

SPONSOR RULES



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1 General

1.1 Purpose of the Sponsor Rules

- (a) The Sponsor Rules are issued by GBX and form part of the GBX Rules.
- (b) The Sponsor Rules are designed to ensure that Sponsors act so as to uphold the reputation and integrity of the GBX Market and GBX, and in particular that:
 - (i) Candidates are eligible and suitable for Sponsor Status;
 - (ii) Sponsors conduct and coordinate thorough due diligence of:
 - (A) Applicants and Tokens that seek Admission to the Token Sale Platform;
 - (B) Secondary Tokens that seek Listing on the Digital Asset Exchange; and
 - (iii) Issuers are advised appropriately of their duties and obligations in respect of their Admitted or Secondary Token.

1.2 Interpretation and General Clauses

The Interpretation and General Clauses apply to the Sponsor Rules.

1.3 Persons to which the Sponsor Rules applies

The Sponsor Rules apply to Sponsors.

1.4 Effects of breach

A failure by a Sponsor or Candidate to comply with any provision of any applicable Sponsor Rules will be considered by GBX in the context of that:

- (b) Candidate's application for Sponsor Status; and
- (c) Sponsor's fitness and properness to provide Sponsor Services.

2 Sponsor Status Requirements

2.1 Fit and proper

A Sponsor must at all times in relation to Sponsor Services be fit and proper to hold Sponsor Status.

2.2 Honesty, integrity, fairness and professionalism

A Sponsor must conduct its business with honesty and integrity, and act fairly and professionally in relation to Sponsor Services.

2.3 Due care, regard, skill and diligence

A Sponsor must:

- (a) act with due care, regard, skill and diligence in all matters relating to Sponsor Services;

- (b) ensure that it communicates with its Clients in a way that is fair, clear and not misleading; and
- (c) ensure that it has regard to risks that relate to:
 - (i) its own business;
 - (ii) the business of its Clients; and
 - (iii) GBX.

2.4 Resources and procedures

A Sponsor must have adequate resources and effectively employ appropriate procedures in order to perform its Sponsor Services, including knowledge, competence and experience of:

- (a) systems and procedures, including digital asset due diligence;
- (b) digital asset purchases, sales and transfers;
- (c) establishing and maintaining digital asset wallets;
- (d) providing strategic advice to digital asset industry participants;
- (e) smart contract design and audit; and
- (f) cybersecurity.

2.5 Corporate governance

A Sponsor must have and employ effective corporate governance arrangements.

2.6 Due diligence

A Sponsor must have principles and employ systems and procedures to prevent, detect and disclose due diligence risks in accordance with applicable AML/CTF Requirements.

2.7 Systems and security

A Sponsor must have and employ effective systems and security in respect of its Sponsor Services. These include, but are not limited to:

- (a) data protection systems; and
- (b) systems to prevent hacking.

2.8 Integrity and reputation

A Sponsor must at all times whether in relation to Sponsor Services or otherwise act so as to uphold:

- (a) the integrity of the GBX Market; and
- (b) the reputation of GBX.

2.9 Conflicts of interest

- (a) A Sponsor must avoid conflicts of interest that could adversely affect its ability to perform its Sponsor Services and any other functions under the Sponsor Rules.

- (b) When conflicts of interest occur, a Sponsor must ensure that:
 - (i) its Clients are treated fairly;
 - (ii) due regard is afforded to all Clients and Tokens and/or Secondary Tokens, for which the Sponsor provides Sponsor Services; and
 - (iii) the relevant conflicts of interest are disclosed:
 - (A) to its Clients; and
 - (B) in respect of an application for Admission, in a Client's Whitepaper.

2.10 Compliance

- (a) A Sponsor must comply with all requirements applicable to the performance of Sponsor Services, including the GBX Rules to the extent that they are applicable.
- (b) A Sponsor must ensure that it has the necessary licenses and approvals that it requires to provide Sponsor Services in accordance with applicable law (if any).

2.11 Co-operation

A Sponsor must at all times, whether in relation to Sponsor Services or otherwise, deal with GBX in an open and co-operative way.

2.12 Prompt performance

A Sponsor must perform its obligations under all applicable GBX Rules to the extent that they are applicable promptly, and within any specific time for performance expressly stated.

