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Legal Opinion: RBL COIN

Introduction

This Legal Opinion was prepared upon request of **Rebel Coin team**, to serve as a legal analysis of the business model, the Rebel Coin (RBL) and its compliance with the requirements of the Listing Rules for the Trading Venue operated by Exchanges.

The Law Firm is collaborating at any given time with at least twelve (12) relevant Law Firms from all major jurisdictions around the world, exchanging information and updates on the crypto development and the underlying legal domain.

This Opinion is meant to serve as our legal analysis of the Rebel Coin and conclusions are limited to the matters expressly stated herein, are fully based on information and material provided to us by Rebel Coin team, and no opinion or conclusion is to be inferred or may be implied beyond the opinions and conclusions expressly set forth herein. This Opinion is written in good faith, and cannot be deemed as guarantee or obligation, or ground of liability of our Law Firm.

For the purposes of issuance of the Opinion we have assumed without further inquiry that all factual circumstances stated in the provided documentation are a true and correct representation of actual circumstances surrounding the team and insofar as such factual circumstances are not or may turn out to be not true and correct, they will have no adverse effect on the opinions stated herein.

We hereby state that our Law Firm is EU based, and the interpretation of law is based on authority for Exchanges incorporated in the United States of America, the European Union and other relevant international areas, as described below.

Documents and Basis of Opinion

In the preparation and for the purposes of this Legal Opinion, we have examined the following documents:

- The Whitepaper submitted to us by the Client ("the Whitepaper");
- All other documents, international laws and regulations, including all relevant US and European regulations having direct effect on the Project, which it was in our judgement necessary or appropriate for us to examine to enable us to give the opinion expressed below.

Assumptions

Our legal opinion is based on the following assumptions that the Whitepaper submitted to us by the Client is correct and complete in all material respects;

The RBL Coin, under the current securities law frameworks, would be tagged as a Utility Coin as it would provide access to the ecosystem, wherein the RBL Coin would act as a currency for the ecosystem wherein people can participate and earn rewards based on their participation. They are not designed as an investment nor should anyone interpret or invest keeping in mind the same. The RBL Coins serve this limited yet much important function and hence can only be termed as Utility Coin and not a Security as per existing Securities Law Frameworks.

In the US, the CFTC (Commodity Futures Trading Commission) has classified fairly launched, purely mineable coins like Bitcoin and Dogecoin as Commodities. Fairly launched means that prior to the start of the blockchain, the project was announced to the public. Purely mineable means no coins were issued prior to the start of the blockchain and only the coins given as rewards to miners exist. Quote from the CFTC: "the CFTC regulates futures on Bitcoin because Bitcoin is a commodity".

As more fully set forth in the component parts of this document, the document does not constitute legal advice and should not be relied on by any person.

Business description. Key features.

As a whole concept, Rebel is a community-driven open-source project and its direction is formed by the many contributors to the various projects of the Rebel Coin ecosystem. Rebel brings together members from different parts of the world and the world's most influential business, cultural, educational, medical, legal and other leaders to shape global and regional economic waves. Together they form The Rebel Society.

The Rebel Society aspires to exhibit a free market in the decentralized blockchain space while creating a safe respectful environment for co-creation and share value of the performance of RBL that is determined by the interaction of demand and supply in the free market of the Rebel Society.

Rebel revolutionizes established markets and extends market reach to new spheres by reducing or eliminating entry barriers and transaction costs, allowing users to connect, negotiate, and complete their exchanges with previously unimaginable efficiency. A staggering array of benefits arise from the services: provided at lower, better, and more custom levels, greater competition and speedier innovation; new opportunities and greater convenience. By accelerating market forces, Rebel heralds a globalized market in services and trade — like what has already occurred in the manufacturing sector through international trade.

The RBL Coin

First of all, what is a RBL Coin? As stated in the Whitepaper, in the public presentations and on the website, the RBL Coin is a blockchain-based cryptographic Coin that can be traded on the blockchain. This Coin will be used as the main currency on the Rebel Coin ecosystem as an independent store of value for users and investors, and it is the native crypto utility asset, playing a central role in the Rebel Coin ecosystem. The native digital cryptographically-secured fungible Rebel Coin (ticker symbol RBL) is a transferable representation of attributed utility functions specified in the protocol/code of RBL, and which is designed to be used as an interoperable utility Coin inside the ecosystem.

According to the information the team provided to us, the RBL Coin, which is the subject matter of this analysis, will be used by various kinds of users/holders to use various ecosystems/technology developed by Rebel Coin team, which will continue the development coming forth.

The RBL Coin is a functional utility Coin which will be used as the medium of exchange between participants on RBL in a decentralized manner. The goal of introducing RBL Coin is to provide a convenient and secure mode of settlement between participants who interact within and outside the ecosystem of RBL. The RBL Coin has a significant value for the whole ecosystem.

RBL Coin also provides the economic incentives which will be distributed to encourage users to contribute to and participate in the ecosystem on the RBL ecosystem, thereby creating a mutually beneficial system where every participant is fairly compensated for its efforts. One of the Rebel Coin team aims is to provide diverse ways of holding benefits for the community.

The RBL Coin is a utility Coin that can be used for exchanging for other cryptocurrencies. Lastly, it enables numerous functionalities in the network among participants.

It is, thus, in the team's intention that the RBL Coin will be used as a utility asset that can transfer a certain value between holders. Utility Coins are digital assets that are used to finance the network and incentivize its use by providing the customers with a guarantee of being able to benefit of the full range of the network's services.

United States of America

As explained in the Assumptions Chapter, Rebel Coin is a Commodity in the United States, and therefore not a Security. However, this paper also separately explains why Rebel Coin is not a Security in any case

From a US legal standpoint, the institution of “securities” is being regulated by section 2(a)(1) of the Securities Act of 1933, which defines them as: “...any note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement ... investment contract ... or, in general, any interest or instrument commonly known as a ‘security’, or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.”

