

CAIZ REGULATORY UPDATE

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&

**CRYPTO
REGULATION**



REGULATORY COMPLIANCE

(MICA OUTLOOK)

REGULATORY COMPLIANCE MEMORANDUM, LAST UPDATE 30.06.2023

The conclusion of the following appraisal shall confirm that Caizcoin is prepared and committed for being compliant with the recent regulation for MiCA (Markets in Crypto Assets). The harmonized EU regulatory framework for crypto assets has been accomplished and created. Following the European Parliament, the European Council has now also approved the MiCA (Markets in Crypto-Assets) Regulation as of May 16, 2023 which comes into force as of to date (June 30, 2023).

MiCA ensures that regulation is commensurate with risk. The aim is to increase the protection of investors and to contribute to the functioning of the markets. The regulation creates legal certainty for innovation in the distributed ledger sector. Effectively, some provisions on asset-referenced cryptocurrencies and e-money tokens (so-called stablecoins) are likely to take effect from July 2024, while the bulk of the MiCA regulation will not take effect until early 2025.

The European Supervisory Authorities are already preparing statutory instruments such as Regulatory Technical Standards as well as explanatory guidelines to apply the MiCA-Regulation.

REGULATORY OVERVIEW



**Full KYC
for Users**



**Full KYC
for Businesses**



**AML
Policy**



**EU, US, Asian
wide operational
allowance
(99+ countries)**



**Compliant with EU
Crypto legislation**



**Compliant with
additional German
legislation (KWG)**



**Compliant
with GDPR**



**Shariah
Compliant**



**Legal
Opinions**



**Transaction
Monitoring**



**Employee and
User Compliance
Training Program**



**On track for full
MiCa compliance
by 2025**



MARKETS
IN CRYPTO-
ASSETS



AUTHORIZATION REQUIREMENT AND WHITEPAPER

According to MiCA regulation, crypto assets are digital representations of value or rights that can be electronically transferred and stored using distributed ledger technology or similar technology.

Providers of crypto assets or traders applying for admission to a crypto trading venue will have to comply with a number of obligations in the future. These include a white paper.

This is a summary of the essential information about the issuer and about the issued crypto asset that is easy for everyone to understand. The whitepaper must be submitted to the relevant supervisory authorities.



FURTHER LICENSE REQUIREMENTS

For the public offering or admission of crypto-tokens that refer to the value of official currencies (e-money tokens) or other values and rights (so-called asset-referenced tokens) to determine their value, permission is also required. Anyone offering services with crypto assets needs a permit for this from the relevant national supervisory authorities. This also includes the custody and administration of crypto assets for third parties, which is already regulated in the Federal Republic of Germany. A permit issued in an EU member state will then be valid throughout the EU. With consumer protection in mind, a



publicly viewable registry will be created for cryptocurrency whitepapers, issuers of asset-backed tokens and e-money tokens, and cryptocurrency service providers. The registry, to be maintained at the European Securities and Markets Authority (ESMA), will also include companies that have been subject to sovereign action or that offer their services without the required permission.

REQUIREMENTS FOR SO-CALLED "STABLECOINS"

In the future, issuers of asset-based tokens and e-money tokens will have to maintain a minimum level of liquidity, among other requirements. They must also have their registered office in the European Union. In addition, the regulation provides for a redemption claim against the issuer of these crypto-tokens for the benefit of customers. The projects require MiCA approval above a certain threshold

and trigger stricter requirements above a certain size. For example, if an asset-based token threatens to become a widely accepted means of payment, the issuance of new tokens must be halted.





REQUIREMENTS FOR THE PREVENTION OF MONEY LAUNDERING

The EU Parliament also approved the Transfer of Funds Regulation (TFR). It requires crypto providers to identify their customers to prevent money laundering. The new regulations are designed to ensure that transfers of crypto assets can always be traced and suspicious transactions blocked, as with other financial transactions.

The so-called "Travel Rule" of the international regulatory organization Financial Action Task Force (FATF), which already exists in traditional finance, will also apply to transfers of crypto assets across the EU in the future. In Germany, the "Travel Rule" was already implemented in October 2021 with the Crypto Securities Transfer Regulation. The rule requires service providers to ensure the transmission of transferor and transferee details throughout the transaction chain.