3 Sponsor Status Responsibilities

3.1 General

A Sponsor must:

- (a) ensure that its Clients are informed and advised on the application of the GBX Rules, including in respect of the Admission or Listing (as the case may be) process and all Continuing Obligations to the extent that they are applicable to them;
- (b) handle all communications between its Clients and GBX in respect of the GBX Rules;
- (c) satisfy itself, to the best of its knowledge and belief, having made due and careful enquiry that:
 - (i) its Clients and its Clients' Senior Management understand their responsibilities and obligations under the GBX Rules;
 - (ii) its Clients are in compliance with the GBX Rules and any other additional requirements imposed by GBX ; and
 - (iii) in respect of an application for Admission or Listing, there are no matters other than those disclosed in the Whitepaper or otherwise to GBX that are material to that application.

- (d) verify the identities of its Clients' Controllers and Senior Management and confirm that those identities are true;
- (e) conduct due diligence of an application for Admission having due regard to the Due Diligence Procedure Guidelines;
- (f) conduct due diligence of an application for Listing having due regard to the Secondary Token Due Diligence Requirements;
- (g) provide GBX with a Certificate of Conformity immediately prior to the commencement of a Token Sale, and such further assurance as GBX may reasonably require in connection with a Token Sale;
- (h) pay all GBX Charges that are attributable to it and its Clients within 10 Business Days of an invoice being presented to the Sponsor by GBX; and
- (i) inform its Clients of any applicable revisions of the GBX Rules as soon as reasonably practicable to the extent that they are applicable and, in any event, at least 10 Business Days from when such revision takes effect unless it is impracticable to do so.

3.2 Outsourcing

- (a) A Sponsor retains full responsibility, liability and accountability to GBX and its Clients for any Sponsor Services that it outsources, to the same extent as if the Sponsor Services were provided by the Sponsor itself.
- (b) A Sponsor should ensure that any service provider appointed to act for the Sponsor and/or any of its Clients pays due regard to the confidentiality and protection of information and data belonging to the Sponsor and/or any of its Clients.

3.3 Conduct of Senior Management, employees, agents and representatives, including any service providers

- (a) A Sponsor is responsible for the conduct of its Senior Management, employees, agents and/or representatives, including any service providers.
- (b) The failure of any of the persons listed under paragraph 3.3(a) to meet the Sponsor Status Requirements and fulfil the Sponsor Status Responsibilities will be treated for the purposes of the GBX Rules as conduct of the Sponsor.

3.4 Multiple Sponsors

If an Applicant or Issuer engages more than one Sponsor to provide Sponsor Services:

- (a) each of the Sponsors is individually responsible for complying with the obligations under the Sponsor Rules; and
- (b) the Sponsors must co-operate in relation to the Sponsor Status Responsibilities.

3.5 Progress Report

A Sponsor shall arrange for a Progress Report to be provided on the 6 month and 12 month anniversary of the end of the Token Sale or Additional Token Sale on the Token Sale Platform providing an update as to the progress of the Project that was funded or otherwise supported, in whole or in part, through the Token Sale or Additional Token Sale on GBX's Token Sale Platform.

4 Sponsor Responsibilities for an Additional Token Sale

4.1 Requirement to provide a completed Application Form

A Sponsor shall ensure that an Application Form for an Additional Token Sale is completed and provided to GBX along with all documents that GBX shall reasonably require when submitting an application for an Additional Token Sale on the Token Sale Platform.

4.2 Requirement to provide due diligence information

A Sponsor must provide due diligence information when submitting an application for an Additional Token Sale on the Token Sale Platform which shall include such information specified as relevant for an Additional Token Sale in the Due Diligence Procedures Guidelines and any other information that GBX shall reasonably require.

5 Sponsor Responsibilities for Secondary Tokens

5.1 Requirement to provide a completed Application Form

A Sponsor shall ensure that an Application Form for Secondary Token Listing is completed and provided to GBX along with all documents that GBX shall reasonably require when submitting an application for Listing of Secondary Tokens on the Digital Asset Exchange.

5.2 Requirement to provide due diligence information

A Sponsor must provide due diligence information when submitting an application for Listing of a Secondary Token on the Digital Asset Exchange which shall include such information specified as relevant for a Secondary Token in the Due Diligence Procedures Guidelines and any other information that GBX shall reasonably require.

6 Sponsors and GBX

6.1 Invoices

GBX may give a Candidate or Sponsor an invoice regarding an amount payable. The invoice given by GBX is sufficient evidence of the amount payable, unless it is proved to be incorrect.