Securities must be registered per Section 5 of the Securities Act of 1933 as stated here in the above. Of course, that instrument which is not security need not be registered. Therefore, one must first examine the definition of Security:

“(a) Definitions - When used in this subchapter, unless the context otherwise requires— (1) The term “security” means any note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral- trust certificate, pre organization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a “security”, or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.” 15 U.S. Code §77b.

Similarly, the Securities Exchange Act of 1934 defines a security, in the following fashion: “The term “security” means any note, stock, treasury stock, security future, security-based swap, bond, debenture, certificate of interest or participation in any profit-sharing agreement or in any oil, gas, or other mineral royalty or lease, any collateral-trust certificate, pre organization certificate or subscription, transferable share, investment contract, voting trust certificate, certificate of deposit for a security, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or in general, any instrument commonly known as a “security”; or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing; but shall not include currency or any note, draft, bill of exchange, or banker’s acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited.” Section 3(a)(10) of the Securities Exchange Act of 1934.

The U.S Supreme Court has stated that the term “investment contract” in these two definitions is treated as being the same (SEC v. Edwards, 540 U.S. 398 (2004)).

So, we can see that the U.S term “security” includes also an “investment contract”. An investment contract is an “investment of money in a common enterprise with a reasonable expectation of profits to be derived from the entrepreneurial or managerial efforts of others.”(see SEC v. Edwards, 540 U.S.389, 393 (2004); SEC v. W. J. Howey Co., 328 U.S. 293, 301 (1946); see also the Forman case, at 852-853) (in this work, the “Howey Test”). To be accurate, the Howey Test requires that the profits will be made solely from the efforts of others:

“... an investment contract for purposes of the Securities Act means a contract, transaction or scheme whereby a person invests his money in a common enterprise and is led to expect profits solely from the efforts of the promoter or a third party.... Such a definition...permits the fulfillment of the statutory purpose of compelling full and fair disclosure relative to the issuance of the many types of instruments that in our commercial world fall within the ordinary concept of a security.... It embodies a flexible rather than a static principle, one that is capable of adaptation to meet the countless and variable schemes devised by those who seek the use of the money of others on the promise of profits.” (SEC v. W.J. Howey Co., 328 U.S. 293 (1946))

In order for us to have a deeper understanding of the issue under debate, we should take into consideration the US Supreme Court case SEC v. Howey, 328 U.S. 293 (1946), which provides further clarifications on determining whether an instrument meets the definition of security, or not. In this Supreme Court case, Howey focuses specifically on the term “investment contract” within the definition of “security”. Obviously, not every contract or agreement is an “investment contract”.

The Court determined that a contract constitutes an investment contract that meets the definition of “security” if there is:

1. an investment of money;
2. in a common enterprise;
3. with an expectation of profits;
4. solely from the (entrepreneurial or managerial) efforts of others (e.g., a promoter or third party);

The four factors must be met all together, in order to be legally considered “security”. Because this Supreme Court Decision is widely considered as fundamental to the determining elements of a “security”, we will base our analysis to its conditional factors.

Prong 1: Investment of Money

Is this an investment? Yes! It is generally accepted that an investment of money may include not only the provision of capital, assets and cash, but also of goods, services or of promissory notes. RBL can be acquired in different forms, while it is also being distributed through a staking procedure, so the first factor is actually met.

Prong 2: A Common Enterprise

Is this investment in a common enterprise? There are two sub-tests for the “Common Enterprise” prong – the horizontal commonality test, and the vertical commonality test, which is being divided into the narrow vertical and the broad vertical. The U.S Courts have applied these two tests alternatively. The horizontal commonality test, which is the more common test, requires the pooling of assets from multiple investors so that all will share in the profits and risks of the enterprise i.e. the profits of each investor are similar to those of the other investors.

Both vertical commonality tests require that the investor's fortunes will be tied to the issuer/promoter's success, rather than to the fortunes of its fellow investors; the broad vertical commonality test requires that the well-being of all investors be dependent upon the issuer/promoter's expertise. On the other hand, the narrow vertical commonality test requires that the investors' fortunes be "interwoven with and dependent upon the efforts and success of those seeking the investment ... of third parties" (SEC v. SG Ltd., 265 F.3d 42, sec. 31-35 (1st Cir. 2001)).

Nevertheless, there is also the requirement for a mutual share in the profits and risks of the enterprise. Here, since the value of the Coin shall be based on user participation and mass adoption of the technology to which no single person is bearer to profits and losses of the same, though it might indicate towards common enterprise but it is not the case. By exchanging the RBL Coin, the Coin owners can use the technology and various other ecosystems connected to the underlying ecosystem. There is no advantage to buy the RBL Coin except for the purpose of participating in the technology mass adoption and various other milestone targets.

If one so desires, and therefore there is no correlation between all Coin holders’ “profits” – the use of the Coin is discretionary. Furthermore, the Coin can be sold at exchanges, so the user can at any time get out of the investment and the earnings from using them shall be based on each user's effort and doesn't have much to do with the common enterprise, it is an established crypto coin that is expanding to become a blockchain ecosystem for multiple applications and projects already running under the name of Rebel Coin ecosystem. Essentially, RBL Coin is based on some of the best and most innovative technologies of the crypto world, and by that, it seems that the horizontal commonality test's requirements are not met.

By applying the narrow vertical commonality test, we can clearly see that the investors’ funds are not connected or dependent upon the success of the project. The RBL Coin technology has been in place and will be improved along with various other facets of business, the earnings of the Coin holder shall be very much based on the way other users interact with the ecosystem and the value of the Coin shall be based on various factors, such as the adoption of the technology, to which the Coin holders also contribute in their own way. That means the Coin holders don't benefit solely from the efforts of others.