The regulations would also cover transactions between "hosted wallets" and so-called "unhosted wallets." If such a transaction exceeds an equivalent of 1000 euros, the holder of the "unhosted wallet" would have to be identified. A "wallet" is an application that can be used to manage and secure cryptographic keys. In the case of a hosted wallet, this is provided by a third party as a service. An "unhosted wallet", on the other hand, is managed by the user himself, who therefore has control over the respective keys.



CATEGORIZATION OF TOKENS

In addition to the umbrella term "cryptocurrency," MiCA defines three specific categories of cryptocurrencies: **"e-money tokens," "asset-referenced tokens,"** and **"utility tokens."** Specific legal consequences for market participants are attached to each category.

MIXED RESPONSIBILITIES BETWEEN EU AND NATIONAL LEVEL

Cryptocurrency service providers that have more than 15 million active users will be classified as "significant cryptocurrency service providers" and will continue to be supervised by the relevant supervisory authorities. However, ESMA is expected to play a stronger role in establishing supervisory convergence and to obtain detailed information on significant ("significant") crypto value service providers from the relevant supervisory authorities.

The banking regulator EBA will supervise issuers of "significant" asset-referenced tokens and "significant" e-money tokens. Asset-referenced tokens and significant e-money tokens will be considered

significant if they meet certain criteria and may therefore pose greater risks to financial stability, for example, if they have more than ten million users or a reserve of assets worth more than five billion euros.

ESMA is to maintain a "blacklist" to warn consumers: It contains providers of cryptocurrency services that do not meet the legal requirements of MiCA.



WE ARE PREPARED

Caiz Group is a technology-based company providing innovative fintech solutions based on blockchain technology and the technical core fundamentals for creating digital assets and fully regulated financial instruments.

References are made to the third iteration of technologies built to function with the new-gen Web 3.0, which focuses on using a decentralized ecosystem consisting of technologies such as Blockchain and distributed ledger technology to create a more secure and transparent Internet. Caiz is focusing on digital assets with the first DECE financial Blockchain model (combining decentralized and centralized built-in solutions). The core value is to provide Islamic compliant digital assets in compliance with traditional Islamic finance rules and regulations.

Caiz is engaged for extending the investment portfolio ideally for Muslim customers that are interested in using the respective technology via decentralized (online) applications (dApps) along with connected Wallet services. The operating Blockchain for its digital assets provide a user friendly Islamic compliant digital Ecosystem covering the product design and commercial lifecycle of new and related products within the Blockchain.

The Company and its financial product Caizcoin, a cryptocurrency, is fully

compliant with the European financial regulations and does not represent a security token or any type of financial instrument which requires regulatory permission or registration with supervisory authorities.

Caiz Trade s.r.o. is a limited liability company with its seat in Bratislava, Slovakia. It is a fully licensed company with the legal permission to provide services related to cryptocurrencies and digital assets in Europe. The recent legal policies in Slovakia demonstrate that the regulatory framework has become more customer friendly for the respective industry.

We are committed to provide information about our activities and the recent developments in respect of technology user-friendly improvements. Of course, any type of activity and product release has to be in line with applicable regulations.

In summary and as a conclusion of independent law firms we hereby confirm that Caizcoin is a regulatory compliant cryptocurrency and not legally required to be registered under both European legislation of cryptocurrencies and the SEC [Securities and Exchange Commission] - the Securities Act of 1933 (Securities Act) and the Securities Exchange Act of 1934 (Exchange Act).

The nature of Caizcoin under the aforementioned categorization does not require any regulatory approval or license. Caiz is working with third party service providers that are fully compliant with international AML regulations and to adapt the related TFR and Travel Rule.

Caizcoin will operate on its own Blockchain (Chaizchain) by late 2023. KYC'd Wallets and transaction monitoring are already implemented in the new Chain to comply with the respective regulations. Meeting the timeline for being MiCA compliant, Caiz is already engaged with local authorities for the required AML registration and the submission of our updated Whitepaper under the provisions of MiCA.

In terms of a significant growth of our customer base we are prepared to interact with the supervisory authority ESMA on an EU-level, setting a dedicated team of professionals such as AML and Compliance Officer, Risk Manager, Data Security Officer, acting also in line with GDPR regulations when it comes to intercompany data transactions and processing.



BLOCKCHAIN DEVELOPMENT IN GERMANY / GERMAN LEGISLATION

Our core asset Chainchain is under construction in our development center in Germany complying with strict rules of the financial industry and applicable legislation of the German banking act (KWG) following the Regulation on enhanced due diligence in respect of the transfer of crypto-assets (KryptoWTransferV) which was set as one of the first memberstate legislative in the EU related to the crypto assets.