6.2 Nominated Persons

- (a) A Sponsor must appoint a Nominated Person.
- (b) The Nominated Person must be:
 - (i) an employee of the Sponsor; and
 - (ii) competent to advise:
 - (A) the Sponsor;
 - (B) the Sponsor's Senior Management; and
 - (C) the Sponsor's employees, agents and representatives including any service providers, to the extent applicable,

on the interpretation and application of the GBX Rules to the Sponsor and its Clients,

- (c) If a Sponsor wants to appoint a Nominated Person who does not comply with paragraph 6.2(b), that Sponsor must make an application to GBX for a waiver or variation.

6.3 GBX Charges in respect of Sponsor Status

- (a) A Sponsor must pay GBX the GBX Charges in respect of Sponsor Status.
- (b) Unless otherwise specified by GBX, a Sponsor will pay in full all GBX Charges within 10 Business Days of the date of the invoice setting out those GBX Charges.
- (c) GBX Charges shall be paid in RKT.
- (d) Where a Sponsor fails to pay in full the GBX Charges, GBX may revoke or suspend the Sponsor's Sponsor Status, and take other further action as GBX deems necessary.

6.4 Publications and statements by Sponsors

Use of GBX's logo or other trademarks is not permitted without the prior consent of GBX. A Sponsor may state the following on its business letters, notices or other documentation used in connection with the provision of Sponsor Services:

*"[Entity name] is a Sponsor of the GBX Market" and/or
"[Entity name] is a Sponsor of the Gibraltar Blockchain Exchange"*

6.5 Records

A Sponsor must ensure that full and accurate records are kept so that the Sponsor can demonstrate its compliance with the GBX Rules to GBX, and to any relevant regulatory or governmental authorities, including the Regulatory Authority, upon request.

6.6 Audits

- (a) GBX may audit a Candidate or Sponsor at any time. During an audit, GBX may inspect a Candidate's or Sponsor's premises, and review the Candidate's or Sponsor's records, including Client records, as well as request information, in order to assess whether the Candidate or Sponsor:
 - (i) satisfies the Sponsor Status Requirements;
 - (ii) fulfils the Sponsor Status Responsibilities; and
 - (iii) is otherwise in compliance with the GBX Rules in each case as applicable.
- (b) A Sponsor must render all reasonable assistance requested and respond to all reasonable questions posed by GBX, promptly and in accordance with GBX's requirements.

7 Notifications

7.1 Advance notification

A Sponsor must provide at least 10 Business Days advance notice, with relevant information and effective date, of a proposed change to any of the following:

- (a) the scope of the activities that the Sponsor conducts;
- (b) the name of the Sponsor;

- (c) any business name under which the Sponsor carries on business as a Sponsor;
- (d) any regulatory or governmental authorisations of the Sponsor;
- (e) the address of the head office and registered office of the Sponsor;
- (f) the jurisdiction(s) in which the Sponsor is incorporated, established and/or registered;
- (g) the address for service of notices or documents on the Sponsor;
- (h) the location from which the Sponsor undertakes its principle activity;
- (i) the corporate structure of the Sponsor;
- (j) the Senior Management of the Sponsor;
- (k) the Controller of the Sponsor; or
- (l) the Nominated Person of the Sponsor.

7.2 Consequences of advance notification

If GBX receives a notification under paragraph 7.1, and if GBX reasonably believes that the proposed change will adversely affect the ability of the Sponsor to meet the Sponsor Status Requirements and fulfil the Sponsor Status Responsibilities, GBX may require that:

- (a) the proposed change not occur; or
- (b) if the proposed change has occurred, the Sponsor take all reasonable steps to procure its reversal and/or provide alternative arrangements to the satisfaction of GBX.

7.3 Immediate notification

A Sponsor must notify GBX immediately of any matter which would adversely affect the Sponsor's ability to:

- (a) meet the Sponsor Status Requirements; or
- (b) fulfil the Sponsor Status Responsibilities.

