

BRITISH COLUMBIA SECURITIES COMMISSION  
*Securities Act*, RSBC 1996, c. 418

Citation: LiquiTrade Ltd., 2024 BCSECCOM 292

Date: 20240703

**LiquiTrade Ltd.**

<b>Panel</b>	Gordon Johnson Judith Downes James Kershaw	Vice Chair Commissioner Commissioner
<b>Hearing date</b>	November 27, 2023	
<b>Submissions completed</b>	December 15, 2023	
<b>Date of findings</b>	July 3, 2024	
<b>Appearing</b>	For the Executive Director	
Jillian Dean Amir Ghorbani		

**Findings**

**I. Introduction**

- [1] This is the liability portion of a hearing under sections 161, 162 and 174 of the *Securities Act*, 1996, c. 418 (Act).
- [2] In a notice of hearing issued November 15, 2022 (2022 BCSECCOM 445), the executive director alleged, among other things, that:
- a) LiquiTrade Ltd. (LiquiTrade) operates a crypto trading platform known as LATOKEN, accessible to residents of British Columbia online at [www.latoken.com](http://www.latoken.com) (the Platform); and
  - b) by operating the Platform, LiquiTrade:
    - i) trades in derivatives without being registered to do so, contrary to section 34 of the Act; and
    - ii) carries on business as an exchange in British Columbia that is not recognized by the Commission contrary to section 25 of the Act.
- [3] The evidentiary hearing in this matter was conducted on November 27, 2023. LiquiTrade did not participate in that hearing. The panel inquired into the adequacy of notice provided to LiquiTrade both prior to the evidentiary hearing and at the commencement of that hearing. The panel concluded that the executive director gave notice to LiquiTrade as required under the Act.
- [4] One Commission investigator testified at the evidentiary hearing (the Investigator). The hearing was followed by written submissions. LiquiTrade was sent notice of each step in the proceeding. LiquiTrade did not make written submissions.

## **II. Factual Background**

### **A. Status of LiquiTrade**

- [5] LiquiTrade is a company incorporated in the Cayman Islands.
- [6] LiquiTrade has never been registered in any capacity under the Act, and there is no recognized exchange or clearing agency in British Columbia operated by LiquiTrade or using the name LATOKEN.

### **B. Some features of the Platform**

#### ***Trading***

- [7] The Platform allows users to trade digital assets such as Bitcoin, Ethereum and other classes of digital assets (together, crypto assets) as well as, in certain circumstances, legal tender such as Euros or US dollars (fiat assets).
- [8] To use the Platform, a user must enter into a Terms of Use agreement (Terms of Use) which governs all activities of the user on the Platform.
- [9] LiquiTrade publishes a list of bids and quotes for crypto assets available for trading on the Platform. These bids and quotes are known as trading pairs. Users may place limit orders or market orders to transact interests in crypto assets. The Platform automatically matches and executes user orders using its own computer systems. The Platform may partially fill orders or may fill orders by aggregating multiple matching orders.

#### ***Fees***

- [10] LiquiTrade charges fees to users for trades made on the Platform and for withdrawals of crypto assets.

#### ***Possession of crypto assets***

- [11] Users do not have possession or control of crypto assets deposited or traded on the Platform. In order to begin trading on the Platform, a user deposits crypto assets and/or fiat assets into a wallet controlled by the Platform. If they deposit or acquire interests in crypto assets, users see a notional crypto asset balance displayed in their account on the Platform. The notional crypto asset balance of the account regularly updates as transactions are made on the Platform.
- [12] LiquiTrade advertises that “99.5% of our users’ funds are kept in cold storage with multi-signature technology”. It necessarily follows that such assets are not actually stored in the online (or “hot”) accounts accessible by users.
- [13] LiquiTrade explicitly retains the right to “freeze” a user’s account (and thereby withhold access to any crypto assets the user is entitled to) for a variety of reasons, including non-payment of fees.

