

UNDERTAKING AND ACKNOWLEDGEMENT

TO: the Ontario Securities Commission (the **Commission**)

FROM: **BINANCE HOLDINGS LIMITED** and **BINANCE CANADA CAPITAL MARKETS INC.** (together, **Binance**)

Overview

In this document, Binance makes certain commitments to the Commission, including:

- ceasing opening new Ontario accounts;
- ceasing trading in existing Ontario accounts, with exceptions to protect investors, along with winding down its business in certain products;
- providing fee waivers and offering fee reimbursements to certain Ontario users;
- making reports to Staff of the Commission; and
- retaining an independent third party to ensure the effectiveness of Binance's efforts to implement its commitments.

Facts

Binance acknowledges the following:

- In June 2021, Binance decided to withdraw its services from Ontario. On June 25, 2021, Binance told Ontario users that it could no longer service them and they would need to close out all active positions by December 31, 2021.
- Nevertheless, on December 29, 2021, Binance notified Ontario users that it was allowed to continue its operations in Ontario, which Binance now acknowledges was not correct.
- On December 31, 2021, Binance confirmed to Staff that the trading restrictions were in place for Ontario accounts, and would remain so, including (a) no trading by existing Ontario users, (b) no new Ontario users, and (c) no marketing targeted at Ontario users. The same day, Binance issued a press release stating these restrictions were in place, and there would be no change to the restrictions.
- In a January 1, 2022 e-mail, Binance advised Ontario investors that trading access and new user onboarding were restricted.
- Despite the representations made to Staff and investors, Ontario investors were able to continue to trade after the restrictions were supposedly in place.

- Binance’s customer service team also tweeted inaccurate information, informing an Ontario user that they could trade after January 1, 2022 as normal if their account was already open, which Binance now acknowledges was not correct.
- Binance has informed Staff that it is committed to pursuing a regulatory path to ensure compliance with Ontario securities law.

No Opening of New Ontario Accounts

1. Binance represents and undertakes to do the following:
 - (a) Binance has prevented and will continue to prevent Ontario users from opening accounts on the online crypto asset trading platform “Binance” (the **Binance Platform**), through www.binance.com (the **Website**), an app, or any other means. The steps taken by Binance to do so (the **Account Opening Procedures**) will include maintaining the following procedures and controls currently in place:
 - (i) the Binance Platform Terms of Use accessible on the Website or through an app state that Ontario users are not eligible to use the Binance Platform, and that new users must represent that they are not residents of Ontario. This measure has been in place since January 6, 2022;
 - (ii) Binance prevents users that self-identify as being in Ontario from opening new accounts on the Binance Platform, based on the information provided by prospective users during the on-boarding process for verified users. This measure has been in place since January 6, 2022;
 - (iii) Binance prevents users that are identified as being in Ontario by their IP address from registering as a new user and opening new accounts on the Binance Platform. This measure has been in place since January 6, 2022; and
 - (b) Binance will maintain the Account Opening Procedures unless and until written notice is provided by Staff confirming that Binance may remove them.

Identify Existing Ontario Accounts

2. Binance represents and undertakes to do the following:
 - (a) Binance has identified and will continue to identify Binance Platform accounts held by Ontario investors (the **Ontario Accounts**) by doing the following:
 - (i) maintain the procedures and controls currently in place to identify existing users of the Binance Platform who self-identified as Ontario residents during their on-boarding process. These procedures and controls have been in place since January 6, 2022;

- (ii) maintain the procedures and controls currently in place to identify users using Ontario IP addresses on the Binance Platform who have not previously indicated their province of residence as Ontario, and require them to verify their province of residence. These procedures and controls have been in place since January 19, 2022;
- (iii) maintain a list of the Ontario Accounts identified using the procedures and controls noted above in (i) and (ii), and any additional procedures that may be introduced at a later date as set out in (iv) below;
- (iv) monitor and review procedures to identify Ontario Accounts and develop additional controls as necessary

(together (i), (ii), (iii) and (iv) above are referred to as the **Account Identification Procedures**); and

- (b) Binance will maintain the Account Identification Procedures unless and until written notice is provided by Staff confirming that Binance may remove them.

