

ACCESSING THE DIGITAL ASSET ECOSYSTEM



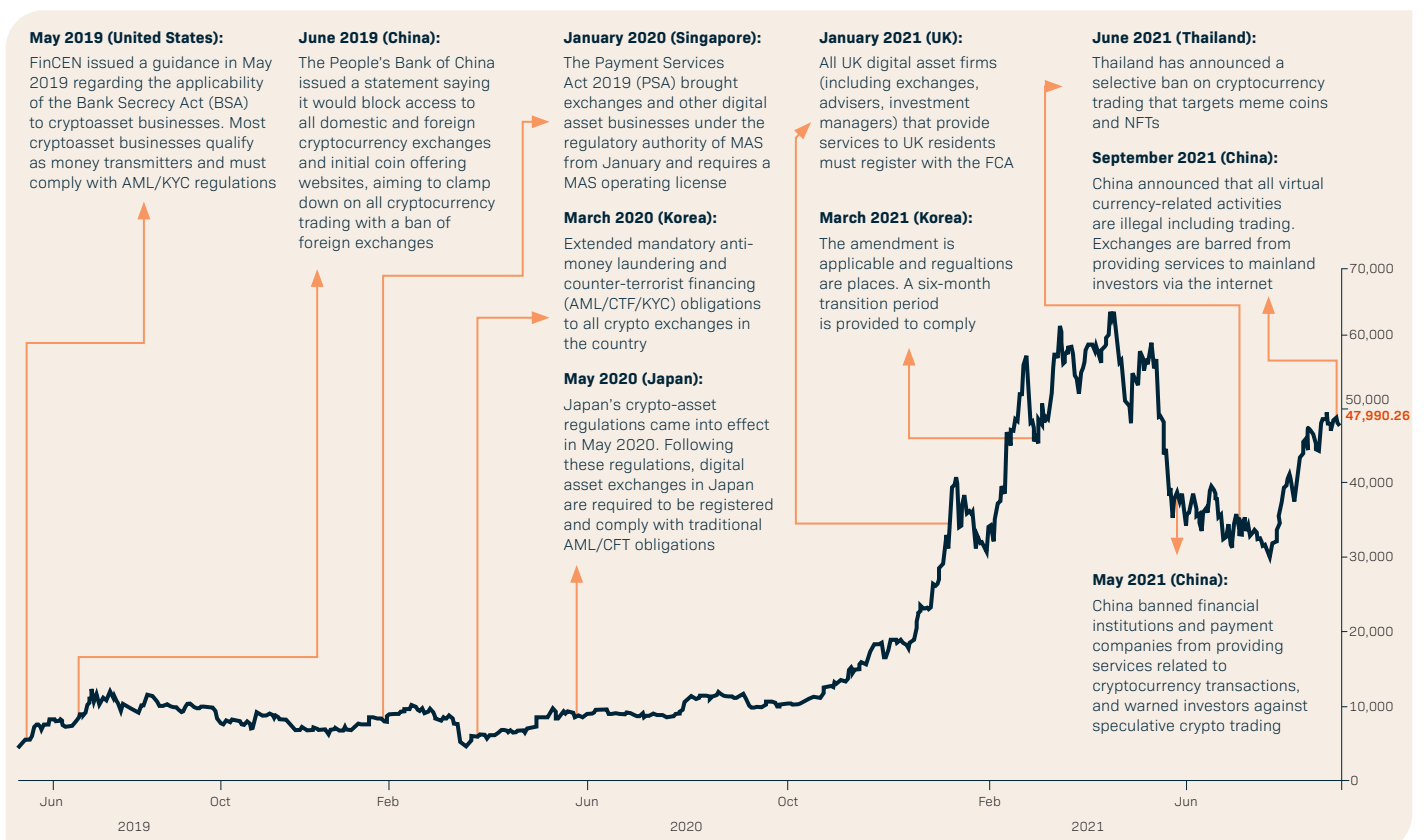
Traditional investors and institutions are demanding access and exposure to digital assets (such as Bitcoin and Ethereum) as well as trading venues, custody, lending and other financial services. In this volume, we explore the importance of working with a regulated partner in the digital asset space.