And finally, as far as the broad vertical commonality test is concerned, it would be wrong to say that the well-being of all investors is dependent upon the issuer/promoter's expertise, because the RBL COIN tech and various other ecosystems are to be used in an interactive manner and each Coin holder has an equal chance of making it successful. Therefore, the Coin holders’ well-being is completely disconnected from the project's expertise, wherein the activation of the rights of the digital Coins will be an automated technicality, involving only the digital world. Therefore, we see these vertical commonality tests' requirements unmet.

Furthermore, a common enterprise is deemed to exist where investors pool funds into an investment and the profits of each Coin buyer correlate with those of the other investors. Whether funds are pooled appears to be the key question, and thus in cases where there is no proportional sharing of profits or pooling of funds, a common enterprise may be deemed not to exist. RBL is unlikely to be deemed a “security” at this stage of development, and that is even taking into consideration the fact that the Rebel Coin project is partially operational. It is worth noting that in case the development model is maintained in the future, the utility status of the Coin is likely to be maintained after the ecosystem will further develop new associated services. There is no pooling of funds at this stage for the purpose of investment in the company. Therefore, at this stage of development, RBL is substantially a utility Coin consumed to transfer value across the blockchain with a relatively stable value across various exchanges.

Within the Rebel ecosystem, the Masternode members are the voting entity and have the power to approve potential proposals, submitted by users across the world, following inquiries with the proposers and consultations with other users of the ecosystem at the forum. Basically, anyone can contribute to the Rebel ecosystem. However, the decentralized governance ecosystem is not just for submission of proposals dedicated to growing and supporting the Rebel ecosystem, but it is also available for an actual application of a position within the society.

There is no common enterprise because “each individual Rebel coin holder’s fortunes were not tied to the fortunes of the other Rebel coin holder.” The Rebel coin buyers have the right to participate in the Rebel ecosystem. The Coins are granted equal rights, which may be used in different manners. Users of any of the ecosystems or the ecosystem as a whole can gain more Coins depending on their behavior and activity therein. Consequently, those Rebel coin holders, who actively participate in the ecosystem and put the effort into the development of the ecosystem(s), gain more than those who hold the digital assets passively.

To conclude, under the actual circumstances, the RBL Coin does not meet the horizontal and the vertical commonality test requirements.

Prong 3: Expectation of Profits

This prong does not merely require the customer who buys the Coin to expect profit, because it seems unreasonable that someone will purchase a service or a good without taking into account the probability that the purchased will increase in value. The expectation of profits from a purchase of any kind of valuable is almost always present. Therefore, it seems that the prong requires not only that there will be an expectation for profit, which is trivial, but also that the purchase of that valuable will be primarily motivated by making profits (upon resale for example), rather than by consuming or using that which was purchased. The personal consumption is a vital part of considering whether this prong is met or not, wherein it should be examined if the primary motivation of purchasing the Coin is to profit upon resale, or to use the underlying rights of the Coin. There are several court cases where this differentiation was stipulated, for example see the Forman Case. Per Forman, it “is an investment where one parts with his money in the hope of receiving profits from the efforts of others, and not where he purchases a commodity for personal consumption or living quarters for personal use”.

So! Is there an expectation of profit? In our legal opinion, this factor is irrelevant to the matter, but we will analyze it in respect of the Supreme Court Decision. From an economic point of view, any type of investment is made with an expectation of profit. But just because there is a return on investment or profit, does not mean that the investment contract is a “security”. The people who bought the Coins over the exchanges will primarily be motivated by functionalities it provides and also when the milestones are met it can be put to different uses in various scenarios. So, the least possible probability would be that the person is purchasing the Coins for purpose of profit upon resale as noted above it is a utility Coin and no money was ever raised from general public it would be unjust to reach a conclusion that the Coin holders are holding it for profit upon resale. Nevertheless, since the Coin provides a real consideration and functionality, it only seems reasonable that purchasers will use the Coin’s rights for consumption and participation at the ecosystem. Moreover, the main purpose of RBL is creating a blockchain-based decentralized multi-purpose ecosystem. So, the expectation of profit is mainly oriented towards another category of economic activities, not on RBL Coins, which renders somewhat irrelevant the profits from the eventual Coin Generation Event. Even so, this factor is probably met, on a low scale, provided that RBL is purchased by investors with an expectation of capital gain, even though we clearly express the opinion that this factor should not weigh in decisively on the matter.

Prong 3A: Causal Connection Between the Investors’ Expectation of Profits and the Actions of the Issuer

As this prong should be tested only after the offering of an instrument for actions done on the part of the project, to create expectation of profits in the potential buyers, i.e. promises or statements from the team within or prior to the Coin Sale, to spur expectation of profits in the Coin Sale participants. It needs to be highlighted that the Rebel Coins are earned by staking, and the incidental increase in the price (if any) of the RBL Coin is secondary and not the primary purpose of issuing the coin.

Prong 4: From the Efforts of Others

This prong is based on the fulfillment of the requirement of the previous prong – expectation of profits. Assuming that prong3 is met (whereas to our opinion RBL Coin does not always meet its requirement for the above-mentioned arguments), this prong “from the efforts of others” is examining the source of the profits - “whether the efforts made by those other than the investor are the undeniably significant ones, those essential managerial efforts which affect the failure or success of the enterprise.” (the Forman Case; SEC v. Glenn W. Turner Enters., 474 F.2d 476, sec. 28 (Feb. 1, 1973)). Therefore, this prong cannot, on its own, qualify any instrument (or Coin) as a security.

Why “significant” and not “solely”? Initially, in the Howey case, the phrase is stated “solely from the effort of others”. Nevertheless, the Forman case has construed the word “solely”, in that context, as requiring significant or essential managerial efforts necessary to the success of the investment (instead of being the “sole effort” as this phrasing means literally). Coin users vs. Buyers for the Sake of Price Appreciation in the Secondary Market.