7.4 Examples of matters requiring immediate notification

Matters that require immediate notification under paragraph 7.3:

- (a) any significant non-compliance by the Sponsor or its Clients with any applicable GBX Rules;
- (b) if a Sponsor ceases to act for a Client or is dismissed by a Client;
- (c) any Material Change to any matter previously notified to GBX in an application for:
 - (i) Sponsor Status;
 - (ii) Admission; or
 - (iii) Listing;

- (d) the presentation of a petition for the winding up of the Sponsor or of an entity that is a holding company of the Sponsor;
- (e) the appointment of a receiver, liquidator or examiner or a stated intention by any party to appoint a receiver or to seek the appointment of an examiner or liquidator in respect of the Sponsor and/or the holding company of the Sponsor;
- (f) if the Sponsor is a partnership, notice of a proposal to dissolve a partnership or to amend its partnership agreement;
- (g) a material amendment to the Constitutive Documents of a Sponsor;
- (h) the making of an arrangement with creditors of the Sponsor;
- (i) the imposition of any disciplinary measures or sanctions on the Sponsor by:
 - (i) the Regulatory Authority;
 - (ii) an Equivalent Regulatory Authority; or
 - (iii) any statutory, professional or other body exercising a regulatory or disciplinary jurisdiction over the Sponsor, its Controllers, its Senior Management and/or its Nominated Person;
- (j) the conviction or sanction of the Sponsor, its Controller, its Senior Management or its Nominated Person for any offence involving financial crime, fraud, theft, dishonesty or any other matter likely to have a material adverse effect on the reputation and integrity of the GBX Market and GBX; or
- (k) any other event that occurs that is likely to bring:
 - (i) the GBX Market; or
 - (ii) GBX,
 into disrepute.

8 Engagements with Clients

8.1 Conflicts of interest

- (a) Sponsors should avoid conflicts of interest that could adversely affect its ability to perform its Sponsor Services and any other functions to a Client under the Sponsor Rules.
- (b) If a conflict of interest would prejudice a Sponsor's independence or the interests of a Client, or would create a perception in the market of such prejudice, the Sponsor should not act for that Client.
- (c) If a conflict of interest arises during the course of an engagement with a Client, and such conflict of interest is one that could adversely affect its ability to perform its Sponsor Services and any other functions under the Sponsor Rules and it is not possible to resolve such conflict of interest, the Sponsor should cease acting for that Client.
- (d) A Sponsor's financial interest in a Client, including by holding that Client's Token or having an equity interest in that Client, will not normally constitute a conflict of

interest under the Sponsor Rules provided that in respect of an Admitted Token, the nature and extent of the Sponsor's financial interest is disclosed in accordance with the Token Sale Rules.

8.2 Circumstances in which conflicts of interest may arise

When assessing conflicts of interest in accordance with paragraph 8.1, a Sponsor must be aware of the possibility of conflicts of interest arising in the following or similar circumstances:

- (a) where two or more of a Sponsor's Clients are competitors or are in the same industry; or
- (b) where a Sponsor and a Client share a common Controller or Senior Management; or
- (c) where a Sponsor provides Sponsor Services and other services, such as legal, consulting or financial advisory services, to a Client.

8.3 Acting despite a conflict of interest

- (a) If a Sponsor identifies a conflict of interest, but that conflict of interest does not materially prejudice the interests of any Client, the Sponsor may continue with each relevant engagement, provided that such conflict of interest is disclosed:
 - (i) to its Client; and
 - (ii) within the Client's Whitepaper if it relates to a conflict of interest arising from its relationship with a Client in respect of a Token seeking Admission.
- (b) In addition, the Sponsor must take all reasonable steps to reduce the risk arising from the conflict to a minimum, including:
 - (i) the use of different employees for different Clients;
 - (ii) imposing information barriers, to prevent the leakage of confidential information; and
 - (iii) advising the Client to seek additional independent advice (as relevant).

8.4 Client due diligence

Before accepting an engagement from a Client, Sponsors must satisfy itself as to:

- (a) the Client's sources of its funds having regard to AML/CFT Requirements;
- (b) the viability of the Client's Project;
- (c) the fitness and propriety of the Client's Controllers and Senior Management;
- (d) the experience, qualifications and competence of the Client's Controllers and Senior Management to execute the Client's Project;
- (e) the sufficiency of the Client's financial and non-financial resources in order to execute their Project, or if such resources are not at hand at the inception of the Project, the existence and viability of the Client's plan in order to secure such resources; and
- (f) the nature of the Client's proposed activities and the risks that arise from those activities.

8.5 Nature of Clients' activities and risks

Before accepting an engagement from a Client, a Sponsor must use all reasonable endeavours to ensure that the engagement will not lead to them being associated in any way with any activity that:

- (a) would not comply with the GBX Rules;
- (b) involves a breach of:
 - (i) AML/CFT Regulations; or
 - (ii) the laws of the jurisdictions in which the Sponsor and/or the Client operates or plans to operate.

