

Undertaking from Circle Internet Financial, LLC

To: Ontario Securities Commission (the **Principal Regulator**) and the other members of the Canadian Securities Administrators (collectively, the **CSA**)

From: Circle Internet Financial, LLC (the **Issuer**)

Re: Undertaking in respect of USDC (the **Undertaking**)

Date: December 3, 2024

Background

The Issuer is the issuer of USDC, which is a Value-Referenced Crypto Asset described in CSA Notice 21-333 *Crypto Asset Trading Platforms: Terms and Conditions for Trading Value-Referenced Crypto Assets with Clients (CSA SN 21-333)*.

The provisions of this Undertaking are representations of and commitments by the Issuer to the Principal Regulator and to the CSA.

The Issuer understands that the Principal Regulator will disclose the names of the Issuer, its applicable affiliates and this Undertaking or the fact that the Issuer has provided this Undertaking on the CSA website and/or the website of the Principal Regulator or other members of the CSA.

The Issuer acknowledges the position of CSA Staff set out in CSA SN 21-333. The Issuer does not, however, consider USDC to be a security or a derivative under extant regulatory regimes in the United States, the European Union, or in other jurisdictions that have been analyzed by the Issuer. The Issuer considers that USDC would be classified in these jurisdictions as, among other things, a virtual currency, e-money, a payment instrument, stored value, or a commodity. Notwithstanding, the Issuer consents to, and will not contest, the jurisdiction of the Principal Regulator or other members of the CSA as set out in the submission to jurisdiction dated December 3, 2024.

Definitions

In this Undertaking, the following terms have the following meanings:

“1934 Act” means the *Securities Exchange Act of 1934* of the United States of America, as amended from time to time;

“Aggregate nominal value” means the price of the outstanding units of USDC where each unit of USDC has a price equal to one United States dollar;

“Crypto Asset” means anything commonly considered a crypto asset, digital or virtual currency, or digital or virtual token;

“CTP” means a crypto asset trading platform that is registered under securities legislation or has entered into a pre-registration undertaking addressed to the CSA;

“Handbook” means:

- (a) the Chartered Professional Accountants of Canada Handbook – Accounting, as amended from time to time; and
- (b) the Chartered Professional Accountants of Canada Handbook – Assurance, as amended from time to time;

“International Standards on Assurance Engagements” means the International Standards on Assurance Engagements set by the International Auditing and Assurance Standards Board, as amended from time to time;

“International Standards on Auditing” means auditing standards set by the International Auditing and Assurance Standards Board, as amended from time to time;

“Money Market Fund” has the meaning ascribed to that term in National Instrument 81-102 *Investment Funds* or in Rule 12d1-1 of the United States *Investment Company Act of 1940*, as the case may be;

“outstanding units of USDC” means units of USDC that have been minted and issued in exchange for funds less any units for which a request for redemption has been fulfilled;

“Qualified Custodian” has the meaning ascribed to that term in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

“securities legislation” has the meaning ascribed to that term in National Instrument 14-101 *Definitions*;

“Specified Foreign Jurisdiction” means any of the following: Australia, Brazil, any member country of the European Union, Hong Kong, Japan, Republic of Korea, New Zealand, Singapore, Switzerland, United Kingdom of Great Britain and Northern Ireland, and United States of America;

“USDC holder” means a person or company with ownership or control or possession of one or more units of USDC, including a crypto asset trading platform holding one or more units of USDC pursuant to a crypto contract with a client;

“U.S. GAAP” means generally accepted accounting principles in the United States of America that the SEC has identified as having substantial authoritative support, as supplemented by Regulation S-X under the 1934 Act, as amended from time to time;

“U.S. AICPA GAAS” means auditing standards of the American Institute of Certified Public Accountants, as amended from time to time;

“U.S. PCAOB GAAS” means auditing standards of the Public Company Accounting Oversight Board (United States of America), as amended from time to time; and

“Value-Referenced Crypto Asset” or “VRCA” means a Crypto Asset that is designed to maintain a stable value over time by referencing the value of a fiat currency or any other value or right, or combination thereof.

Representations

The Issuer makes the following representations with respect to USDC:

- (1) USDC is a Value-Referenced Crypto Asset that references, on a one-for-one basis, the value of the United States dollar (the “reference currency”).
- (2) USDC entitles a USDC holder who maintains an account with the Issuer to a right of redemption, subject only to reasonable publicly disclosed conditions, on demand directly against the Issuer or against the reserve of assets, for the reference fiat currency on a one-to-one basis, less only any fee that is publicly disclosed by the Issuer, and payment of the redemption proceeds within a reasonable period as disclosed by the Issuer.
- (3) The Issuer maintains a reserve of assets that is:
 - (a) in the reference fiat currency and, in respect of the reserve amount (as defined below), is comprised of any of the following:
 - (i) cash;
 - (ii) investments that are evidence of indebtedness with a remaining term to maturity of 100 days or less and that are issued, or fully and unconditionally guaranteed as to principal and interest, by the government of Canada or the government of the United States;
 - (iii) securities issued by one or more Money Market Funds licensed, regulated or authorized by a regulatory authority in Canada or the United States of America;
 - (iv) any asset that is permitted to be held as a reserve asset by the Issuer under applicable New York Department of Financial Services regulatory requirements and supervisory guidance relating to U.S. dollar-backed stablecoins, federal laws of the United States, or Regulation (EU) 2023/1114; and
 - (v) such other assets that the Principal Regulator and the other members of the CSA have consented to in writing;
 - (b) all of the assets that comprise the reserve of assets are:
 - (i) measured at fair value in accordance with U.S. GAAP at the end of each day;