EQUITIESFIRST AND OSL'S PARTNERSHIP

- As a regulated financial institution from the traditional equities space, EquitiesFirst was an early adopter of digital assets and adapted its equity-backed lending capabilities for Bitcoin, Ethereum and other digital assets
- OSL is EquitiesFirst's trusted partner, and provides custody and execution services through its regulated institutional platform
- OSL and EquitiesFirst hold the view that digital assets and affiliated venues will be subject to increasing regulation over time and this is a necessary growing pain for a nascent industry
- Going forward, platforms that have already adapted to this new paradigm will thrive, others will struggle to remain relevant

The importance of security and regulatory compliance is clearer than ever before, with regulators across the world taking decisive action in the digital assets space over the past 18 months.

REGULATORY MILESTONES CHART



INTERVIEW: RYAN MILLER, HEAD OF SALES, OSL



In 2018, only 1.4% of wealth advisers indicated they were using or recommending cryptocurrencies to clients. As of 2021, that number is 14%¹. We spoke to Ryan Miller, OSL's Head of Sales about his views on this trend.

Q: How does OSL bridge the gap between traditional financial institutions and the crypto space?

Miller: We offer deep experience in the digital asset space as well as a secure and licensed platform where investors can participate in digital assets with confidence. OSL Digital Securities offers customers safe and compliant trading access to Bitcoin (BTC), Ethereum (ETH) and other high-quality cryptocurrencies, along with select security token offerings (STOs).

OSL DS is the first and the only digital asset platform to be licensed by the Hong Kong Securities and Futures Commission (SFC) to provide Type 1 (dealing in securities) and Type 7 (automated trading service, i.e. exchange) regulated activities for digital assets. The SFC regulation is unique because it applies the same heightened level of regulations already governing the securities markets to digital assets, making it one of the most comprehensive and investor-friendly regimes for institutional and professional investors.

Institutional investment in Bitcoin and other digital assets has rapidly accelerated over the past several years and entered a new era of growth in Hong Kong with licensing. Because the SFC framework is under the auspices of a leading global regulator and modeled after existing licensing for financial services, clients can trade under the protections and safeguards to which they are accustomed. As Asia's most trusted digital asset platform, we are a natural place for institutional counterparties to trade.

Q: What do institutional clients, family offices and UHNWIs value and look for in a digital assets platform?

Miller: In short, they want to know that they are protected against risk and that they can invest in the same way they would with a "traditional" broker or exchange. OSL provides this. In addition to traditional protection measures, OSL customers trading under the licenses benefit from insurance protection on digital assets, held in client segregated wallets.

Customers undergo rigorous KYC and AML controls, and OSL mitigates the risk of market misconduct through market surveillance, as well as transaction monitoring and additional digital-asset-specific controls.

Q: How are EAMs, private banks and family offices choosing to enter the space? How does OSL work with them?

Miller: We count these as our clients and we've seen them rapidly enter the space in the past two years across a variety of products on our platform. We've also seen a tremendous increase in institutional demand for digital assets in 2020 and 2021. As the digital asset market continues to grow and mature, investors are increasingly looking for a safe, secure and compliant trading and counterparties with whom they can trade with confidence.

With our commitment to security and regulatory compliance, we believe we're uniquely positioned to capture an increased share of that demand in our core markets in Asia.

The OSL platform is designed for professional investors and provides access to digital asset markets to this institutional segment.