8.6 Continuing Obligations

A Sponsor must have in place procedures and, where relevant, appropriate contractual arrangements for its Clients to report to the Sponsor on the status of the Project during the Continuing Obligation Period as set out in the GBX Rules.

8.7 Disclosure of procedures and conditions

Before accepting an engagement from a Client, a Sponsor must ensure that the Client understands:

- (a) the Sponsor Services to be provided;
- (b) the fees that the Sponsor will charge, including any applicable Tax, disbursements or levies;
- (c) the GBX Charges;
- (d) any conditions and procedures relevant to providing the Sponsor Services;
- (e) the relationship between the Client, the Sponsor, GBX and the GBX Market;
- (f) the Sponsor Status Requirements; and
- (g) the Sponsor Status Responsibilities.

8.8 Engagement letters

A Sponsor must obtain a signed engagement letter for each Client engagement.

8.9 Exclusion of responsibility

All engagement letters must exclude the responsibility of:

- (a) any third party; and
- (b) GBX,

in respect of the provision of Sponsor Services by the Sponsor.

8.10 Documents to be retained by Sponsor

A Sponsor must retain for a period of six years all documents relating to the provision of Sponsor Services to a Client, including:

- (a) due diligence documents and assessments obtained with regard to AML/CFT Requirements;
- (b) conflict of interest documents;
- (c) executed engagement letters;
- (d) organisation charts showing the Client's corporate structure, the roles and responsibilities of the Client's Controllers and Senior Management;
- (e) third party reports insofar as applicable to the Candidate's application for Admission;
- (f) management accounts, financial statements and financial information to the extent that it is applicable; and
- (g) any other applicable material documents relating to a Client.

8.11 Declining or ceasing to act

- (a) A Sponsor must decline to accept an engagement from a Client, or must cease acting for that Client, if the Sponsor forms the view:
 - (i) that the work that they would be, or are, required to carry out is:
 - (A) not practicable;
 - (B) not appropriate; or
 - (C) may lead to the Sponsor failing to meet the Sponsor Status Requirements; or
 - (ii) that the Client is not, or is not capable of, complying with:
 - (A) the GBX Rules; or
 - (B) any applicable law.
- (b) If a Sponsor is required for any reason to cease acting for an existing Client, the Sponsor must notify GBX of its intention to cease to act before informing the Client of such intention.
- (c) If GBX receives a notification under paragraph 8.11(b), GBX may require the Sponsor to:
 - (i) immediately disengage from the Client; or
 - (ii) continue acting for the Client until such time that Sponsor Services can be transferred to another Sponsor in an orderly manner.

8.12 Client assets

A Sponsor must not hold nor maintain assets on behalf of its Clients including, but not limited to, digital assets and money, except as expressly contemplated by the GBX Rules.

9 Application for Sponsor Status

9.1 Eligible persons

Persons are eligible to apply to GBX for Sponsor Status if they can demonstrate to the satisfaction of GBX that they:

- (a) are formed or established under the laws of a jurisdiction that is acceptable to GBX; and
- (b) have been active in the digital asset industry to the extent that it is necessary to meet the Sponsor Status Requirements and fulfil the Sponsor Status Responsibilities.

9.2 Making an application

- (a) An application for Sponsor Status must be made to GBX in such form and accompanied by such fees as GBX may from time to time prescribe.
- (b) All applications for Sponsor Status must be submitted electronically to applications@gbx.gi, or such other email address that GBX notifies via the GBX Website.

9.3 Assessment by GBX

- (a) GBX will assess applications for Sponsor Status in order to determine whether a Candidate is suitable to be granted Sponsor Status.
- (b) In order to be granted Sponsor Status a Candidate must:
 - (i) satisfy GBX that it can meet the Sponsor Status Requirements and fulfil the Sponsor Status Responsibilities; and
 - (ii) provide reasonable assurance of the adequacy of its procedures.
- (c) In carrying out its assessment GBX may require additional information from a Candidate. By making an application for Sponsor Status, a Candidate authorises GBX to request such further information, documentation or other evidence, from the Candidate or any other person, as it considers necessary or relevant in relation to the application for Sponsor Status.