In reality, the general market for the RBL Coin is composed of two major kinds of users. There is the purchaser which intends to use the Coin for its underlying rights for consumption, and there are those who will purchase the Coins for further secondary market appreciation. The latter will sell the Coins in the secondary market for a profit.

Prima facie, the purchasers who only purchase the Coin in the secondary market, are motivated by “expectation of profit”. The purchasers for the sake of future selling in the secondary market might make profit per se, and courts in Forman held that “Profits” can also mean “capital appreciation resulting from the development of the initial investment” (the Forman Case).

Nevertheless, this profit will not be generated from “the effort of others”. In reality, every valuable can be expected to appreciate due to secondary market factors which are not related to any continuing effort of the project. For example, there could be a purchase of a real estate, or gems that could appreciate later, and be sold in a profit. The purchase agreement of a real estate cannot be considered as an investment contract solely due to the fact that the real estate will almost certainly appreciate. Therefore, mere appreciation in the second market cannot be perceived as made by “the effort of others”. To support this argument, it has been held by number of cases that mere secondary market appreciation cannot at all be construed or perceived as derived from “the effort of others”, e.g.: “The mere presence of a speculative motive on the part of the purchaser or seller does not evidence the existence of an “investment contract” within the meaning of the securities acts. In a sense anyone who buys or sells a horse or an automobile hopes to realize a profitable “investment.” But the expected return is not contingent upon the continuing efforts of another.” *Sinva v. Merrill Lynch*, 253 F. Supp. 359, 367 (S.D.N.Y.1966) Therefore, the fact that a person might purchase the Coin solely in order to sell it in the secondary market for profit, does not constitute on its own the prong 4, the “effort of others”.

So! Is there the “solely on the efforts of others” factor met? No! The profit of the ecosystem user always depends on his own actions. As we said, even though there is also an investment in RBL Coins, the expectation of profits results mainly from the economic activity, not from the volatility of the Coins. There is no clear party to be determined, whose efforts will influence the profits of the company. So, any such incentives should ideally be derived through their own efforts, rather than through a passive investment. In such a case, the factor is not met.

Summary on Findings of the Howey Test

By concluding all the variants on the RBL Coin, we can safely assume that the RBL Coin will not be deemed as a security per the Howey Test. It takes all four prongs to be fulfilled in order to see an instrument as a security. The “investment of money” is not met, the “common enterprise” with the horizontal commonality test might not be, since the rewards for holding the Coin are based on participation at the RBL Coin Network and users/Coin holders will be rewarded on the basis of their participation and the Coins serve a purpose for using the ecosystem in various ways and not just by holding the Coins. Furthermore, the interested users of the RBL Coin can buy the Coins only from the secondary markets as they are listed at exchange and can use them at the ecosystem. According to our analysis, also the two vertical commonality tests are not met.

Furthermore, the "expectations of profit" prong will not be fulfilled as far as the personal consumers are concerned but will definitely be fulfilled for the purchasers with the intent to sell the Coins in the secondary market for profits.

And eventually, for the "effort of others" component, the schools are divided between the technical approach and the material approach, wherein per the technical approach the "efforts of others" component is not met because the RBL Coin network has already started and the profits of the investors are dependent upon the efforts of the participants, whilst the material approach, which we support, claims that the "efforts of others" component is not fulfilled because an instrument does not utterly change its legal status just because the underlying project has not been completed yet. So, the overall risk score is quite minimal and we are positive that RBL Coin shall not be considered as 'Security'.

Therefore, per our legal view, RBL Coin should not be deemed as a security per the U.S federal securities laws.

European Union and UK

From an EU and UK legal standpoint, when we conducted a detailed decomposition and analysis of all online RBL Coin business processes, we were unable to detect and identify any process that can be regarded as a relationship between an investor and an Issuer of securities. On the other hand, if we aim to register the issue of securities, we will not be able to prove to the regulator body that Coins are securities. Moreover, the main Coin holders are interested in participating in the trading of transactions, and this is peer-to-peer mainly.

By our opinion, the expertise of RBL Coin under the EU securities legislation cannot be applied to RBL Coin due to the fact that all business processes and relationships within the ecosystem are classic relationships for service providers and service consumers, all within a blockchain-based ecosystem. There is no contribution to any business venture.

Nowadays, the matters of cryptocurrency turnover and production of digital assets has no special legal regulation. There are neither special laws, nor separate legal Institutes or branches of law. Therefore, we cannot qualify a Coin as of a unique legal essence.

Coin taxonomy according to ESMA and EBA

Although not legally binding at a supranational level, it is advisable to refer to the regulatory framework structured on the Advice on Initial Coin Offerings and Crypto-Assets of ESMA4 and the Report with advice for the European Commission on crypto-assets of EBA5; both published on 9th January 2019.

Presently, there is no common taxonomy of crypto-assets in use by international standard-setting bodies. However, even if crypto-assets may have different features or serve different functions, a basic taxonomy of crypto-assets generally comprises three main categories of crypto-assets:

Payment/Exchange/Currency Coins: Payment Coins are Coins which have no tangible value, except for the expectation they may serve as a means of exchange or payment to pay for goods or in the services that are external to the ecosystem in which they are built. "Stablecoins" are a relatively new form of payment/exchange Coin that is typically asset-backed (by physical collateral or crypto-assets) or in the form of an algorithmic "stablecoin".

Utility Coins: Utility Coins are Coins which are intended to typically enable access to a specific product or service, often provided using a DLT ecosystem but are not accepted as a means of payment for other products or services.