(1) Journal of Financial Planning and the Financial Planning Association® (FPA®), supported by Onramp Invest

CRYPTO-BACKED LENDERS - REGULATORY STATUS OVERVIEW

**Australia:**

Australian Securities and Investments Commission
Financial Services License

Hong Kong:

Hong Kong Securities and Futures Commission Type 1
License & Hong Kong Money Lenders' License

European Union:

F.C.A Passporting Rights to conduct certain regulated
activities in EU jurisdictions

South Korea:

Korea Money Lender License & Korea Money Lending
Brokerage License

United Arab Emirates:

Approved by the Dubai Financial Market as the first
and only REPO Buyer in the region

United Kingdom:

U.K. Financial Conduct Authority (FCA) authorization to
advise on and arrange investments

Cryptocurrency Lender 1

United States:

- Licensed across > 30 states
(lending license)

Cryptocurrency Lender 2

Europe:

- FinCEN MSB Registration;
- FATCA FFI Registration;
- European Trademark;
- Virtual Currency Provider;
- Financial Institutional License

Cryptocurrency Lender 3

- Licensed Finance Lender in
California

Cryptocurrency Lender 4

- Class 3 Virtual Financial Assets
(VFA) License from the Malta
Financial Authority (MSFA)
Austrian Financial Service
License (AFSL)

Cryptocurrency Lender 5

- The Virtual Currency
Exchange Service License
- The Virtual Currency Wallet
Service License

Cryptocurrency Lender 6

- European Union Financial
Commission License

Cryptocurrency Lender 7

- Regulated by a BitLicense from
the state of New York

Cryptocurrency Lender 8 - 15

From our research, these lenders
either:

- do not have any licenses;
- currently applying for a license;
- unknown

EQUITIESFIRST: A REGULATED LENDER IN DIGITAL ASSETS

EquitiesFirst is a specialist lending against marketable securities for nearly 20 years, mainly in public equities. Our expertise is risk management of middle-market stocks which may have higher volatility, less rational trading, and non-linear price moves. Through broad portfolio diversification and medium-term, fixed loan tenors, EquitiesFirst manages this volatility over time.

EquitiesFirst began lending against assets such as Bitcoin and Ethereum more than three years ago on a bespoke and highly selective basis. The firm's experience and pedigree in the equities space ensured it was able to manage the level of volatility inherent to digital assets.

As a traditional financial institution, EquitiesFirst is already regulated for its equities business in six jurisdictions around the world. This has ensured EquitiesFirst exceeds the compliance standards of the digital assets industry as regulation continues to develop.

RISK MANAGEMENT

EquitiesFirst is the only crypto-backed lender with majority "non-crypto" business. This ensures that any systemic risks in the digital assets industry will not hamper EquitiesFirst's own liquidity or ability to return assets.

EquitiesFirst is funded exclusively through its own balance sheet and do not raise cash through DeFi or by staking assets externally. This ensures both the stability of capital and security of assets. Recent DeFi exploits demonstrate the vulnerability of some protocols for investors. EquitiesFirst ensures that all its digital asset activities remain ring-fenced within custody and are not exposed to third-party risks.

INSTITUTIONAL BUSINESS

EquitiesFirst is an institutional provider of capital which does not seek to expand to other business lines or products. On that basis, EquitiesFirst frequently partners with crypto lenders, financial platforms, miners and other members of the crypto ecosystem to allow them to scale or meet client demands.

In the past few months, EquitiesFirst has seen a dramatic rise in demand from private banks, multi-family offices, and external asset managers whose clients seek financing or optionality for their digital asset holdings. As regulated fiduciaries, these advisors struggle to identify suitable partners who can provide this type of support in the manner that meets their standards.

CONCLUSION

Regulated counterparties such as OSL and EquitiesFirst are seeing increased demand from institutional clients seeking the compliance and accountability standards in the digital assets space that they have come to expect in traditional markets. This trend will likely accelerate as more governments and regulators take action to supervise or restrict activities that may harm consumers or impact the financial system. In the meantime, digital asset firms must be held to a higher standard, and investors must exercise caution and discretion in when choosing digital asset counterparties.

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