ErisX

ERISX
SPOT DIGITAL ASSETS FORK POLICY

APRIL 2019

Version 1 April 2019

ErisX

A. Purpose

When an underlying blockchain protocol changes such that there is a split in the blockchain due to functionality improvements or updates, it is referred to as a "fork." These changes may or may not be based upon consensus among nodes that verify transactions, i.e., miners. Any expected fork of a blockchain will be carefully evaluated by Eris Exchange, LLC (the "Exchange") management and the Exchange's Practices Committee, Participant Committee and the Regulatory Oversight Committee, in consultation with Eris Clearing, LLC (the "Clearinghouse"). This policy sets forth what the Exchange will take into Consideration when a fork occurs.

Due to the nature of a fork, you should presume that a fork will not be supported by the Exchange and if you wish to participate in the fork you should withdraw the relevant digital currency held at the Clearinghouse prior to the fork.

B. Description of Forks

A fork occurs when an underlying blockchain protocol changes such that there is a split in the blockchain due to functionality improvements or updates. These changes may or may not be based upon consensus among nodes that verify transactions.

1. Soft Fork

A soft fork happens when the underlying blockchain protocol changes but maintains backwards compatibility with the old version. Transactions may be still be validated by nodes on the old protocol, but those that have not upgraded to the new protocol may be rejected from adding new blocks to the network, or may not be able to access new functionality, and as such would be encouraged to upgrade.

2. Hard Fork

A hard fork happens when the underlying blockchain protocol is changed and is no longer compatible with older versions. The result is two concurrent, mutually exclusive and incompatible blockchain branches with the same historical blockchain root Each new blockchain branch is operated by different sets of nodes on the basis of what version node operators choose to support, respectively. The result is that users who held crypto assets on the blockchain ex ante will now have duplicate, mirrored asses on each of the two blockchain branches ex post the point of the fork. An example is when Bitcoin hard forked to Bitcoin Cash.

3. Why a Fork Happens

A fork could happen for a number of reasons, including, among others:

- changes in functionality of the blockchain;
- technical fixes;
- increase transaction efficiency

ErisX

- philosophical disagreement/modification of historical records not universally agreed by all nodes; or
- improved security.

C. Policy

Whether the Exchange would support a new blockchain resulting from a fork must by necessity be considered on a case-by-case basis and only ex post the fork at the time that the new characteristics, including adoption, of the resulting blockchain can be analyzed. There are, however, common factors that the Exchange will consider when evaluating whether to support the forked blockchain and associated crypto assets.

1. *Regulatory and Legal Implications*

First and foremost, the Exchange will only support blockchain forks and their associated crypto assets where, in ErisX sole determination, those asset(s) satisfy legitimate purposes, do not directly or indirectly violate applicable laws and regulations, or subject ErisX to risk or uncertainty of being in violation of applicable laws and regulations. Additional legal and regulatory considerations include:

- Whether the crypto assets resulting from the fork would be considered securities subject to the Securities Act of 1933 or commodities subject to the Commodity Exchange Act;
- The ability of the Exchange to offer trading in the crypto assets resulting from the fork consistent with the Commodity Futures Trading Commission core principles applicable to designated contract markets or similar regulations or regulatory guidance.
- The perception of the crypto assets resulting from the fork by regulatory agencies, particularly those that regulate the Exchange.

2. *Technology Impact*

In order to offer the new crypto assets resulting from the fork the Exchange must be able support the fork from a technology standpoint. When considering whether to support the fork the Exchange will take into account the impact on existing Exchange systems, including degradation of service, security and the need for upgrades or other modifications. The Exchange will also consider any technology impacts on its clearing members, including the need for modifications to their technology infrastructure. Among other things, the Exchange will look to whether the new blockchain resulting from the fork has been subjected to meaningful and rigorous testing to assure stability and whether the new blockchain poses increased security risks.

3. *Additional Considerations*

Additional items that the Exchange will consider, include:

ErisX

- The support of the forked branches for sustaining and growing one or both of the new blockchain branches
- The level of demand for trading of the crypto assets on each fork branch and the long term expectations for such demand, which may require ongoing monitoring and periodic reevaluation.
- Reputational impact on the Exchange of choosing to offer, or not offer, a given branch of a fork and its associated crypto assets for trading.
    - For example, although the purpose of the fork and its resulting crypto assets might be deemed to be legal, the Exchange may not wish to be associated with the fork branch/assets for reasons other than strictly technical or legal.

D. Notification

Unless the Exchange explicitly states that it will support a fork for a digital currency, you should presume that the fork WILL NOT be supported.

Upon the announcement of an upcoming fork for a digital currency in which the Exchange supports trading, the Exchange will provide notification directly to clearing members as well as on its website and social media channels that it is aware of the upcoming fork and will be reviewing the fork. The notification will further make clear that it should not be presumed that the forked currency will be supported by the Exchange and those persons holding the original currency that wish to claim the forked currency will have to transfer currency held at the Clearinghouse to their personal wallet in advance of the fork. For a period of time, which the exchange will work to minimize, before and after the fork occurring the Exchange will suspend trading, deposits and withdrawals of the existing currency.

1. *Supported Fork*

While the specific features and circumstances of a forked currency and the new blockchain will determine the exact process to be followed, as a practical matter it is expected that it will involve the following.

- For a period of time (expected to be no more than a few hours) before and after the fork occurring, the Exchange will suspend deposits and withdrawals of the existing currency to assure its ability to accurately determine the balance of clearing member accounts at the Clearinghouse.

- If its determined prior to the fork to offer trading, within a reasonable time of the fork occurring, the Clearinghouse will determine the amount of the forked currency owed to each clearing member and update the clearing members balance accordingly.

- If it is determined after the fork to offer trading, based on the balance of the original currency in each clearing member's account at the time immediately prior and immediately after the fork, the Clearinghouse will determine the amount of the forked currency owed to each clearing member and update the clearing member's balance accordingly.

The Exchange will provide notification directly to clearing members as well as issuing notices on its website and social media channels of its decision to support a forked currency, whether before or after the fork occurs, prior to the date on which it will credit the relevant member accounts if applicable.