Investment Coins: Investment Coins may represent financial assets, such as a debt or equity claim on the Issuer. Investment Coins promise, for example, a share in future company earnings or future capital flows. In terms of their economic function, therefore, these Coins are analogous to financial instruments. However, investment Coins may also exclusively reflect the ownership rights of an asset, which may not be deemed as a financial instrument. There is a wide variety of crypto-assets, some of which have features spanning more than one of the categories identified above. The individual Coin classifications are not mutually exclusive.

We will further analyze the legal qualification of crypto-assets under the European Banking legislation and ESMA's remit (MiFID II), and under the E-Money Act in line with the second Electronic Money Directive (EMD2) and the second Payment Services Directive (PS2). Reflecting on the above, the current perimeter of regulation is such that

crypto-assets may, depending on their characteristics, qualify as financial instruments, electronic money, or none of the foregoing.

The definition of a financial instrument is the key element towards determining whether trading services with respect to a Coin can be deemed to be regulated in terms of the Banking Act and other relevant laws. Financial instruments are defined by the Article 4(1)(15) of MIFID II as those instruments specified in Section C of Annex I of MIFID II; those are:

- I. Transferable securities;
- II. Money-market instruments;
- III. Units in collective investment undertakings;
- IV. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
- V. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
- VI. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
- VII. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
- VIII. Derivative instruments for the transfer of credit risk;
- IX. Financial contracts for differences;
- X. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF;
- XI. Emission allowances consisting of any units recognized for compliance with the requirements of Emission Directive. It is necessary to individually assess each of these instruments and determine whether RBL Coin can be considered one of these.

For the purpose of this analysis, instruments listed here can be grouped together as derivative financial instruments.

Transferable securities

Transferable securities are defined in Article 4(1)(44) as those classes of securities which are negotiable on the capital market, with the exception of instruments of payment, such as:

- a) shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares;
- b) bonds or other forms of securitized debt, including depositary receipts in respect of such securities;
- c) any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures.

Although no formal test for defining an instrument as a transferable security has been devised by the European regulator, the key characteristics of a transferable security can be derived. Such characteristics would consist of three formal criteria and a substantive one. The formal criteria would be transferability (meaning that the units shall be able to be assigned to another person), negotiability (meaning that the units can be transferrable with ease), and standardization (meaning that the units are sufficiently standardized for the purposes of the ease of search and purchase). In case of RBL Coin (as with practically any other kind of Coin) all these criteria are fulfilled: Coins can be transferred between addresses and it can be done with sufficient ease, and all RBL Coins are the same - which is a considerable argument for their standardization. The fourth criterion is a substantive one. MIFID II provides a non-exhaustive list of instruments that are typically considered securities; it is likely that this list shall be used as a reference in determining whether a new product can be considered a transferrable security. Therefore, to be considered a security, RBL Coin must be at least comparable to the examples provided in MIFID

II. The examples provided are the shares and their equivalent, bonds or other forms of securitized debt, and the derivative instruments that give the right to acquire such securities or giving rise to the cash settlement. RBL Coin are in themselves neither shares nor bonds; their holders are not entitled neither to the fixed income like the bonds do, nor do the RBL Coin grant their holders the equity stake in any corporation or any other rights, typically associated with shares or their equivalent, such as the right to receive a share in the revenue of the respective business or the right to vote or otherwise define the course of business of the project. RBL Coin holders do not have the right to acquire any such securities, and neither does cash settlement arise from holding RBL Coin, since no obligation of payment exists in regard to the RBL Coin holders.

It is unlikely for RBL Coin to be considered transferable securities under MIFID II.

Money-market instruments

Money-market instruments are defined in Article 4(1)(17) as classes of instruments which are normally dealt on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment. Since RBL Coin bears no similarities to these instruments and is not intended to be dealt on the money market, it is unlikely a money-market instrument.

Units in UCITS

Units in collective investment undertakings are defined by the UCITS Directive, Article 1 of which defines UCITS as an undertaking with the sole object of collective investment in transferable securities or in other liquid financial assets referred to in Article 50(1) of the same Directive of capital raised from the public and which operate on the principle of risk-spreading; and with units which are, at the request of holders, repurchased or redeemed, directly or indirectly, out of those undertakings' assets. Action taken by a UCITS to ensure that the stock exchange value of its units does not significantly vary from their net asset value shall be regarded as equivalent to such repurchase or redemption. The team is not planning to invest the proceeds from the sale of RBL Coin in transferable securities or other financial instruments mentioned in the Article 50(1) of the UCITS Directive, such as financial derivative instruments, units in UCITS or money-market instrument. The RBL Coins themselves are not redeemable, and the team has no intention of repurchasing them; and while it is unlikely that Trading Venue would constitute a stock exchange for the purpose of the Article 1 of the UCITS Directive, the team does not intend to take action to influence the market price of RBL Coin sold to the Coin holders. It is therefore unlikely that the team may be considered a UCITS under the UCITS Directive, and the RBL Coins are most likely NOT units in UCITS.

Derivative instruments

A derivative is a type of financial instrument whose value is based on the change in value of an underlying asset or a basket of assets, of which the exact mechanics (option, future, swap, etc.) and the underlying assets (securities, currencies, commodities, credit risk, etc.) vary. Article 4(1) of CIR mandates the EMIR report to specify a derivative on the basis of the contract type and the asset class; according to Article 4(2) of CIR the derivative shall be specified in Field 1 of Table 2 of the Annex as one of the contract types:

- a) financial contract for difference;
- b) forward rate agreement;
- c) forward;
- d) future;
- e) option;
- f) spreadbet;
- g) swap;
- h) swaption;

These types of derivative contracts are defined in the Article 1(8) - (12) of Annex III to RTS 2: Future means a contract to buy or sell a commodity or financial instrument in a designated future date at a price agreed upon at the initiation of the contract by the buyer and seller. Every futures contract has standard terms that dictate the minimum quantity and quality that can be bought or sold, the smallest amount by which the price may change, delivery procedures, maturity date and other characteristics related to the contract. Option means a contract that gives the owner the right, but not the obligation, to buy (call) or sell (put) a specific financial instrument or commodity at a predetermined price, strike or exercise price, at or up to a certain future date or exercise date. Swap means a contract in which two parties agree to exchange cash flows in one financial those of another financial instrument at a certain future date. Forward or forward agreement means a private agreement between two parties to buy or sell a commodity or financial instrument at a designated future date at a price agreed upon at the initiation of the contract by the buyer and seller.