- (ii) held with a Qualified Custodian;
 - (iii) held in an account clearly designated for the exclusive benefit of USDC holders or in trust for USDC holders;
 - (iv) held separate and apart from the assets of the Issuer and its affiliates and from the reserve of assets of any other Crypto Asset so that, to the best of the knowledge and belief of the Issuer after taking steps that a reasonable person would consider appropriate, including consultation with experts such as legal counsel, no creditors of the Issuer, other than USDC holders in their capacity as USDC holders, will have recourse to the reserve of assets, in particular in the event of insolvency; and
 - (v) not encumbered or pledged as collateral at any time; and
- (c) the fair value of the reserve of assets is at least equal to the aggregate nominal value of all outstanding units of USDC at least once each day (the “reserve amount”).
- (4) In the last five years, the Issuer has not been the subject of a publicly announced order, judgment, decree, sanction, fine, or administrative penalty imposed by, or has entered into a publicly announced settlement agreement with, a government or government agency, administrative agency, self-regulatory organization, administrative tribunal or court in Canada or in a Specified Foreign Jurisdiction in relation to a claim based in whole or in part on fraud, theft, deceit, aiding and abetting or otherwise facilitating criminal activity, misrepresentation, violation of anti-money laundering laws, conspiracy, breach of trust, breach of fiduciary duty, insider trading, market manipulation, unregistered trading, illegal distributions, failure to disclose material facts or changes, or allegations of a similar or analogous conduct.
- (5) The Issuer has written policies, procedures and controls in respect of all of the following:
 - (a) prudent management of the reserve of assets, including with respect to concentration of the investments that comprise the reserve of assets, to ensure that the fair value of the reserve of assets is at least equal to the nominal value of outstanding units of USDC and the maintenance of effective liquidity risk management tools to be employed under normal and stressed market conditions;
 - (b) recovery and an orderly wind-up in the cases of a crisis or failure by the Issuer, the manager of the reserve of assets or the custodian of the reserve of assets;
 - (c) identification, management, avoidance and public disclosure of conflicts of interest between any of the following:
 - (i) the USDC holders;
 - (ii) the Issuer;

- (iii) any person that is responsible for the minting, distributing, burning, redeeming or administering of USDC or the management of the reserve of assets;
 - (iv) any affiliate of a person referred to in subparagraphs (ii) or (iii);
 - (d) the minting, issuance, redemption and burning of units of USDC, including controls that units of USDC are not issued until funds are received and units of USDC are burned after a redemption is fulfilled;
 - (e) employee disclosure or use of material non-public information relating to the Issuer or Circle (defined below) obtained by the employee in his or her employment with the Issuer or Circle and used for the employee's personal benefit.
- (6) The Issuer has filed a submission to jurisdiction and appointment of agent for service with each member of the CSA in the form set out in Appendix C of CSA SN 21-333.

Undertaking

Unless this Undertaking is otherwise withdrawn by the Issuer in accordance with the manner described below, the Issuer hereby undertakes to comply with the provisions of this Undertaking:

- (A) The Issuer will make all of the following publicly available:
- (a) details of each type, class or series of USDC, as applicable, including the date USDC was launched and key features and risks of USDC;
 - (b) the quantity of all outstanding units of USDC, rounded to the nearest hundredth of a billion, and their aggregate nominal value at least once each business day;
 - (c) the names and experience of the persons or companies involved in the issuance and management of USDC, including the Issuer, any manager of the reserve of assets, including any individuals that make investment decisions in respect of the reserve of assets, and any custodian of the reserve of assets;
 - (d) the quantity of units of USDC held by the Issuer and its affiliates to the extent that such disclosure is required to be reported under applicable United States regulatory requirements and/or will be included in the financial statements referred to below;
 - (e) details of how a USDC holder can redeem USDC, including any possible restrictions on redemptions, such as the requirement for a USDC holder to have an account with the Issuer and any criteria to qualify to have an account;
 - (f) details of the rights of a USDC holder against the Issuer and the reserve of assets, including in the event of insolvency or winding up;