#### ***Marketing on the Platform itself***

- [14] LiquiTrade directly promotes trading on the Platform. LiquiTrade urges users to trade and to recruit new users to trade. For example:
- the Platform advertises lower fees for higher volume traders (“LATOKEN rewards users who trade more, by offering a flexible fee schedule that beats our competitors” and “trade more to pay lower fees”); and

- LiquiTrade offers a \$50 referral credit when a user refers a friend and that friend makes a trade or transaction (“Invite your friends and get big rewards for every transaction they make”).

[15] LiquiTrade also hosts a live streaming show entitled VCTV, which is a marketing tool “with high-profile industry leaders...to advise traders and investors how to navigate the crypto world with discussions, news updates, and interviews”. LiquiTrade charges fees to entities who wish to appear on VCTV to promote their projects.

***LiquiTrade’s marketing outside of the Platform***

[16] Outside promoting its services on the Platform itself, LiquiTrade markets through various channels which are accessible to residents of British Columbia including by advertising its services by posting on the social media platforms Facebook and X.

[17] LiquiTrade’s marketing materials for the Platform include a brochure containing these statements:

- “LATOKEN: HIGH PROFILE, TRUSTED, AND REGULATED EXCHANGE...”;
- “Regulated by the EU”; and
- “top-40 most trusted exchange”.

[18] A pitch deck for the Platform contains the statement that “LATOKEN is a licensed and regulated exchange”.

[19] LiquiTrade’s marketing materials also reference political and financial figures and include these statements:

- “Aligned with the world leaders” – this claim is shown alongside photographs of former presidents of Mexico and Bulgaria, as well as a photograph of the former chairman of the American Commodity Futures Trading Commission; and
- “More than 100 senior economists, regulators, government officials, investors, and bankers have come together to share their views and vision in our roundtable discussions at the LATOKEN Blockchain Economic Forum.”

[20] In a marketing brochure, LiquiTrade makes several claims about the number of users and turnover of assets:

- “\$300M+ daily turnover” as of approximately March 6, 2022;
- “More than 1,500,000 registered traders” as of approximately March 6, 2022;
- “2.5M+ registered users coming from countries with high growth potential” as of 2022; and
- “2M+ registered accounts” as of 2022.

### ***Withdrawal of crypto assets***

- [21] In order to take possession of crypto assets reflected in their account balance, a Platform user must request a withdrawal. The user is dependent on LiquiTrade to satisfy that withdrawal request by delivering the requested crypto assets to a user-controlled wallet.
- [22] The Platform's Terms of Use stipulate that there may be delays in processing withdrawals. An article posted in the 'Help' section of the Platform states that the delay for processing withdrawals may be up to 12 hours. A minimum balance is required before a withdrawal request can be authorized.

### **III. Commission's Investigation**

- [23] In his investigation into this matter, the Investigator worked with other Commission employees to obtain information such as corporate documents and website information for the investigation.
- [24] The Investigator did his own open source research and purchased Bitcoin for use on the Platform. He also collaborated with a fellow Commission investigator to open an account on the Platform on approximately March 1, 2022 (the Account). Between them, the investigators used a covert identity registered in British Columbia to fulfill the Platform's user identification requirements and undertook various transactions on the Platform.
- [25] In his testimony before the panel, the Investigator gave evidence about various videos he had made in the course of his investigation and which were shown to the panel. One of these videos showed the Investigator logging into the Account and checking that the IP address he was using geolocated to Vancouver, British Columbia.
- [26] When asked why he had checked the IP address, the Investigator stated, "To see what my IP address would be from the perspective of the LATOKEN servers, so whether or not they would be able to tell using my IP address whether or not I'm in Canada or where specifically I am." The Investigator's evidence made it clear that the information provided to the Platform would show LiquiTrade that the Account was opened in and operated from British Columbia.
- [27] The Investigator gave evidence about the Platform's Terms of Use. One section of that document states that "LATOKEN currently may restrict trading activity for investors" in various countries, including Canada. When asked whether LATOKEN or LiquiTrade placed any restrictions on his trading activity or his use of the Platform during the investigation, the Investigator stated, "None that I noticed."
- [28] The Account provided the Investigator with access to two subaccounts: a "wallet" and a "spot account". The wallet held interests in crypto assets and the spot account was for trading in interests in crypto assets. A Platform user can transfer their interests in crypto assets between the two subaccounts.
- [29] The Investigator deposited Bitcoin into the Account by transferring it from an external wallet under his control (the Staff Wallet) into the wallet subaccount. He used a deposit address provided by the Platform to do this. His deposit was credited to the Account.
- [30] The Investigator then transferred a portion of the balance to the spot subaccount and made a number of trades, swapping interests in crypto assets for interests in other crypto assets (for example, interests in Tether for interests in Ethereum and Litecoin).