Another type of derivative instrument is a financial contract for difference, which is specified in ACP as a derivative product that gives the holder an economic HBSure, which can be long or short, to the difference between the price of an underlying asset at the start of the contract and the price when the contract is closed. Neither RBL Coin holder nor the team or any third party are subject to obligations similar to specified for the typical derivative contracts, and RBL Coin holders are not entitled to demand any commodity or financial instrument to be sold to them; neither are they entitled to demand an exchange of cash flows in any financial instruments or a cash settlement from any third party. The value of RBL Coin is not based on or relate to securities, commodities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures, or any other assets, rights, obligations, indices and measures and is only determined based on the current market demand for it, and RBL Coin is not used to transfer credit risk. Therefore, RBL Coin are unlikely to be considered derivative financial instrument as specified in Section (C) (4) – (10) of MIFID II.

Emission allowances

According to the Article 3(a) of the Emissions Directive, allowance means an allowance to emit one ton of carbon dioxide equivalent during a specified period, which shall be valid only for the purposes of meeting the requirements of this Directive and shall be transferable in accordance with the provisions of this Directive. Since none of the activities carried out by the team are connected to the emissions of the carbon dioxide, and RBL Coin holders do not grant the rights to emit carbon dioxide or its equivalents, RBL Coin is unlikely to be qualified as an emission allowance.

Prospectus Requirements

The PD requires publication of a prospectus before transferable securities are offered to the public or traded on a regulated market. Since RBL Coins are unlikely to be considered transferable securities, requirements of the PD do not apply to the issuance and listing of RBL Coin.

Alternative Investment Funds

The AIFMD lays down the rules for the authorization, ongoing operation and transparency of the managers of alternative investment funds (AIFMs) which manage and/or market alternative investment funds (AIFs) in the Union. Therefore, it is necessary to assess whether the team may be considered an AIFM. The Article 2(1)(c) defines the scope of AIMFD regulations as applicable to non-EU AIFMs which market one or more AIFs in the Union irrespective of whether such AIFs are EU AIFs or non-EU AIFs. According to Article 4(1) of the AIMFD, AIF means a collective investment undertaking, including investment compartments thereof, which raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors, and does not require authorization pursuant to Article 5 of UCITS Directive. AIFM means legal persons whose regular business is managing one or more AIF. Since the team is not raising capital by selling RBL Coin with a view to invest it for the benefit of RBL Coin holders, it cannot be considered neither AIF, nor AIFM. Therefore, the regulations of the AIFMD do not apply to the issuance and listing of RBL Coin.

Electronic money

Another question that must be answered is whether the special regime for electronic money as covered by the EMD can be applied to RBL Coins. According to the Article 2(2) of the EMD, 'electronic money' means electronically, including magnetically, stored monetary value as represented by a claim on the issuer which is issued on receipt of funds for the purpose of making payment transactions as defined in point 5 of Article 4 of Directive 2007/64/EC, and which is accepted by a natural or legal person other than the electronic money issuer. It seems that RBL Coin do not fit the definition of electronic money. While EMD states that e-money shall be issued on receipt of funds, the amount of RBL Coin to be generated is constant and does not rely upon the number of possible purchasers; while it is entirely possible to acquire RBL Coin via the transfer of the funds to the team, RBL Coin can be obtained in other ways, and can be used by the team itself. Furthermore, RBL Coins are not represented by a claim on the team, since they are non-redeemable, and the team is not obliged to make any payments in respect to the holders of RBL Coins. Furthermore, as provided by the Article 1(4) of the EMD, even if the instrument can be considered electronic money, the EMD provisions do not apply if the instrument is exempt under the Article 3(k) of the PSD I. While the PSD I is repealed with the entrance of PSD II in force, according to the Article 114 of PSD II any reference to PSD I shall be construed as a reference to PSD II read in accordance with the correlation table in Annex II to PSD II. According to the Annex II, Article 3 of the PSD I correlate to the Article (3) of the PSD II. As demonstrated in the next section, if the activities of the team could be considered payment services under PSD II, it is likely that they will be exempt under provisions of the Article 3(k) of the PSD II; such exemption would correlate with the exemption under Article 3(k) of PSD I and as such qualify to exempt the team from the provisions of the EMD.

Payment Services

Another potentially applicable regulations are those imposed by the PSD II in regard to the payment services. Since transfers of RBL Coin can be used as a consideration under the agreements entered into via the Ecosystem, it is necessary to assess whether such transfers could be considered a payment transaction, and whether the team is rendering payment services as defined by the PSD II. As stated in Article 4(3) of the PSD II, the payment service means any business activity set out in Annex I of the Directive. Those are:

1. Services enabling cash to be placed on a payment account as well as all the operations required for operating a payment account.
2. Services enabling cash withdrawals from a payment account as well as all the operations required for operating a payment account.
3. Execution of payment transactions, including transfers of funds on a payment account with the user's payment service provider or with another payment service provider:
 - a. execution of direct debits, including one-off direct debits;
 - b. execution of payment transactions through a payment card or a similar device;
 - c. execution of credit transfers, including standing orders.
4. Execution of payment transactions where the funds are covered by a credit line for a payment service user:
 - a. execution of direct debits, including one-off direct debits;
 - b. execution of payment transactions through a payment card or a similar device;
 - c. execution of credit transfers, including standing orders.
5. Issuing of payment instruments and/or acquiring of payment transactions.
6. Money remittance.
7. Payment initiation services.
8. Account information services.