No Trading in Ontario Accounts

3. Binance represents and undertakes to do the following:

- (a) Subject to paragraph 4 below, Binance has taken and will continue to take steps to prevent all trading (as defined in the *Securities Act*, RSO 1990, c S.5, as amended (the **Act**)) in any products in the Ontario Accounts, except as necessary for Ontario Account holders to do the following:
 - (i) close, reduce and/or redeem existing positions,
 - (ii) withdraw funds and crypto assets,
 - (iii) withdraw excess margin, or
 - (iv) deposit additional margin, if required, to maintain existing derivatives positions in the Ontario Accounts;

(together (i), (ii), (iii) and (iv) above are referred to as **Permissible Transactions**);

- (b) Binance has maintained and will continue to maintain the procedures and controls currently in place to prevent trading (except for Permissible Transactions) in the Ontario Accounts, which include the following:
 - (i) implement a systems block in respect of Ontario Accounts that only allows Permissible Transactions for all products on the Binance Platform. This measure has been in place since January 6, 2022;

- (ii) monitor, review and improve the systems block as necessary to ensure that systems are in place to prevent trading activity that originates from within Ontario, or by Ontario users, except for Permissible Transactions

(together (a) and (b) above are referred to as the **Ontario Trading Procedures**); and

- (c) Binance will maintain the Ontario Trading Procedures unless and until written notice is provided by Staff confirming that Binance may remove the controls.

Winding Down Trading of Restricted Products

- 4. Binance represents and undertakes that Binance will (i) require Ontario users to close out and settle their existing positions in Restricted Products¹ by 90 days from the date of this Undertaking, failing which Binance will close such positions on that date, and (ii) provide notice to Ontario users of this requirement within 5 days of the date of this Undertaking.

Fee Waiver and Reimbursement

- 5. Binance represents and undertakes to do the following:
 - (a) From the date of this Undertaking until written notice is provided by Staff, Binance will waive or rebate any fees collected by the Binance Platform, Binance or any affiliates of Binance associated with the Permissible Transactions in Ontario Accounts, with the exception of blockchain fees that are not retained by Binance or its affiliates; and
 - (b) Binance will (i) honour any request by Ontario Account holders for reimbursement of final withdrawal fees collected from June 25, 2021 to the date of this Undertaking that are in excess of the equivalent of \$10 USD for withdrawals for all Binance services that result in a zero balance in an account, which remains a zero balance through to the date of this Undertaking, with the exception of blockchain fees that are not retained by Binance or its affiliates; and (ii) inform Ontario users that they may make such a request

(together (a) and (b) above are referred to as the **Waiver and Reimbursement Procedures**).

Training of Binance Staff

- 6. Binance represents and undertakes that Binance will communicate the Account Opening Procedures, the Account Identification Procedures, the Ontario Trading Procedures and the Waiver and Reimbursement Procedures set out in this Undertaking to all relevant staff of Binance and the Binance Platform within two weeks of the date of the Undertaking and

¹ “Restricted Products” means any contracts that involve leverage, margin, or the extension of credit, including but not limited to contracts that are marketed or labelled by Binance as: (i) futures; (ii) forward contracts; (iii) OTC contracts on margin; (iv) perpetual swaps and futures; (v) rolling spot; (vi) contracts for difference; (vii) options; or (viii) leveraged tokens.

require all relevant staff to acknowledge that they will comply with those restrictions and requirements.