- [31] The Investigator did not have control over the crypto assets that were notionally held in the Account. In particular, the Investigator said he could not withdraw the crypto assets from the Account except through the process provided by LiquiTrade, and he could not trade the crypto assets with another person except through the systems provided by LiquiTrade.
- [32] The Investigator attempted to withdraw Bitcoin notionally held in the Account on the Platform. However, LiquiTrade requires a user to have a specified minimum notional holding in Bitcoin before it will approve a withdrawal. In giving evidence on a video that showed him trying, and failing, to make a withdrawal, the Investigator testified: “I’m trying to make a Bitcoin withdrawal from the LATOKEN platform into a Bitcoin wallet that I control... It’s not working. I don’t have enough Bitcoin to make the withdrawal... The platform wasn’t clear on whether or not the fees for the transfer were included with the minimum transfer amount or not, and I thought they were, so I didn’t have enough Bitcoin to make the withdrawal adding the fees on top of the minimum withdrawal amount.”
- [33] The Investigator also gave evidence about his efforts to withdraw Tether, another crypto asset, from the Platform. He took the steps required by the Platform, including inputting the wallet address to which the Tether should be sent and paying a fee to LiquiTrade through the Platform. The Investigator subsequently received the withdrawn Tether amount in the Staff Wallet.

#### **IV. Applicable Law**

##### **A. Standard of proof**

- [34] The standard of proof is proof on a balance of probabilities. In *F.H. v. McDougall*, 2008 SCC 53 (CanLII), the Supreme Court of Canada held, at paragraph 49:

In the result, I would reaffirm that in civil cases there is only one standard of proof and that is proof on a balance of probabilities. In all civil cases, the trial judge must scrutinize the relevant evidence with care to determine whether it is more likely than not that an alleged event occurred.

- [35] The Court also held at paragraph 46 that the “evidence must always be sufficiently clear, convincing and cogent to satisfy the balance of probabilities test”.

##### **B. Relevant provisions of the Act and related instruments**

- [36] Section 1(1) of the Act defines “security” to include:
- (a) a document, instrument or writing commonly known as a security,
  - (b) a document evidencing title to, or an interest in, the capital, assets, property, profits, earnings or royalties of a person,
  - (c) a document evidencing an option, subscription or other interest in or to a security, and
  - (d) a bond, debenture, note or other evidence of indebtedness, share, stock...”
- [37] The definition of “derivative” at section 1 of the Act includes the following:
- (a) an option, swap, futures contract, forward contract or other financial or commodity contract or instrument if the market price or value of, or the delivery obligations, payment obligations or settlement obligations connected to, the option, swap, contract or instrument reference, or are derived from or based on, an underlying interest,

[emphasis added]