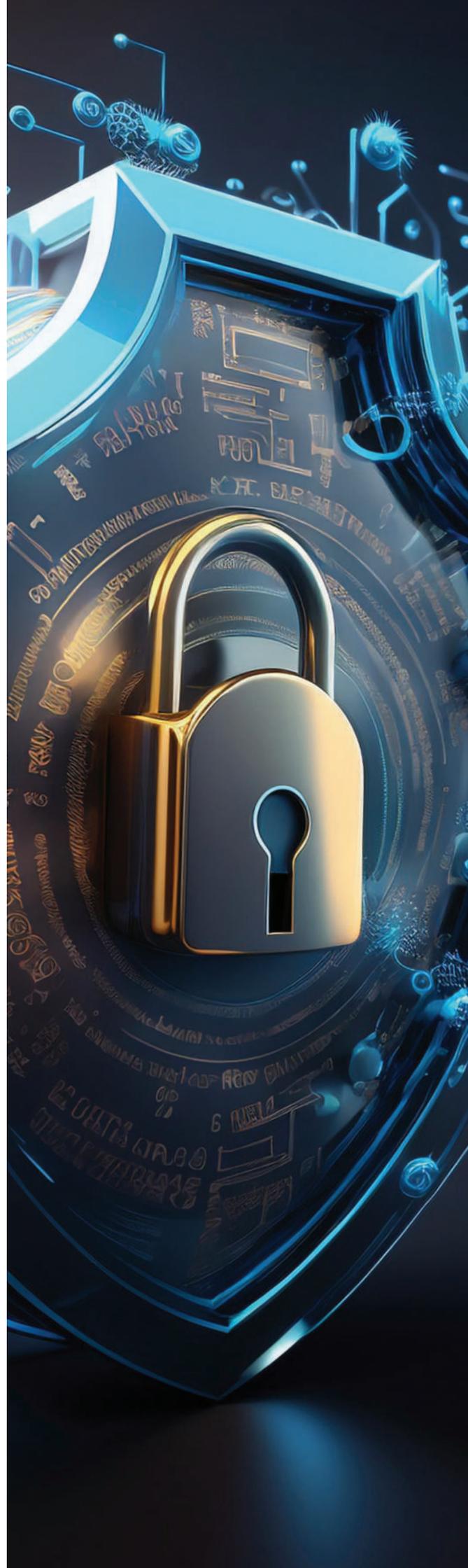


COMPANY POLICIES AND RELATED AGREEMENTS / GDPR

CAIZ has implemented KYC and AML policies which are followed. Covering all corporate activities whenever processing data in line with the latest GDPR regulation we have compiled the complete set of policies for operating our systems and implemented automated controls triggering human interaction by using a dedicated approval system. The main policies are on track as follows

- Privacy Policy
- Cookie-Policy
- Data Security-Policy
- HR-Policy
- AML-Policy
- KYC-Policy (related wallet services)

For cross-border activities and interaction with business partners we use state of the art systems covering the need of document management under the ongoing obligation to comply with specified Data Protection Agreements (DPAs) under control of our delegated Data Protection Officer (DPO).



CORPORATE HOUSEKEEPING AND COMPLIANCE IN TERMS OF KYC PROCEEDINGS AND AML REQUIREMENTS

At the present and in addition to the regulated instruments on our Blockchainmodel Caiz Group and its affiliated companies as a corporate enterprise are operating under state of the art implementations to comply with legal requirements whenever KYC or KYB proceedings have to be conducted. Covering the client onboarding of a single customer or business partner up to B2B (business-to-business) solutions for onboarding corporate clients by adhering to AML regulations.

Our operating systems comply with the latest proposal of the 6th Directive on AML/CFT (AMLD 6). As the directive will replace the existing Directive 2015/849/EU containing provisions that will be transposed into national law, such as rules on national supervisors and financial intelligence units in Member States.

Therefore Caiz has created an interface complying with the following:

- a Regulation on the prevention of the use of the financial system for the purposes of money laundering (ML) and terrorist financing (TF);
- a Directive establishing the mechanisms that Member States should put in place to prevent the use of the financial system for ML/TF purposes, and repealing Directive (EU) 2015/849;
- for the recast of Regulation (EU) 2015/847 expanding traceability requirements to crypto-assets.





**THANK
YOU**

