Article 114 of PSD II any reference to PSD I shall be construed as a reference to PSD II read in accordance with the correlation table in Annex II to PSD II. According to the Annex II, Article 3 of the PSD I correlates to the Article (3) of the PSD II.

As demonstrated in the next section, if the activities of the Company could be considered payment services under PSD II, it is likely that they will be exempted under provisions of the Article 3(k) of the PSD II; such exemption would correlate with the exemption under Article 3(k) of PSD I and as such qualify to exempt the Company from the provisions of the EMD.

5.6.10. Payment Services.

Another potentially applicable regulations are those imposed by the PSD II in regard to the payment services. Since transfer of EXPO can be used as a consideration under the agreements entered into via the Platform, it

is necessary to assess whether such transfer could be considered a payment transaction, and whether the Company is rendering payment services as defined by the PSD II.

As stated in Article 4(3) of the PSD II, the payment service means any business activity set out in Annex I of the Directive. Those are:

1) Services enabling cash to be placed on a payment account as well as all the operations required for operating a payment account.

2) Services enabling cash withdrawals from a payment account as well as all the operations required for operating a payment account.

3) Execution of payment transactions, including transfers of funds on a payment account with the user's payment service provider or with another payment service provider:

(a) execution of direct debits, including one-off direct debits;

(b) execution of payment transactions through a payment card or a similar device;

(c) execution of credit transfers, including standing orders.

4) Execution of payment transactions where the funds are covered by a credit line for a payment service user:
(a) execution of direct debits, including one-off direct debits;

(b) execution of payment transactions through a payment card or a similar device;

(c) execution of credit transfers, including standing orders.

5) Issuing of payment instruments and/or acquiring of payment transactions.

6) Money remittance.

7) Payment initiation services.

8) Account information services.

It is therefore necessary to assess whether the activities of the Company can be considered as each of the following. It is possible to group together the services mentioned in the Annex I (1) and Annex I (2) as operations with the payment accounts, as well as to group services mentioned in the Annex I (3) and Annex I (4) as operations regarding payment transactions.

5.6.11. Operations with payment accounts

Payment account is defined in Article 4(12) of PSD II as an account held in the name of one or more payment service users which is used for the execution of payment transactions. Payment transaction in accordance to Article 4(5) means an act, initiated by the payer or on his behalf or by the payee, of placing, transferring or withdrawing funds, irrespective of any underlying obligations between the payer and the payee. Funds are defined in Article 4(25) and mean banknotes and coins, scriptural money or electronic money as defined in Article 2(2) of EMD.

As demonstrated in the previous section, EXPO tokens do not qualify as electronic money under the regulations of EMD; nor can they be considered banknotes, coins or scriptural money. This means EXPO tokens are not funds under the PSD II, and therefore transactions of EXPO tokens with them would not constitute a payment transaction under PSD II. Since operations with the private wallets of the clients do not constitute operations with payment accounts, and Annex I (1-2) services are not applicable.

5.6.12. Payment Transactions.

Since operations with EXPO do not constitute payment transactions, Annex I (3-4) are not applicable to the services rendered by the Company.

5.6.13. Issuing and/or acquiring of payment instruments

According to the definitions in Article 4(13-14), payment instrument means a personalized device(s) and/or set of procedures agreed between the payment service user and the payment service provider, used in order to initiate a payment order, which is an instruction by a payer or payee to its payment service provider requesting the execution of a payment transaction.

While operations with EXPO tokens do not constitute payment transactions, the Company cannot be considered issuing payment instruments; neither it can be considered acquiring payment transactions.

5.6.14. Money remittance.

Money remittance is specified in Article 4(22) as a payment service where funds are received from a payer, without any payment accounts being created in the name of the payer or the payee, for the sole purpose of transferring a corresponding amount to a payee or to another payment service provider acting on behalf of the payee, and/or where such funds are received on behalf of and made available to the payee.

The Company does not render such services; it is only possible to purchase EXPO tokens in one's own name, and the proceeds received are not transferred to another person.

5.6.15. Payment initiation services.

According to Article 4(15), payment initiation service means a service to initiate a payment order at the request of the payment service user with respect to a payment account held at another payment service provider.

The Company does not render such services and does not have access to user's payment accounts at payment service providers.

5.6.16. Account information services.

Account information service is specified in Article 4(16) as an online service to provide consolidated information on one or more payment accounts held by the payment service user with either another payment service provider or with more than one payment service provider. The Company does not provide such services.

5.6.17. Exemptions for a limited-use instrument.

It is argued that the activities of the Company in regard to the issuance and listing of EXPO tokens do not constitute payment services at all, and EXPO tokens cannot be considered payment instruments as defined by the PSD II. But even if EXPO could be considered a payment instrument under the PSD II, the regulations will still be inapplicable due to the exemption provided by the Article 3(k) of the Directive.