- [38] Section 34(1)(a) of the Act states that a person must not trade in a security or derivative unless the person is registered in accordance with the regulations and in the category prescribed for the purpose of the activity.
- [39] “Trade” is defined at section 1 of the Act as including the following:
- (c) participation as a trader in a transaction in a security or derivative made on or through the facilities of an exchange or reported through the facilities of a quotation and trade reporting system,
  - (d) the receipt by a registrant of an order to buy or sell a security or effect a transaction in a derivative,
  - [...]
  - (e.1) entering into a derivative, materially amending a derivative or terminating a derivative,
  - (e.2) a purchase, sale, assignment or novation of a derivative, other than a novation with a clearing agency, and
  - (f) any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of any of the activities specified in paragraphs (a) to (e.2);
- [40] Section 25 of the Act provides that “a person must not carry on business as an exchange or clearing agency in British Columbia unless the person is recognized by the commission under section 24.”
- [41] As set out above, the definition of “derivative” in the Act includes specific instruments such as options, swaps and futures contracts. The definition also includes other financial or commodity contracts or instruments “if the market price or value of, or the delivery obligations, payment obligations or settlement obligations” connected to those contracts or instruments “reference, or are derived from or based on, an underlying asset”.
- [42] In turn, section 1 of the Act defines “commodity” to include “any good, article, service, right or interest of which any unit is, from its nature or by mercantile custom, treated as the equivalent of any other unit”.
- [43] Multilateral Instrument 91-101 *Derivatives: Product Determination* (MI 91-101) is in effect in British Columbia. MI 91-101 sets out the types of over-the-counter derivatives (OTC Derivatives) that are subject to the reporting requirements under Multilateral Instrument 96-101 *Trade Repositories and Derivatives Data Reporting*. MI 91-101 outlines categories of instruments which, although falling within the definition of “derivative” under applicable securities legislation, are excluded from certain requirements relating to OTC Derivatives.
- [44] With respect to commodity contracts, MI 91-101 excludes from the application of the requirements relating to OTC Derivatives instruments where:
- a) the counterparties intended, at the time of execution of the transaction, that the contract or instrument would be settled by delivery of the commodity (the Intention Requirement); and
  - b) the contract or instrument does not permit cash settlement in place of delivery of the commodity except if all or part of the delivery is rendered impossible or commercially unreasonable by an intervening event or occurrence not reasonably within the control of the counterparties, their affiliated entities or their agents (the Settlement by Delivery Requirement).

- [45] The Companion Policy to MI 91-101 (91-101 Companion Policy) provides some further guidance on the Intention Requirement and Settlement by Delivery Requirement. As the Commission noted in *Re Liu*, 2018 BCSECCOM 372 at paragraph 56, companion policies do not have the force of law. Rather, their function is to inform market participants of the regulators' interpretation of certain aspects of securities law.
- [46] According to the 91-101 Companion Policy, the Intention Requirement requires that the counterparties intend to settle the contract by delivering the commodity. The 91-101 Companion Policy also addresses the Settlement by Delivery Requirement. It indicates that the contract must not permit cash settlement in place of delivery unless physical settlement is impossible or commercially unreasonable.
- [47] CSA Staff Notice 21-327 *Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets* provides non-binding guidance on the circumstances in which Canadian securities regulators will consider securities legislation applies to Platforms facilitating the buying and selling of crypto assets. It states:

Securities legislation may also apply to Platforms that facilitate the buying and selling of crypto assets, including crypto assets that are commodities, because the user's contractual right to the crypto asset itself may itself constitute a derivative...

## **V. Position of the executive director**

- [48] The executive director submits that:
- a) LiquiTrade operates the Platform;
  - b) The interests traded on the Platform are derivatives;
  - c) LiquiTrade deliberately invites British Columbians to use the Platform, and
  - d) By operating the Platform, LiquiTrade acts in furtherance of trading in derivatives and is carrying on business as an unrecognized exchange in British Columbia.
- [49] The executive director submits that Platform users are trading interests in crypto assets, not the crypto assets themselves. In making this submission, the executive director stresses that when a user deposits a crypto asset into the Platform, LiquiTrade takes control of that crypto asset and maintains control until the user makes a withdrawal request that is satisfied by LiquiTrade.
- [50] The executive director places considerable emphasis on the Intention Requirement identified in MI 91-101 and the lack of an apparent intention of users of the Platform to take delivery of crypto assets as a factor which indicates the interests traded on the Platform are derivatives.
- [51] The executive director submits that the effect of LiquiTrade maintaining control of the crypto assets until a withdrawal is completed is that when users execute trades on the Platform, the users are trading rights to crypto assets, again, not the assets themselves.
- [52] Ultimately, the executive director submits that in operating the Platform as it does, and in the absence of registration and recognition, respectively, LiquiTrade is trading in derivatives contrary to section 34 of the Act and is operating as an exchange contrary to section 25.