9.4 Notice of decision

- (a) GBX will notify the Candidate of its decision. In making its decision GBX may:
 - (i) grant Sponsor Status;
 - (ii) grant Sponsor Status subject to restrictions; or
 - (iii) refuse an application for Sponsor Status.
- (b) In the case of paragraph 9.4(a)(i), the granting of Sponsor Status may be subject to the fulfilment of certain conditions which will be specified by GBX. A Candidate will not be permitted to provide Sponsor Services until such conditions are fulfilled.
- (c) In the case of paragraphs 9.4(a)(ii) or 9.4(a)(iii), GBX will notify the Candidate of the grounds for its decision and the facts and matters relied upon by it in support of its decision.

10 Restriction, suspension and termination of Sponsor Status

10.1 Powers of GBX

- (a) If, at any time, a Sponsor:
 - (i) fails to meet the Sponsor Status Requirements;
 - (ii) does not fulfil the Sponsor Status Responsibilities;
 - (iii) does not provide Sponsor Services for a period of 12 months' or more; or
 - (iv) undergoes a change in Control,

GBX may, without prior notice being given to the Sponsor concerned:

- (A) restrict the scope of Sponsor Services provided by the Sponsor;
 - (B) suspend the Sponsor Status of the Sponsor; or
 - (C) terminate the Sponsor Status of the Sponsor.
- (b) If the GBX decides to restrict or suspend a Sponsor's Sponsor Status under paragraphs 10.1(a)(iv)(A) or 10.1(a)(iv)(B), GBX may also impose one or more requirements with regard to the Sponsor's resources and procedures, or any other matter relevant to:
 - (i) meeting the Sponsor Status Requirements; or
 - (ii) fulfilling the Sponsor Status Responsibilities.

10.2 Notice of decision

GBX will notify the Sponsor of any decision made under paragraph 10.1, where lawful and reasonably practicable, and the notification will set out:

- (a) the principal grounds for the restriction, suspension or termination imposed;
- (b) the principal facts relied upon by GBX; and
- (c) the nature and details of the restriction, suspension or termination imposed.

10.3 Informing Clients of restriction, suspension or termination

After receiving a notice of decision under paragraph 10.2, a Sponsor must, as soon as reasonably possible, inform its Clients of that decision, setting out the details of that decision as notified to the Sponsor by GBX.

10.4 Right to appeal

- (a) After receiving a notice of decision under paragraph 10.2, a Sponsor may appeal the decision in accordance with the Appeals Procedure.
- (b) If no such appeal is made in accordance with the Appeals Procedure, the decision of GBX will be final.

11 Resignation of Sponsor Status

11.1 Notice of intent to resign

- (a) A Sponsor must notify GBX of its intent to resign its Sponsor Status as soon as reasonably practicable in advance of the proposed resignation date.
- (b) The Sponsor's notice of intent to resign must be accompanied by relevant information concerning the circumstances of the Sponsor's resignation, including a proposed succession plan in order to ensure an orderly transfer of Sponsor Services that it provides to its Clients to another Sponsor(s).

11.2 Informing Clients of resignation

After giving a notice of intention to resign under paragraph 11.1, a Sponsor must, as soon as reasonably possible, inform its Clients of:

- (a) its intention to resign its Sponsor Status; and
- (b) the proposed succession plan provided under paragraph 11.1(b).

11.3 Acceptance, postponement or refusal of resignation

Following receipt of a notice of intent to resign under paragraph 11.1, GBX may either:

- (a) accept the notice of intent to resign;
- (b) postpone the effective date of the notice of intent to resign; or
- (c) refuse to accept the notice of intent to resign until adequate succession plans have been put in place.

11.4 Notice of decision

- (a) GBX will notify the Sponsor of any decision made under paragraph 11.3 and will set out:
 - (i) the principal grounds for its decision;
 - (ii) the principal facts relied upon by GBX; and
 - (iii) the nature and details of the acceptance, postponement or refusal.
- (b) The acceptance of a notice of intent to resign may be subject to the fulfilment of certain conditions which will be specified by GBX. A Sponsor's resignation will not be effective until these conditions are fulfilled.
- (c) For the avoidance of doubt, the GBX Rules will continue to apply to a Sponsor whose resignation has been postponed or refused, unless and until the Sponsor's resignation has been accepted by GBX.

11.5 Informing Clients of resignation

After receiving a notice of decision under paragraph 11.4, a Sponsor must, as soon as reasonably possible, inform its Clients of that decision, setting out the details of that decision as notified to the Sponsor by GBX.

