

Virtual Asset Standards

XBase Virtual Assets Broker & Dealer Services LLC (XBase Digital DED) conducts thorough due diligence on all Virtual Assets to ensure they meet regulatory, technical, and operational criteria established by the Dubai Virtual Assets Regulatory Authority (VARA). These standards are designed to ensure that all virtual asset activities are conducted in a manner that upholds market integrity, consumer protection, financial stability, and technological resilience.

We adhere to the following general principles when assessing Virtual Assets:

- **Market Integrity:** Ensuring that Virtual Assets included in XBase Digital's OTC services contribute to a transparent, fair, and orderly market, avoiding assets prone to price manipulation or market abuse.
- **Regulatory Compliance:** Only listing Virtual Assets that align with VARA's regulatory framework and global compliance standards, avoiding prohibited or high-risk assets.
- **Client Protection:** Prioritizing investor safety and security, ensuring that assets offered do not pose undue risks to clients.
- **Security and Technology Assessment:** Evaluating the Distributed Ledger Technology (DLT) underpinning the asset, ensuring its security, immutability, and operational resilience.
- **Issuer and Governance Transparency:** Assessing the credibility, governance, and compliance history of the Issuer, including their track record, experience, and any history of regulatory violations.
- **Ongoing Monitoring and Risk Management:** Conducting periodic reviews of Virtual Assets to ensure continued compliance with XBase Digital's VA Standards for its services.

XBase Digital ensures that its Virtual Asset offerings for Broker-Dealer services remain compliant, transparent, and aligned with regulatory expectations, thereby mitigating risks associated with non-compliant or volatile assets.

XBase Digital ensures that all Virtual Assets included in its OTC services meet a robust set of standards that align with VARA's regulatory requirements. Before a Virtual Asset is included in XBase Digital's platform to offer services in relation to Broker-Dealer activities, a comprehensive due

diligence process is conducted to evaluate and ensure compliance with regulatory, legal, financial, and risk considerations. The assessment includes, but is not limited to, the following:

1. Market Capitalization and Liquidity

- Evaluation of market capitalization, fully diluted value, and liquidity to determine the asset's stability and sustainability.
- Historical price trends and volatility assessment to detect any downward trends or irregular market behaviour.

2. Design, Features, and Use Cases

- Analysis of intended and unintended use cases to determine real-world applicability and potential risks.
- Security features and technological robustness to ensure resilience against exploitation.

3. Regulatory and Legal Compliance

- Verification of compliance with AML/CFT, sanctions, securities regulations, and intellectual property laws.
- Assessment of the regulatory treatment of the asset by VARA and other jurisdictions.
- Confirmation of regulatory approvals and potential restrictions that may impact its listing.

4. Blockchain Security and Technology Review

- Evaluation of the underlying Distributed Ledger Technology (DLT) protocol, including its immutability, decentralization, and security.
- Smart contract risk analysis to identify vulnerabilities that may impact asset integrity.

5. Issuer Background and Governance

- Due diligence on the issuer's track record, governance framework, and financial stability.
- Identification of any prior investigations, fraud allegations, or regulatory actions involving the issuer.

6. Market Conduct and Risk Mitigation

- Identification of risks related to price manipulation, including trading volume irregularities and wash trading detection.

- Conflict of interest assessment to determine whether XBase Digital's involvement in providing VA services for the asset could create regulatory concerns.

7. Underlying Rights and Asset Backing

- Verification of rights, claims, and enforceability of any associated real-world assets.
- Assessment of collateralization, reserve assets, or tokenized representations to ensure compliance with financial regulations.

8. Bankruptcy Remote Provisions

- Ensuring that the Virtual Asset is held in a structure that protects client assets from insolvency risks.
- Review of custodial agreements, legal protections, and segregation mechanisms to safeguard client funds.

9. Market Correlation and Ongoing Evaluation

- Ensuring that Virtual Asset terms align with any applicable physical market to prevent adverse effects.
- Periodic review of Virtual Asset conditions to ensure continuous compliance with market standards and practices.

XBase Digital follows a structured risk-based approach to assess and validate each of these factors before listing any Virtual Asset under its services.