



BCSHOP.IO
PROJECT'S LEGAL OVERVIEW

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BCSHOP.IO - BRIEF LEGAL OVERVIEW

BCShop.io is a platform for selling digital products and services, based on smart-contracts on the Ethereum blockchain. BCShop.io allows vendors to publish information about digital products and services, and customers – to purchase these products and services for Ethereum cryptocurrency. All the data concerning products is stored as a smart contract on the Ethereum blockchain.

The project is founded by team of russian nationals. Due to several issues of cryptocurrency regulation and project's aim on international operation, project is incorporated in Singapore by private limited company BCHOP.IO Pte. Ltd. Being a jurisdiction with regulated status of cryptocurrency which is considered as virtual asset and as securities in certain cases, Singapore provide the project with possibility of operation within existing legal framework. On 14th November, 2017 Monetary Authority of Singapore issued guidance on general rules applied to ICO and Token sales in jurisdiction. This guidance is one of reasons why the choice of Singapore jurisdiction was made due to service nature of BCShop.io tokens. Not only shall the company process the Token sale and keep all cryptocurrency on its account in accordance with IAS 38 (intangible assets) but also operate with cryptocurrency payments on behalf of BCShop.io.

BCS Tokens sale event is not an offering of securities or any other form of investment under the laws of any jurisdiction and cannot be considered as an offering of securities in Singapore due to service nature of BCS Token. BCSHOP.IO shall not receive any transaction in fiat money during the Token sale. BCS Token is an ERC20 standard token that could be used only in BCSHOP.IO Platform as a form of internal currency for payment for virtual services on the Platform. BCS Token does not provide any kind of passive income or dividend functions for its holders and can only be used in system in order to complete transactions between platform users. The only specific function of token that shall be reviewed in detail later is the possibility to exchange BCS Tokens for BCB Tokens on the Platform.

Despite the fact that BCS Token is not a security by its nature, due to several tax and legal issues BCS Token sale shall be inaccessible both on technical (ip block) and contractual level (contractual restrictions) for United States of America, Peoples Republic of China and Singapore citizens and residents in addition to citizens or residents of a geographic area in which access to or use of the cryptocurrency or cryptographic tokens is prohibited by applicable law, decree, regulation, treaty, or administrative act. All relations on BCS Token Sale shall be regulated by Privacy Policy and General Terms & Conditions of BCS Tokens Sale. All documents shall be accepted by BCS Token Sale Participant in the form of "click-wrap" acceptance.

JURISDICTION

Bcshop.io project's development team is based in Russia and due to existing restrictions in Russian regulation on cryptocurrency and tokens all operating activity of the company and Token sale should be made in jurisdiction with legal status of such intangible assets. With respect to current regulation of status of cryptocurrency in various jurisdiction Singapore is considered as one of the most attractive and well respected jurisdiction for the Token sale with utility token under existing legal framework. Under existing regulation of Singaporean law and MAS position on cryptocurrencies and token sales a project with utility token may legally hold a token sale in jurisdiction with reflection of a sum gained on token sale on its balance with further operational activity with cryptocurrency in jurisdiction.

BCS AND BCB TOKENS

BCS Token is an ERC-20 standard token that could be used only in Bcshop.io platform. Possession of BCS Tokens does not represent any ownership right, share or security or any right to receive future revenue shares, or any other form of participation in or relating to Bcshop.io except the possibility to use BCS Token as a form of discount on the Bcshop.io platform or to exchange BCS Token for BCB Token that serve as a form of privilege program token for users who use Bcshop.io platform for a long time.



At the same time, it cannot be disregarded that according to Bcshop.io White Paper BCS Token as ERC-20 compatible Ethereum token by its technical description is designed to be exchangeable on cryptographic token exchanges, i.e. can be bought and sell in the cryptocurrency exchange places. Therefore, BCS Tokens can be regarded as cryptocurrency.

BCS Token as security under laws of Singapore

Offers or issues of digital tokens may be regulated by MAS if the digital tokens are capital markets products under the SFA. Capital markets products include any securities, futures contracts and contracts or arrangements for purposes of leveraged foreign exchange trading. Under section 2(1) of the SFA, “capital market products” means any securities, futures contracts, contracts or arrangements for the purposes of foreign exchange trading, contracts or arrangements for the purposes of leveraged foreign exchange trading, and such other products as MAS may prescribe as capital markets products.

In such cases, a digital token may constitute:

- A share under section 2(1) of the SFA, as “a share in the share capital of a corporation [that] includes stock except where a distinction between stocks and share is expressed or implied.”,

where It confers or represents ownership interest in a corporation, represents liability of the token holder in the corporation, and represents mutual covenants with other token holders in the corporation inter se;

- Can be considered as “a debenture, where it constitutes or evidences the indebtedness of the issuer of the digital token in respect of any money that is or may be lent to the issuer by a token holder”; or
- A unit in a collective investment scheme (“CIS”), where it represents a right or interest in a CIS. Under section 2(1) of the SFA, a “unit”, in relation to a collective investment scheme, means “a right or interest (however described) in a collective investment scheme (whether or not constituted as an entity), and includes an option to acquire any such right or interest in the collective investment

scheme. Under section 2(1) of the SFA, a “collective investment scheme” is an arrangement in respect of any property bearing all of the following characteristics:

- participants have no day-to-day control over management of the property;
- property is managed as a whole by or on behalf of a manager;
- participants’ contributions and profits or income of the arrangement from which payments are to be made to the participants are pooled; and
- purpose or effect (or purported purpose or effect) of the arrangement is to enable participants to participate in or receive profits, income or other payments or returns arising from acquisition, holding, management or disposal of, the exercise of, the redemption of, or the expiry of any right, interest, title or benefit in the property or any part of the property

BCS Tokens are owned by its respective holders and can be used on the platform or exchanged on cryptocurrency exchange. Token holders do not receive profits from passive holding of BCS Tokens, but can acquire additional discounts which become only available in case of burning of specific amount of BCS Tokens. In other words, by acquisition of BCS Tokens, token holder does not receive profits, but benefits from the use of bcshop.io platform.

Even if BCS Token may be under certain circumstances considered as a form of security and token sale may be considered as offer of securities, such offer may nevertheless be exempt from the Prospectus Requirements under SFA and MAS requirements because the offer shall be considered as a small offer of securities of an entity, or units in a CIS, that does not exceed S\$5 million (or its equivalent in a foreign currency) within any 12-month period with respect to the amount of the Bcshop.io token sale hard cap. . A small offer was personal offer for the white list of participants under sections 272A(3) and 302B(3) respectively. A personal offer is one that is made to a pre-identified person, which includes offers made to persons who have previous professional or other connection with the offeror. As the word “personal” suggests, each personal offer must be made personally by the offeror, or by a person acting on its behalf, to the pre-identified person, and may only be accepted by the pre-identified person to whom the offer was made. All Participants were preliminary identified by project’s representatives and conditions of their participation were discussed additionally in personal format.

BCS Token as virtual currency under laws of Singapore

Under the Guidance of MAS from 14th November 2017¹, token, issued during the token sale that constitute no other rights than possibility to access and use a platform, and the right to use token to pay for services provided by other users on platform, will not be subject to any requirement under the SFA or the FAA. By these reasons a company of BCSHOP.IO incorporated in Singapore is not obliged to obtain any additional license or register with MAS.

BCS Token under U.S. law

Continuing to characterize the BCS Token under potential risks of the U.S. law it is important to classify it under U.S. securities legislation. In the case of SEC v. Howey, 328 U.S. 293 (1946), the Supreme Court found that a contract constitutes an investment contract that meets the definition of “security” under the Securities Act of 1933 if there is: (i) an investment of money; (ii) in a common enterprise; (iii) with the expectation of profits; (iv) solely from the efforts of others. The “investment of money” element is the easiest to satisfy, because it should be understood to include fiat currency or another medium of

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<http://www.mas.gov.sg/~media/MAS/Regulations%20and%20Financial%20Stability/Regulations%20Guidance%20and%20Licensing/Securities%20Futures%20and%20Fund%20Management/Regulations%20Guidance%20and%20Licensing/Guidelines/A%20Guide%20to%20Digital%20Token%20Offerings%202014%20Nov%202017.pdf>

exchange that is of value to the issuer and the purchaser. The “common enterprise” element can be satisfied if the proceeds of an offering are used to create, support or maintain a system which provides some function or benefit to the purchaser. In case of the BCSHOP.IO project the test net of the platform is already operational and available at: <https://testnet.bcshop.io> and can be used by token holders. The elements of “the expectation of profits” and “solely from the efforts of others” are inseparable and generally considered the most relevant. These elements cannot be fulfilled in the project due to the fact, that the token is more likely to be considered as an expectation of discount for services on platform rather than profit. Even if BCSHOP.IO would trade tokens after Token sale, the mere ability to trade tokens on cryptocurrency exchange would not itself give rise to an “expectation of profits” within the meaning of the Howey Test.

With respect to the SEC Press release form Dec. 11 2017², Bcshop.io marketing and informational materials do not provide any information that can be considered as an expectation of profit under criteria outlined in Munchee Inc. Situation.

These factors all generally lead to the conclusion that the BCS Token cannot be considered as securities under the U.S. law.

TOKEN SALE

The token sale was held by Singaporean company BCHOP.IO Pte. Ltd with sale of limited amount of BCS Tokens from total amount of BCS Tokens under General Terms & Conditions of the BCS Tokens Sale on the amount of 2000 ETH. 267 Token purchasers participated in the token sale round and were identified by company’s representatives. All terms and conditions of the token sale are outlined in General Terms & Conditions of the BCS Tokens Sale. All participants were obliged to provide all necessary personal information under conditions of BCSHOP.IO Privacy Policy. All necessary documents were publically available at the project’s website during the Token sale. All terms were be accepted by participants in the form of click-wrap acceptance (website user accept terms on the website by clicking on special check box on the website).

CRYPTOCURRENCY/FIAT questions

During the token sale BCSHOP.IO did not receive any funds in fiat money (only ETH cryptocurrency was allowed). After the token sale company will have an audit under which cryptocurrency will be displayed on the balance under 38 IAS as an intangible asset. Bcshop.io project will not exchange cryptocurrency to fiat in observed future.

² <https://www.sec.gov/news/press-release/2017-227>