According to this exemption, PSD II does not apply to services based on specific payment instruments that can be used only in a limited way, that meet one of the following conditions:

(i) instruments allowing the holder to acquire goods or services only in the premises of the issuer or within a limited network of service providers under direct commercial agreement with a professional issuer;

(ii) instruments which can be used only to acquire a very limited range of goods or services; It seems that the exemption may be applied to the EXPO tokens, since they are intended to be used under

a limited set of agreements, only between the users of the Platform and for a limited purpose. Thus, it can be argued that if EXPO tokens could be considered payment instruments, they would likely be also considered only suitable for acquiring a very limited range of services within a limited network of service providers under direct commercial agreement with the Company.

5.6.18. European Union findings.

- ✓ It has been demonstrated that EXPO token is unlikely to be considered a financial instrument under the European regulations, and so it is exempt from the regulations of MIFID II, PD, AIFMD and UCITS Directive. Furthermore, it is unlikely that regulations on electronic money or payment services imposed by EMD and PSD II could be applied to the business activities of the Company in regard to the issuance or listing of the EXPO tokens.

5.7. Excluded and Forbidden Jurisdictions

We investigated the data on the structure of token sales and did not establish the facts of sales in countries such as: New Zealand, China, South Korea, USA.

5.8. Further Allowed Jurisdictions

We have studied the laws and court cases (if any) in most countries, including Norway, Germany, UK, Italy etc.

Many jurisdictions share a very similar view of how to define a security. A security is generally being defined as a collection of rights relating to a company. There is a range of types of securities, but they mainly divide into equity securities (shares) or debt securities (bonds, ETNs, ETFs). In the case of the EXPO token, we can clearly see that it holds no “share” right in the Company such as voting, profits, liquidation rights. Furthermore, we see that there is no “debt creditor” right against the company to claim a redemption of a token’s worth. Therefore, as far as we are aware of, offering the EXPO token to the rest of the jurisdictions will not deem as local infringement of securities laws.

What you need to pay attention to:

- carrying out fundraising through ICO is not a violation of the laws of these countries,
- token sales actions do not violate the laws of the country,
- the courts and regulators will respond only in case of a claim of violation of the rights of token holders or tort.
- primary Fund-raising activities through ICO are of interest only from the standpoint of combating money laundering and tax evasion.

Crucial. In countries of "Civil law" (or "Continental law system"), there are not possible to estimate the token as a security guard or similar if there are no special instructions to the national law on this.

Currently, the tradition of fundraising through ICO is very common and popular. This opens up new opportunities for development. We are waiting to form a practice to give the necessary legal regulation and protection.

6. CONCLUSION.

- ✓ <u>The EXPO tokens is not securities.</u>

The main positions on which we rely:

1) The ONLINE EXPOS business model looks like a traditional for on-line / Expo business.

The token EXPO has its own value (utility) regardless of the company's assets. Such a digital instruments are not the Company's assets.

The EXPO token is a tool of access to the platform ONLINE EXPOS services. The token EXPO is a functional tool for ONLINE EXPOS App Platform. Such a way the EXPO token is a digital crypto "ticket" for the ONLINE EXPOS platform. Any outsider could start as a platform user who gets access to the platform by buying the EXPO token on the exchange or from ONLINE EXPOS website when the initial sales period has been.

On ONLINE EXPOS platform there are several scenarios of using an EXPO token. It depends on the tokenholder choice.

2) In the case of investment agreements, buying the share of the company, or the purchase of securities there is a "Failure of consideration" when the investor gets the tokens as a digital utility tool / digital ticket.

3) The source of the company's profit is the fee for the transactions of the platform participants (the traditional method of profit by any Expo online platform). Token buyers do not have any rights to the company profit. The EXPO tokens don't give equal rights to their holders. This fact excludes the identification of the token as securities.

4) The founders of ONLINE EXPOS has not any ability to effect on the token price. The market price of token does not influence on a company profit and the company profit does not influence on the token market price.

5) The current price of the EXPO token depends on a set of indicators, such as:

- the number of events and exhibitions initiated by the platformusers during the approximate period, for example six months,

- number and costs of made deals,

- the independent decisions of the utility owners to use them for transactions.

Thus, a token price is depends on events statistics and dynamics of token holders ' actions. To use EXPO token smart contract deployed in decentralized platform. However, the market price of the token depends on the actions of the token holders. Current token price depends on the statistics of business events and dynamics of actions of the tokenholders.

6) Under law, any investment assets are acquired only for the purpose of investing, making a profit, preserving and with "investment" purposes. This is impossible to regulate the exhibition activity under the securities and investment legislation.

Any Investment instrument (share, bond, investment contract, etc.) grants equal rights to its potential owners. Any holders of a particular type of securities have equal rights. Thus, certain types of securities determines the rights and actions of the holder of these securities. Otherwise, the Token transforms its value depending on the holder's choice, behavior scenario and his motive. The EXPO tokens don't give equal rights to their holders. This fact excludes the identification of the token as securities.