11.6 Right to appeal

- (a) After receiving a notice of decision under paragraph 11.4, a Sponsor may appeal the decision in accordance with the Appeals Procedure.
- (b) If no such appeal is made in accordance with the Appeals Procedure, the decision of GBX will be final.

Schedule 1 Due Diligence Procedures Guidelines

a. Role of the Sponsor

a.1 Requirement to perform due diligence

- (a) A Sponsor is required to conduct, coordinate and collate due diligence in respect of its Clients.
- (b) In respect of a Token seeking Admission, a Sponsor must pay due regard to the procedures set out in these Due Diligence Procedures Guidelines.
- (c) In respect of a token seeking Admission to the Token Sale Platform for an Additional Token Sale which was not previously Admitted, a Sponsor must only carry out the Additional Token Sale Due Diligence Requirements which are b.1(a), b.2, c.1, c.2, d.3, d.4 and i below.
- (d) In respect of a Token seeking Listing as a Secondary Token, a Sponsor must only carry out the Secondary Token Due Diligence Requirements which are b.1(a), b.2, c.1, c.2, d.3, d.4 and i below

b. Due diligence requirements

b.1 Scope of due diligence

A Sponsor's due diligence procedures in respect of its Clients and its Clients' Tokens to the extent applicable must include:

- (a) Controllers and Senior Management due diligence with regard to:
 - (i) fitness and propriety;
 - (ii) experience, qualifications and competence;
 - (iii) AML/CFT Requirements;
- (b) legal due diligence;
- (c) Project due diligence;
- (d) technology due diligence; and
- (e) security due diligence.

A Sponsor must exercise reasonable judgement regarding any additional due diligence needed in relation to a Client, having regard to the relevant facts and circumstances.

b.2 Critical analysis

A Sponsor must critically analyse the accuracy, reliability and completeness of statements, information and representations made to it by the Client, its Controllers and its Senior Management.

b.3 Verification

- (a) A Sponsor must perform appropriate verification procedures, including by:
 - (i) reviewing source documents;
 - (ii) interviewing Controllers, Senior Management, and other relevant persons; and
 - (iii) obtaining independently sourced information.
- (b) A Sponsor will not be considered to have complied with sub-paragraph b.3(a) if it relies solely on representations or confirmations from a Client, its Controllers or Senior Management for the purposes of verifying information.
- (c) If a Sponsor becomes aware of circumstances that may cast doubt on information provided to it or otherwise indicate a potential problem or risk, the Sponsor must undertake additional due diligence to ascertain the accuracy, reliability and completeness of that information.

b.4 Review

A Sponsor must review and assess the results of their due diligence, consider any issues that may arise, and reasonably satisfy itself that appropriate action has been taken to remedy those issues.

b.5 Due diligence information

A Sponsor must provide due diligence information when submitting an application for:

- (a) Admission of a Token to the Token Sale Platform; or
- (b) Listing of a Secondary Token;

which shall provide details of the due diligence undertaken in accordance with these Due Diligence Procedures Guidelines and include such other information that GBX shall reasonably require.

c. Controllers and Senior Management due diligence

c.1 Fitness and propriety

A Sponsor must assess the fitness and propriety of a Client's Controllers and Senior Management, including by:

- (a) interviewing Controllers and Senior Management;
- (b) analysing the Client's corporate structure and ownership structure;
- (c) conducting relevant searches of publicly available information including social media, press and government publication searches;
- (d) conducting investigations where there is doubt as to the accuracy, reliability and completeness of available information; and
- (e) visiting the Client's site of operation where considered necessary.

c.2 Experience, qualifications and competence

A Sponsor must satisfy itself that the Client's Controllers and Senior Management collectively have the experience, qualifications and competence to manage the Client's business, complete the Token Sale and build the Project in compliance with the GBX Rules.

d. Legal due diligence

d.1 Engagement and retention of lawyers

A Sponsor must ensure that the Client has engaged or engages competent and experienced independent lawyers to provide legal advice to the Client.

d.2 Legal review

A Sponsor must ensure that the Token seeking Admission as well as the Whitepaper, Terms and Conditions and any other documents submitted as part of an application for Admission, have been reviewed by the lawyers engaged and retained under paragraph d.1 of this Schedule.

d.3 Eligibility (legal opinion)