Reporting to Staff

7. Binance represents and undertakes that Binance will deliver to Staff, on April 15, 2022 and thereafter on a quarterly basis until written notice is provided by Staff, a report that includes the following:

Account Opening and Identification Procedures

- (i) confirmation that the Account Opening Procedures and Account Identification Procedures are in place;
- (ii) the number of Ontario Accounts remaining open, and the aggregate dollar value of holdings in these accounts as of the date of the report;
- (iii) the number of Ontario Accounts closed since the last report;
- (iv) a list of any new Ontario Accounts opened since the last report along with an explanation of how such new Ontario Accounts came to be opened;

Ontario Trading Procedures

- (v) confirmation that the Ontario Trading Procedures are in place;
- (vi) in the initial report, a list of all accounts that have been made subject to the Ontario Trading Procedures, by March 31, 2022, and in subsequent reports any updates to this list;
- (vii) the number of Ontario Accounts in which user activity has occurred since the last report;
- (viii) the aggregate dollar amount traded in Ontario Accounts since the last report;
- (ix) a list of any transactions in Ontario Accounts since the last report that were not Permissible Transactions along with an explanation as to why that transaction occurred; and

Waiver and Reimbursement Procedures

- (x) confirmation that the Waiver and Reimbursement Procedures are in place.

Third Party Consultant

8. Binance represents and undertakes to do the following:

- (a) by March 31, 2022, Binance will retain, at its own expense, an independent third-party consultant that is acceptable to Staff (the **Consultant**) in order to conduct a review of the following:
 - (i) the design, implementation and effectiveness of the Account Opening Procedures;
 - (ii) the design, implementation and effectiveness of the Account Identification Procedures; and
 - (iii) the design, implementation and effectiveness of the Ontario Trading Procedures;
- (b) Binance will work with the Consultant to develop an audit plan, acceptable to Staff;
- (c) Binance will require the Consultant to report to Staff on a schedule and in a format acceptable to Staff;
- (d) If deficiencies are identified by the Consultant, Binance will develop a plan to remedy those deficiencies, acceptable to Staff, and include a report on the implementation of that plan in Binance's next quarterly report to Staff.

Publication

- 9. Within 5 days of receiving authorization from Staff to do so, Binance undertakes to publish this Undertaking on the "notices" section of its Website at <https://www.binance.com/en/support/list/notices>; on its main twitter.com and facebook.com social media pages; on the Telegram "Binance Announcements" channel (https://t.me/binance_announcements); and on the r/Binance subreddit (<https://www.reddit.com/r/binance/>).
- 10. Binance undertakes not to cause any public statements to be made that are inconsistent with this Undertaking.

Commission Reservation of Rights

- 11. Binance acknowledges that Staff and the Commission retain the right to bring enforcement proceedings or seek temporary orders against Binance, directors or officers of Binance, Binance affiliates and the directors or officers of Binance affiliates for any past, present or future conduct contrary to the Act or the public interest, save and except for enforcement proceedings or temporary orders arising from the facts set out above in the "Facts" section of this Undertaking, so long as Binance remains in compliance with the Undertaking, and has not made any misrepresentation to Staff in respect of this Undertaking. Binance further acknowledges that Staff and the Commission may, in any enforcement proceedings, refer to the facts set out above in the "Facts" section of this Undertaking and rely on them as aggravating factors, regardless of Binance's compliance with this Undertaking.

12. For certainty, and without limiting the foregoing, Binance also acknowledges that Staff and the Commission may bring enforcement proceedings or seek temporary orders against Binance, directors or officers of Binance, Binance affiliates and the directors or officers of Binance affiliates for any breach of this Undertaking or any misrepresentation made to Staff in respect of this Undertaking.

Independent Legal Advice

13. Binance acknowledges that it is freely entering into this Undertaking, is represented by legal counsel in respect of this matter and has obtained legal advice with respect to this Undertaking.

Dated the 16th day of March, 2022.

BINANCE HOLDINGS LIMITED

“Changpeng Zhao”

Name: Changpeng Zhao

Title: Founder and CEO

I am authorized to bind this corporation

**BINANCE CANADA CAPITAL
MARKETS INC.**

“Lawrence Truong”

Name: Lawrence Truong

Title: Director

I am authorized to bind this corporation