## **VI. Analysis and Findings**

- [53] There are alternative definitions to many of the terms used in the relevant provisions of the Act. As a result it may be the case that some types of assets or interests can fall within more than one of the definitions of "security", "commodity" or "derivative". In addition, there are many

alternative pathways to analyze whether a breach of section 34 of the Act has been proven. It is not necessary to this decision, and we have made no effort to provide an exhaustive analysis of the various alternative analytical approaches. Instead, we have attempted to address the issues placed before us in the notice of hearing in the most direct way possible.

[54] The executive director made a number of submissions related to MI 91-101. However, we have not found it helpful to rely on MI 91-101 in our analysis. Our analysis instead focuses more directly on the explicit definitions contained in Act.

[55] We have organized our analysis into the following five questions:

- a) Are the crypto assets in issue commodities?
- b) If so, are the interests in such crypto assets which users trade on the Platform derivatives?
- c) If so, by making the Platform accessible to users in British Columbia is LiquiTrade trading those derivatives with the result that its failure to register is a breach of the Act?
- d) Is there an exemption from the registration requirement available to LiquiTrade which would avoid ability? and
- e) Is LiquiTrade carrying on business as an unrecognized exchange in British Columbia?

#### **A. Crypto assets as commodities**

[56] There are many types of crypto assets and many of them have unique features. It has been established through the activities and evidence of the investigator that the types of crypto assets which have been traded on the Platform include Bitcoin, Tether and Ethereum. We are aware of the arguments which support a conclusion that the Tether and Ethereum assets traded in the account are by their nature derivatives. Those arguments were not submitted to us and, given our conclusions below, we do not need to address them.

[57] As is noted above, the definition of a commodity includes a “good...or interest of which any unit is, from its nature or by mercantile custom, treated as the equivalent of any other unit”.

[58] Given that every unit of Bitcoin is treated, by its nature or by mercantile custom, as being equivalent to every other unit of Bitcoin (and the same applies to both Tether and Ethereum), units of Bitcoin fall within the definition of a commodity in the Act.

#### **B. Are the interests traded on the Platform derivatives?**

[59] It is clear from the Terms of Use and the functioning of the Platform, as noted above, that the nature of a user’s interest in crypto assets changes once the user deposits such assets on the Platform.

[60] In order to begin trading, a user must deposit crypto assets into a wallet registered by the user on the Platform. Once deposited into a wallet on the Platform, crypto assets are immediately transferred by LiquiTrade and held in cold storage subject to multi-signature technology. By virtue of a deposit of this nature and the subsequent transfer of the assets into storage, LiquiTrade comes into possession and control of the actual crypto assets, and an interest equivalent to the crypto assets being held in cold storage by LiquiTrade is then notionally reflected in the balance in the user’s wallet. The user, though no longer having possession and control of their crypto assets, retains the right to take delivery of such assets subject to the procedures set out in the Terms of Use (Right). It is this Right that is, in effect, traded by investors on the Platform.



[61] The value of a Right held by any particular investor on the Platform is derived from the value of the underlying crypto assets notionally reflected in the balance in the user's wallet, but is not a direct interest in those assets.

[62] Given the above, we find that the Rights traded on the platform are derivatives within the Act.

### **C. Does LiquiTrade trade the derivatives?**

[63] Because the definition of "trade" in section 1(f) of the Act includes "any acts in furtherance of" other activities which are defined to be trades, the executive director has focused his submissions primarily on establishing that by operating the Platform, LiquiTrade acts in furtherance of trades involving derivatives and therefore must be registered pursuant to section 34(a) of the Act.