It is therefore necessary to assess whether the activities of the team can be considered as each of the following. It is possible to group together the services mentioned in the Annex I (1) and Annex I (2) as operations with the payment accounts, as well as to group services mentioned in the Annex I (3) and Annex I (4) as operations regarding payment transactions. 5.6.11. Operations with payment accounts Payment account is defined in Article 4(12) of PSD II as an account held in the name of one or more payment service users which is used for the execution of payment transactions. Payment transaction in accordance to Article 4(5) means an act initiated by the payer or on his behalf or by the payee, of placing, transferring or withdrawing funds, irrespective of any underlying obligations between the payer and the payee. Funds are defined in Article 4(25) and mean banknotes and coins, scriptural money or electronic money as defined in Article 2(2) of EMD. As demonstrated in the previous section, RBL Coins do not qualify as electronic money under the regulations of EMD; nor can they be considered banknotes, coins or scriptural money. This means RBL Coins are not funds under the PSD II, and therefore transactions of RBL Coins with them would not constitute a payment transaction under PSD II. Since operations with the private wallets of the clients do not constitute operations with payment accounts, and Annex I (1-2) services are not applicable.

Payment Transactions

Since operations with RBL Coin do not constitute payment transactions, Annex I (3-4) are not applicable to the services rendered by the team. 5.6.13. Issuing and/or acquiring of payment instruments according to the definitions in Article 4(13-14), payment instrument means a personalized device(s) and/or set of procedures agreed between the payment service user and the payment service provider, used in order to initiate a payment order, which is an instruction by a payer or payee to its payment service provider requesting the execution of a payment transaction. While operations with RBL Coins do not constitute payment transactions, the team cannot be considered issuing payment instruments; neither it can be considered acquiring payment transactions.

Money remittance

Money remittance is specified in Article 4(22) as a payment service where funds are received from a payer, without any payment accounts being created in the name of the payer or the payee, for the sole purpose of transferring a corresponding amount to a payee or to another payment service provider acting on behalf of the payee, and/or where such funds are received on behalf of and made available to the payee. The team does not render such services; it is only possible to purchase RBL Coins in one's own name, and the proceeds received are not transferred to another person.

Payment initiation services

According to Article 4(15), payment initiation service means a service to initiate a payment order at the request of the payment service user with respect to a payment account held at another payment service provider. The

team does not render such services and does not have access to user's payment accounts at payment service providers.

Account information services

Account information service is specified in Article 4(16) as an online service to provide consolidated information on one or more payment accounts held by the payment service user with either another payment service provider or with more than one payment service provider. The team does not provide such services.

Exemptions for a limited-use instrument

It is argued that the activities of the team in regard to the issuance and listing of RBL Coin do not constitute payment services at all, and RBL Coin cannot be considered payment instruments as defined by the PSD II. But even if RBL Coin could be considered a payment instrument under the PSD II, the regulations will still be inapplicable due to the exemption provided by the Article 3(k) of the Directive. According to this exemption, PSD II does not apply to services based on specific payment instruments that can be used only in a limited way, that meet one of the following conditions: (i) instruments allowing the holder to acquire goods or services only in the premises of the issuer or within a limited network of service providers under direct commercial agreement with a professional issuer; (ii) instruments which can be used only to acquire a very limited range of goods or services; It seems that the exemption may be applied to the RBL Coin, since they are intended to be used under a limited set of agreements, only between the users of the Ecosystem and for a limited purpose. Thus, it can be argued that if RBL Coin could be considered payment instruments, they would likely be also considered only suitable for acquiring a very limited range of services within a limited network of service providers under direct commercial agreement with the team.

To round up a conclusion, we can safely iterate the following:

- The market price of the Coin does not influence on the company's profit, and the company profit does not influence the Coin market price.
- There are no declarations in the Whitepaper promising "Expectation of Profits" to Coin buyers. Coin holders can receive any income from the Coin by their own efforts, or they can also lose the Coins while trading.
- RBL Coin is clearly not greenhouse emission allowances.
- RBL Coin does not constitute any sort of debt obligation. For essentially the same reason, a RBL Coin is not a bond or other tradable debt obligation.
- RBL Coin does not constitute a share because it neither entitles its holder to a dividend nor grants its holder any right to participate in the governance of RBL or of any other company.
- RBL Coin is not a subscription right or other tradable right granting the right to acquire securities. A RBL Coin simply does not give its holder any option to acquire a bond or a share.
- The team does not propose to use the monies received from the sale of RBL Coins for following any defined investment policy for the benefit of the buyers of RBL Coin in question and in their common interests: the buyers of RBL Coin will not have distributed to them any income earned as a result of operating the ecosystem.

Furthermore, a derivative security comprises a tradable security expressing a right or an obligation to acquire, ex-change or transfer, provided that its value depends, directly or indirectly, on:

1. the exchange or market price of a security;
2. on any interest rate;
3. securities index, other financial index or financial indicator, including the inflation rate, freight rate, emission allowances or other official economic statistics;
4. currency exchange rates;
5. credit risk and other risks, including climatic variables;
6. the exchange or market price of a commodity.

The RBL Coin does not represent any such cases.

While the value of a RBL Coin would likely depend on the success of the ecosystem, the content available via that ecosystem does not constitute a commodity. Thus, a RBL Coin is neither a derivative security nor a derivative contract.

Electronic money is commonly defined as a digital alternative to cash allowing users to make cashless payment with money stored over the internet with the final aim to facilitate the emergence of innovative electronic money services and encourages effective competition between all market participants.