- (g) all fees charged by the Issuer for distributing, trading or redeeming USDC;
- (h) whether USDC holders are entitled to any revenues generated by the reserve of assets;
- (i) details of any instances of any the following:
 - (i) the Issuer has suspended or halted redemptions for all USDC holders;
 - (ii) the Issuer has not been able to satisfy redemption rights at the price or in the time specified in its public policies;
- (j) within 45 days of the end of each month, an assurance report from a public accountant that is authorized to sign such a report under the laws of a jurisdiction of Canada or the United States of America, and that meets the professional standards of that jurisdiction, that complies with all of the following:
 - (i) provides reasonable assurance in respect of the assertion by management of the Issuer that the Issuer has met the criteria in representation (3)(a)-(c) as at the last business day of the preceding month and at least one randomly selected day during the preceding month;
 - (ii) the randomly selected day referred to in subparagraph (i) is selected by the public accountant and disclosed in the assurance report;
 - (iii) for each day referred to in subparagraph (i), management's assertion includes all of the following:
 - 1. details of the composition of the reserve of assets;
 - 2. the fair value of the reserve of assets in representation (3)(b)(i);
 - 3. the quantity of all outstanding units of USDC in paragraph (b);
 - (iv) the assurance report is prepared in accordance with the Handbook, International Standards on Assurance Engagements or attestation standards established by the American Institute of Certified Public Accountants;
- (k) starting with the financial year ended December 31, 2024, within 120 days of each financial year end of Circle Internet Group, Inc. or its successor ("Circle"), consolidated annual financial statements of Circle and its subsidiaries (inclusive of the Issuer and Circle Internet Financial Europe SAS), that comply with all of the following:
 - (i) the consolidated annual financial statements include all of the following:

1. a consolidated statement of comprehensive income, a statement of changes in equity and a consolidated statement of cash flows, each prepared for the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;
 2. a consolidated statement of financial position as at the end of the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;
 3. notes to the consolidated financial statements;
- (ii) the statements are prepared in accordance with U.S. GAAP;
- (iii) the statements are audited in accordance with one of the following auditing standards:
1. International Standards on Auditing;
 2. U.S. AICPA GAAS (if Circle is not public) or U.S. PCAOB GAAS (if Circle becomes public);
- (iv) the statements are accompanied by an auditor's report that,
1. if (iii)1 applies, expresses an unmodified opinion,
 2. if (iii)2 applies, expresses an unqualified opinion,
 3. identifies the auditing standards used to conduct the audit, and
 4. is prepared and signed by a public accountant that is authorized to sign such a report under the laws of the United States of America.
- (B) The Issuer will promptly update any information in (A) if it is no longer true or does not contain information necessary so that it is not misleading.
- (C) The Issuer will promptly and in a clear, accurate and transparent manner disclose, in a publicly and easily accessible place on its website or via U.S. SEC Form 8-K (if applicable), any new fact or event that would materially affect the value of USDC or the reserve assets.
- (D) The Issuer will promptly inform the Principal Regulator in writing if any of the following events occur:
- (a) any of the representations in this Undertaking are no longer true;

- (b) the Issuer, an affiliate of the Issuer or a control person of the Issuer or an affiliate of the Issuer becomes subject to any of the following under the laws of any jurisdiction including any foreign jurisdiction:
 - (i) a bankruptcy, a filing for bankruptcy or a proceeding governing an event similar to a bankruptcy;
 - (ii) a proposal, including a consumer proposal, or restructuring under any legislation relating to bankruptcy or insolvency or any similar proceeding;
 - (iii) proceedings under any legislation relating to the winding up or dissolution of the entity, or under the *Companies' Creditors Arrangement Act* (Canada) or similar foreign legislation;
 - (iv) any proceedings, arrangement or compromise with creditors, including the appointment of a receiver, receiver-manager, administrator or trustee.
- (E) The Issuer acknowledges that the giving of this Undertaking does not mean that distributions of USDC, or the activities of the Issuer otherwise, are in compliance with applicable Canadian securities legislation.
- (F) The Issuer further acknowledges that the Principal Regulator or other members of the CSA may examine the business, conduct, financial affairs, books, records and other documents of the Issuer and its applicable affiliates and control persons for the purpose of determining if the Issuer is complying with this Undertaking, securities or other applicable legislation in Canada, or acting contrary to the public interest.
- (G) The Issuer will provide not less than 30 days' prior written notice to the Principal Regulator and the other members of the CSA if the Issuer wishes to withdraw this Undertaking. Where such notice is given, the Issuer will cease all distributions of USDC in Canada and all activities facilitating the offering of USDC on any CTP at the time the Undertaking is withdrawn. All obligations respecting the provision of information relevant to the period in which the Issuer was in operation will survive the withdrawal of this Undertaking.

For Circle Internet Financial, LLC

Signature:

"Corey M. Then"

Name: Corey M. Then

Title: Vice President and Deputy General

Counsel, Global Policy

"I have authority to bind the firm"

Date: December 3, 2024