7) This is securities when the investor does not receive property in nature (company assets), but he is entitled to a share of the property or profits that is create through the "efforts of others". The option of profit making by the tokenholders is excluded at the part of blockchain technology implementation. EXPO is a tool for use in the Expo ecosystem, which is transferred to the buyer and the buyer uses EXPO in accordance with the known conditions. Because EXPO is a «stand-alone» utility for the holders.

8) If you classify such actions of the EXPO online P2P platform as the issue of securities, it will create a precedent that destroys the legitimate and positive activity of P2P platforms around the world. If the modern blockchain technologies and smart contracts are often used for issues the securities and for selling the organization assets, BUT it does not mean the ban to use such technologies in other spheres such as EXPO online P2P platform.

9) All scenarios of the turnover of the Token is strictly ordered and implemented on the blockchain by smart contracts. No other scenarios are technically feasible. None of the scenarios of utilizing the token has the signs of securities rights realizing.

10) To use EXPO smart contract deployed in decentralized platform.

11) We have found no signs of fraud and scam, Ponzi scheme, tort, consumer fraud, known schemes of income laundering and tax evasion.

12) There was no public sale of tokens.

13) Tokens were not sold to US citizens.

- ✓ In our opinion due legal definition of EXPO token as a digital crypto "*ticket*" for the ONLINE EXPOS platform.

Very Truly Yours,

Head of Legal Direction. Partner.

Makarov Dmitry

ANNEX 1 to legal opinion.

Legislation

1. USA.

Securities Act of 1933,

The Securities Exchange Act of 1934,

Cases.

“Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO” (Release No. 81207 / July 25, 2017),

United Housing Found., Inc. v. Forman, 421 U.S. 837, 849 (1975) (the “Forman” Case)),

(SEC v. C.M. Joiner Leasing Corp., 320 U.S. 344, 352-53 (1943)),

SEC v. Edwards, 540 U.S. 389, 393 (2004);

SEC v. W.J. Howey Co., 328 U.S. 293, 301 (1946); see also the Forman case, at 852-853

SEC v. Shavers, No. 4:13-CV-416, 2013 WL 4028182, (E.D. Tex. 2013), reconsideration aff’d, No. 4:13-CV-416, 2014 WL 12622292 (E.D. Tex. 2014).

The Forman Case; SEC v. Glenn W. Turner Enters., 474 F.2d 476, sec. 28 (Feb. 1, 1973)

Sinva v. Merrill Lynch, 253 F. Supp. 359, 367 (S.D.N.Y. 1966)

State v. Consumer Business Systems, Inc., 5 Or. App. 19, 482 P.2d 549 (1971)

Silver Hills Country Club v. Sobieski, 55 Cal. 2d 811 (1961) (hereinafter, “Silver Hills”)

Amfac Mortgage Corp. v. Arizona Mall of Tempe, Inc., 583 F.2d 426 (9th Cir. 1978)

Jet Set Travels Club v. Corporation Com’r, 21 Or. App. 362 (1975)

The Blue-sky laws and regulations.

Alaska (Act of July 2, 1975, ch. 217, 1975 Alaska Sess. Laws (codified at ALASKA

STAT. §45.55.130(12) (Supp. 1979)))

California (the Silver Hills case);

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BLUE SKY L. REP. (CCH) 71,023 (Idaho Dist. Ct. 1972));

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Michigan (MICH. STAT. ANN. § 19.776(401) (I) (Supp. 1980));

Oklahoma (OKLA. STAT. tit. 71, § 2(20)(P) (Supp. 1980);

Ohio (State v. George, 362 N.E.2d 1223 (Ohio Ct. App. 1973));

Hawaii (State v. Hawaii Market Center, Inc., 52 Hawaii 642, 485 P.2d 105 (1971));

Guam (Securities Admin. v. College Asistance Plan, Inc., 533 F. Si[[. 118 (D. Guam

1981), aff'd, 700 F.2d 548 (9th Circ. 1983);

Washington (WASH. REV. CODE § 21.20.005(17)(a) (1979))

North Dakota (N.D.C.C. 10-04-02 (1951);

Wisconsin (Wisconsin Uniform Securities Law 551.102 (28)(d)2.);

2. EU.

Civil Code of Netherlands, 1992,

Dutch Act of 28 September 2006, on rules regarding the financial markets and their Supervision,

Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC (OJ L 319, 5.12.2007, p. 1–36).,

Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC (OJ L 267, 10.10.2009, p. 7–17),

Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L173, 12.6.2014, p. 349–496),

Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, p. 32–96),

Securities and Futures Act (Chapter 289 of the laws of Singapore),

Payment Systems (Oversight) Act (Chapter 222A of the laws of Singapore,

The Investment Services Act, 1994. Malta,