

Know Your Asset (KYA) BiPS Exchange Token

Background

- A This paper has been prepared by Moneybrain Ltd to help explain the regulatory status of the Moneybrain BiPS Token (BiPS Token) and the legal framework underpinning its operation.
- B It has been prepared by the Moneybrain board of directors, in conjunction with its team of advisors, including external legal counsel.
- C This paper does not constitute legal advice and should not be relied upon as such.



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1. What is a BiPS Token?

- 1.1 It is a form of cryptoasset which can be treated as a decentralised digital currency.
- 1.2 It is a form of Exchange Token (recognised by the FCA) because it:
 - (a) is a cryptographically secured digital representation of value that uses some type of distributed ledger technology (“DLT”) that can be transferred, stored or traded; and
 - (b) provides a means of payment, for which holders have no claim on the issuer nor any rights or access in respect of the issuer; and
 - (c) is not backed by any central authority.

2. What isn't a BiPS Token?

- 2.1 It is not a Security Token. This is because the BiPS Token does not:
 - (a) meet the definition of a ‘Specified Investment’ within the meaning of the RAO. Specific consideration has also been given to whether or not the BiPS Token is a form of collective investment or unit trust. Again, the view is that it is not;
 - (b) give the holder any similar rights to shares, like rights to vote, access profits, dividends or the distribution of capital on a liquidation event. The holder of a BiPS Token will have no interest in any assets acquired by or held on behalf of the BiPS Foundation, which is explained in paragraphs 4 and 5 below.
- 2.2 It is not a Utility Token. This is because it does not provide consumers with access to any services or products with any expectation of reward.
- 2.3 It is not a Stablecoin. This is because the BiPS Token is not ‘pegged to’ or backed by fiat currency or other assets which automatically stabilise its volatility.
- 2.4 It is not Electronic Money. This is because the BiPS Token amongst other things, is not centrally issued on the receipt of funds, nor does it represent any claim against any issuer.

3. Accordingly, what is the regulatory status of an Exchange Token?

- 3.1 Exchange tokens currently fall outside the regulatory perimeter of the UK Financial Conduct Authority (FCA).
- 3.2 **This means that the transferring, buying and selling of these tokens, including the operation of the crypto asset exchanges for exchange tokens, are activities which are not currently regulated by the FCA.**

- 3.3 This is in line with the FCA’s approach to other investment like products that remain outside the FCA’s regulatory perimeter, like assets that some might consider having speculative value such as fine wine or art.

4. What is the legal status of Moneybrain Ltd (Moneybrain)?

- 4.1 It is a UK registered company, regulated by the FCA. Though regulation of the BiPS Token is not necessary in light of paragraph 3 above, Moneybrain will continue to self-regulate itself in a way which is commensurate with the standards expected of the FCA.
- 4.2 It acts as the administrator of the exchange utilised to issue/transfer BiPS Tokens to prospective token holders.
- 4.3 It will (as a trustee) utilise cash generated from the issue/transfer of BiPS Tokens to acquire certain property assets on behalf of the BiPS Foundation.
- 4.4 This activity is not subject to regulation by the FCA.

5. What is the legal status of the BiPS Foundation?

- 5.1 It is a UK registered company, limited by guarantee.
- 5.2 It will retain beneficial title to all assets held on its behalf by its trustees (which include Moneybrain).
- 5.3 Its objects are the advancement of:
 - (a) the education of the public (and in particular those who use the BiPS digital currency) in relation to distributed ledger technologies and decentralised unregulated currencies; and
 - (b) the accessibility, speed and security of distributed ledger technologies and decentralised unregulated currencies.
- 5.4 It will achieve the objects by investing a sum of money which is equal to the surplus of the asset value of property assets held by it and the aggregate value of BiPS Tokens in issue.
- 5.5 This activity is not subject to regulation by the FCA.

Reference documents

- **Guidance on Cryptoassets, Consultation Paper CP19/3***, dated January 2019
<https://www.fca.org.uk/publications/consultation-papers/cp19-3-guidance-cryptoassets>
- **Distributed Ledger Technology, Feedback Statement, FS17/4**, dated December 2017
<https://www.fca.org.uk/publication/feedback/fs17-04.pdf>
- **Cryptoassets Taskforce, Final Report**, dated October 2018
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752070/cryptoassets_taskforce_final_report_final_web.pdf;
- **Cryptoassets for individuals**, dated 19th December 2018
<https://www.gov.uk/government/publications/tax-on-cryptoassets/cryptoassets-for-individuals>
- **The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (RAO)**
<http://www.legislation.gov.uk/uksi/2001/544/made>