A Coin is to be classified as electronic money if the following conditions are met altogether:

- Is electronically stored;
- Has monetary value;
- Represents a claim on the Issuer;
- Is issued on receipt of funds;
- Is issued for the purpose of making payment transactions;
- Is accepted by persons other than the Issuer.

In our legal view, the RBL Coin shall serve as an integral feature of the core processes of the ecosystem, as denoted in the Whitepaper. However, nothing in the Whitepaper provided by the Protocol indicated that RBL Coin holders can have a claim against the project's assets arising from funds which were initially placed against such issuance of RBL and that such holders can redeem their funds at par value. Therefore, RBL Coin falls outside of the scope of the definition of Electronic Money.

Finally, RBL are likewise not depository receipts. A depository receipt is a security that represents ownership of the securities of a foreign issuer and which can be admitted to trading on a regulated market independently of the securities of the foreign issuer. To constitute a depository receipt a RBL Coin would need to represent an ownership of a security. All the functions of a RBL Coin are listed above, and it should be noted that since the coin is being mined, there is no actual issuer. An instrument fulfilling only those functions does not constitute a security.

Summary of Findings of the European Union and UK regulations.

It has been demonstrated that the RBL Coin is unlikely to be considered a financial instrument under the European Regulations, and so, it is exempt from the regulations of MiFID II, PD, AIFMD and UCITS Directive. Furthermore, it is unlikely that regulations on electronic money or payment services imposed by EMD and PSD II could be applied to the business activities of the team in regard to the issuance or listing of the RBL Coins.

Conclusion

- 1. At this stage of development, the RBL Coin is more likely not to be deemed a "security" under the US, the EU and UK, and other international legislation.**
- 2. In the future stages of development, the RBL Coin should maintain the utility legal qualification, based on the team's business plan and the technical development of the blockchain.**
- 3. We have found no signs of fraud and scam, Ponzi scheme, tort, consumer fraud, known schemes of income laundering and tax evasion.**
- 4. Coin buyers do not have any rights to the company's profit. The RBL Coin don't give equal rights to their holders. This fact excludes the identification of the Coin as securities.**
- 5. The founders of RBL Coin do not possess any ability to affect the Coin price. The market price of the Coin does not influence the company's profit, and the company's profit does not influence the Coin market price.**
- 6. All scenarios of the turnover of the Coin is strictly ordered and implemented on the blockchain. No other scenarios are technically feasible. None of the scenarios of utilizing the Coin has the signs of securities rights realizing.**

Still, we recommend the team to:

- **Avoid granting rights, similar to the rights of shareholders / owners;**
- **Conduct marketing to avoid giving promises of the RBL Coin price growth (but, it is possible to make reasonable predictions of the possible growth of the project itself);**
- **Conduct regular legal approach for tracking possible updates.**

Additional Notes

Financial Crimes Enforcement Network ("FinCEN")

FinCEN is a bureau in the U.S department of Treasury, with a mission to safeguard the U.S financial system from illicit use, combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

FinCEN regulates money transmitting businesses. The U.S code stipulates that anyone who knowingly conducts, controls, manages, supervises, directs, or owns all or part of an unlicensed money transmitting business, shall be fined or imprisoned not more than 5 years, or both (18 U.S. Code § 1960). Per the regulations, a “money transmitter” is either a person that provides money transmission services, or any other person engaged in the transfer of funds.

FinCEN has treated cryptocurrency (convertible virtual currency) as money for the purpose of the law (FIN-2013-G001) and therefore anyone who “(1) accepts and transmits a convertible virtual currency or (2) buys or sells convertible virtual currency for any reason is a money transmitter under FinCEN’s regulations, unless a limitation to or exemption from the definition applies to the person”.

In a later guidance, FinCEN stipulates that:

“How a user obtains a virtual currency may be described using any number of other terms, such as “earning,” “harvesting,” “mining,” “creating,” “auto- generating,” “manufacturing,” or “purchasing,” depending on the details of the specific virtual currency model involved ... What is material to the conclusion that a person is not an MSB [Money Services Business] is not the mechanism by which a person obtains the convertible virtual currency, but what the person uses the convertible virtual currency for, and for whose benefit.” (FIN-2014-R001).

Evidently, the liquidity is staked, and therefore the RBL Coin cannot and should not be deemed as a money transmitter and therefore is not a money services business.

And lastly, the project does not purchase the staked RBL Coins, as a business nor as a dividend, and therefore only “transmits” but not “accepts” the RBL Coin. Thus, this activity is insufficient for “exchanger” status.

FinCEN Guidance (FIN-2013-G001) also defines an “administrator”, who is a person engaged as a business in issuing (putting into circulation) a virtual currency, and who has the authority to redeem (to withdraw from circulation) such virtual currency. Such “administrator” requires a license of a money services business.

To address the “administrator” definition, per the data provided us, you do not possess the authority nor the power to remove or eliminate the RBL Coin from the digital existence, which do not constitute a “redeem”, and therefore you are not being an “administrator” per FinCEN’s definition.

Thus, being constructed as it is and in the TGE configuration, we see no relevance of obtaining a FinCEN money services business license for the RBL Coin.

Needless to say, RBL Coin in general, and as a secondary consideration, the “customers” (the RBL Coin purchasers), may or may not utilize the Virtual Currency for investment purposes, or buy the Coin to use the ecosystem.



Disclaimer:

The above analysis is based on information obtained from a representative of RBL, the team's whitepaper, publicly available information, and the law as it exists as of the date hereof. Considered herein were the U.S. federal and the EU securities laws. We have also analyzed other legislations. No opinion is expressed with regard to any other body of law or legal construct, including without limitation the franchise laws of any other country. No court has addressed the question whether any blockchain-based Coins are “securities” under U.S. federal law; as such, the SEC or a court of competent jurisdiction may reach an alternative conclusion to that stated in this opinion letter. No warranties or guarantees of any kind as to the future treatment of the RBL Coin are being made herein.