[64] In determining whether a person or company has participated in acts in furtherance of a trade, securities commissions have taken a contextual approach, examining the conduct and the setting in which the acts occurred. The primary consideration is the effect of the acts on investors and potential investors: *Limelight Entertainment Inc. et al*, 2008 ONSEC 4 at paragraph 131; *Momentas Corporation et al.*, 2006 ONSEC 15 at paragraph 77.

[65] In *Re Liu, supra*, the Commission panel summarized at paragraph 83 the following "basic principles" after reviewing a number of decisions with respect to what specific conduct might constitute "acts in furtherance" of a trade:

- a) that the definitions of a "trade" and "acts in furtherance" of a trade are purposively broad and include direct and indirect conduct;
- b) assessing whether conduct fits within these definitions must be assessed according to the specific facts and circumstances of each case;
- c) in evaluating whether an act is "in furtherance" of a trade, consideration should be given to whether the conduct was proximately connected to an actual trade in a security; and
- d) there is a considerable body of regulatory decisions in which specific conduct has been held to be an "act in furtherance" of a trade.

[66] On the evidence before us, we find that LiquiTrade acted in furtherance of trading by:

- a) creating and maintaining a derivatives trading market on the Platform in British Columbia;
- b) carrying out trade matching functions;
- c) creating and maintaining means for British Columbia investors to create and fund accounts on the Platform;
- d) providing information to investors to assist them in accessing and trading on the Platform;
- e) promoting listing services on the Platform; and
- f) promoting trading on the Platform.

[67] Accordingly, we find that LiquiTrade has traded in derivatives without being registered contrary to section 34 of the Act.

### **D. Possible exemption**

[68] The executive director submitted that there was no exemption from the registration requirements of section 34 available to LiquiTrade with respect to its trading in derivatives.

[69] It is the respondent who bears the onus of establishing the availability of a registration exemption. In *Re Lui, supra* at paragraphs 105 and 106, the panel followed the panel in *Solara Technologies Inc.*, 2010 BCSECOM 163 and found that “the respondents bear the onus of establishing that they qualified for an exemption from their respective obligation to be registered”.

[70] Because LiquiTrade did not participate in the hearing, we had no evidence before us that would allow us to conclude an exemption was available to LiquiTrade from the registration requirement in section 34 of the Act in connection with its trading in derivatives.

### **E. Conducting business as an exchange**

[71] Section 25 of the Act prohibits carrying on business as an exchange in British Columbia unless the person doing so is recognized under section 24 of the Act.

#### ***The Platform’s operations***

##### *The Platform operates in British Columbia*

[72] It is clear to us that LiquiTrade is operating in British Columbia and has done so since 2020. Commission staff were able to open an account on the Platform, deposit crypto assets, and trade interests in various crypto assets while in British Columbia.

[73] The Investigator accessed the Platform from British Columbia and created the Account using a British Columbian telephone number, a British Columbian address, and British Columbian identity documents.

[74] In his evidence at the hearing, the Investigator described to the panel how he accessed the Account a number of times over the course of his investigation, all while located in British Columbia. The Investigator also demonstrated how he used online services to confirm that his IP address showed the Platform that he was located in Vancouver when he accessed it.

##### *The Platform is an exchange*

[75] We also accept the executive director’s submission that the Platform is an exchange for the purposes of sections 24 and 25 of the Act.

[76] Although the term “exchange” is not defined in the Act, there is some guidance as to its meaning for the purposes of this hearing, within National Instrument 21-101 (NI 21-101). That instrument describes when a platform is acting as an exchange for securities although it does not explicitly apply to a platform acting as an exchange for derivatives.

[77] At section 2.1, the companion policy to NI 21-101 (21-101 Companion Policy) discusses what is considered a “marketplace” – a term used to encompass different types of trading platforms that match trades. In particular, section 2.1 provides, in part:

(2) Two of the characteristics of a "marketplace" are (a) that it brings together orders for securities of multiple buyers and sellers; and (b) that it uses established, non-discretionary methods under which the orders interact with each other.