A Sponsor must ensure that as a minimum the Client obtains a legal opinion stating that the Token seeking Admission or Listing is a Utility Token, and does not contravene the laws of the Client's place of incorporation, establishment and/or registration or, if different, where it undertakes its principle activity. GBX may, at its entire discretion, require a Sponsor to obtain other legal comfort that the Issuer's activity is not in contravention of laws and/or regulations in other jurisdictions.

d.4 Market abuse and suspicious transactions

A Sponsor must, where it suspects that there is an abuse of the market, file a report with GBX without delay which reports on any concerns including; improper disclosure of inside information, misuse of information, manipulating transactions, disseminating information likely to give a false or misleading impression, misleading behaviour, and market extortion.

e. Financial due diligence

e.1 Financial resources

A Sponsor must satisfy itself that a Client has the necessary financial resources to complete the Admissions process and the Token Sale.

e.2 Sources of funds

A Sponsor must satisfy itself that the Client's source of funding does not violate AML/CFT Requirements.

f. Token and smart contract due diligence

f.1 Audit

A Sponsor must audit the Token and the Client's other smart contracts to:

- (a) assess compliance with the:
 - (i) the GBX Rules;
 - (ii) its Whitepaper;

- (iii) its Terms and Conditions; and
 - (iv) any other documents to the extent applicable provided to the Sponsor by the Issuer during an application for Admission;
- (b) confirm functionality; and
- (c) identify security issues.

f.2 ERC20

A Sponsor must ensure that a Client's Token conforms to the ERC20 standard or, if there are deviations from the ERC20 standard, those deviations must be:

- (a) disclosed in its Whitepaper; and
- (b) compatible with the Token being sold on the Token Sale Platform.

f.3 Good Industry Practice

A Sponsor must ensure that the Client's smart contracts comply with Good Industry Practice, including auditing the Client's use of Solidity and allowing public audit of the smart contracts through an appropriate repository.

g. Security due diligence

g.1 Testing

A Sponsor must ensure that the Client engages an independent third party to conduct penetration testing of the Client's systems and technical infrastructure.

g.2 Storage

- (a) A Sponsor must ensure that the Client has in place appropriate storage arrangements to hold:
 - (i) the Token; and
 - (ii) any digital assets received following the Token Sale.
- (b) A Sponsor must ensure that the Client's wallets are only accessible via the Client's appropriate storage arrangements.

g.3 Data protection

A Sponsor must ensure that the Client has appropriate data protection arrangements in place in accordance with applicable data protection legislation.

h. Project due diligence

h.1 Reasonably viable

A Sponsor must satisfy itself that the Project is reasonably viable.

h.2 Scaling

A Sponsor must satisfy itself that the Project is capable of scaling appropriately in line with the projected growth of the Project.

h.3 Use of proceeds

A Sponsor must satisfy itself that the Client's use of proceeds set out in the Whitepaper is reasonable and appropriate to the Project.

h.4 Business continuity

A Sponsor must ensure that the Client has in place a suitable business continuity plan.

h.5 Pyramid schemes

A Sponsor must satisfy itself that the Project does not itself constitute and does not in any way involve, a pyramid scheme.

h.6 Technological feasibility, architecture and code

A Sponsor must satisfy itself that:

- (a) the Project is reasonably capable of being executed by reference to the technology described in a Client's Whitepaper;
- (b) the available technology does not require further development before completion or where development may be necessary, be satisfied that the development will be completed within reasonable time;
- (c) there is nothing inherent in the Project's technology, architecture or code that may prevent the Project from meeting growth objectives;
- (d) there are no legacy components to the Project that may require replacement, or where replacement may be necessary, be satisfied that the replacement cost will be reasonable and are addressed in the Project's budget;
- (e) there are no third party or open source components to the Project that may cause a problem or risk to the Project; and
- (f) any code used within the Project is written in a clear and maintainable way.

h.7 Product support

A Sponsor must satisfy itself that the technology to be used in the Project:

- (a) has a sufficient internal and external support structures in place; and
- (b) has appropriate configurability, customisation and product enhancement features to the extent that they are applicable.

i. Off platform due diligence

Issuers may distribute their Token's themselves and/or on other token sale platforms in addition to the Tokens sold on GBX's Token Sale Platform. In respect of Tokens sold and distributed off the GBX Token Sale Platform a Sponsor must satisfy itself that AML/CFT Requirements have been met insofar as applicable.