(3) The Canadian securities regulatory authorities consider that a person or company brings together orders for securities if it (a) displays, or otherwise represents to marketplace participants, trading interests entered on the system...

(4) The Canadian securities regulatory authorities are of the view that "established, nondiscretionary methods" include any methods that dictate the terms of trading among the

multiple buyers and sellers entering orders on the system. Such methods include providing a trading facility or setting rules governing trading among marketplace participants. Common examples include a traditional exchange and a computer system, whether comprised of software, hardware, protocols, or any combination thereof, through which orders interact, or any other trading mechanism that provides a means or location for the bringing together and execution of orders. Rules imposing execution priorities, such as time and price priority rules, would be "established, non-discretionary methods."

[78] We accept that the application of these concepts (addressing as they do exchanges for securities) can also apply to exchanges for derivatives. For example, exchange facilities for derivatives may apply to be exempted from recognition as exchanges in British Columbia. See, for example: *Bloomberg SEF LLC (Re)*, 2019 BCSECCOM 354 and *Norexeco ASA (Re)*, 2017 BCSECCOM 302.

[79] Other crypto trading platforms have sought exemptive relief with regard to carrying on business as a derivatives exchange in British Columbia. In *Coinsquare Capital Markets Ltd. (Re)*, 2022 BCSECCOM 421 at paragraph 15, the Commission outlined the background as follows:

The Marketplace Platform brings together orders to trade Crypto Contracts using established, non-discretionary methods under which orders interact with each other, and the buyers and sellers agree to the terms of the trade. In the Jurisdictions, the Marketplace Platform constitutes an exchange.

[80] The concept of an exchange for derivatives, as described in *Coinsquare* and other applications for exemptive relief, are the same as those outlined in 21-101 Companion Policy.

[81] In this case, the following factors support the conclusion that LiquiTrade is operating an exchange:

- a) the website publishes a list of bids and quotes for interests in specific crypto assets;
- b) users are able to trade interests in crypto assets by entering orders on the Platform;
- c) the Platform matches and executes users' orders;
- d) the Platform uses a computerized system to automatically match and execute orders, which meets the criteria of an established, non-discretionary method pursuant to 21-101 Companion Policy; and
- e) the Platform provides listing services for entities wishing to list their crypto assets on the Platform.

[82] We find that LiquiTrade is operating an exchange in British Columbia.

*The Platform is not recognized*

[83] At the hearing, the executive director tendered a certificate issued under section 168 of the Act on May 4, 2022. That certificate states that "there is no recognized exchange or clearing agency in British Columbia operated by LiquiTrade Ltd. or operating using the name LAToken."

[84] We find that the exchange operated by LiquiTrade in British Columbia has not been recognized under section 24 of the Act, as required by section 25 of the Act.

## **VII. Summary of Conclusions**

[85] In conclusion, we find that LiquiTrade:

- a) trades in derivatives in British Columbia without being registered to do so, contrary to section 34 of the Act; and
- b) carries on business as an exchange in British Columbia that is not recognized by the Commission, contrary to section 25 of the Act.

**VIII. Submissions on Sanction**

[86] We direct the executive director and LiquiTrade to make their submissions on sanctions as follows:

**By July 24, 2024**                      The executive director delivers submissions to LiquiTrade and the Commission Hearing Office.

**By August 7, 2024**                      LiquiTrade delivers response submissions to the executive director and the Commission Hearing Office.

Any party seeking an oral hearing on the issue of sanctions so advises the Commission Hearing Office. The hearing officer will contact the parties to schedule the hearing as soon as practicable after the executive director delivers reply submissions (if any).

**By August 14, 2024**                      The executive director delivers reply submissions (if any) to LiquiTrade and to the Commission Hearing Office.

July 3, 2024

**For the Commission**

Gordon Johnson  
Vice Chair

Judith Downes  
Commissioner

James Kershaw  
Commissioner