

PAYBITOPRO

PROMOTIONS COMMUNICATION
POLICY

(UNITED STATES OF AMERICA)

MAY 2024



Introduction

PayBitoPro's Company policy provides guidelines and sets expectations for the communication and approval of financial promotions related to qualifying cryptoassets. This policy aligns with existing regulatory obligations and does not introduce new requirements for PayBitoPro.

This policy outlines PayBitoPro's approach to ensuring that financial promotions related to qualifying cryptoassets comply with regulatory standards, particularly those outlined in by the CFTC under the Commodity Exchange Act (the "CEA"). US). It emphasizes the necessity for financial promotions to be fair, clear, and not misleading.

Individuals authorized to communicate or approve financial promotions must also consider their obligations under the Consumer Duty ('the Duty'). This policy highlights the steps that authorized persons may need to take to meet these obligations under the Duty, ensuring that all communications are transparent, accurate, and compliant with regulatory expectations.

This guidance is relevant to PayBitoPro because:

- The company communicates or approves financial promotions relating to qualifying cryptoassets.
- The company is registered with the United States Treasury Department under the Money Laundering, Terrorist Financing, and Transfer of Fund Money Laundering Regulations 2017 (Information on the Payer) Regulations and relies on the exemption to communicate financial promotions relating to qualifying crypto assets.

This Company Policy is also relevant to individuals and unauthorized persons who are seeking to understand or comply with our rules or are considering communicating cryptoasset financial promotions to US consumers.



PayBitoPro's Company policy provides information on and sets out our expectations for the communication and approval of financial promotions relating to qualifying cryptoassets. The policy does not create new obligations for PayBitoPro but relates to its existing regulatory obligations.

Within this Company policy, we outline how PayBitoPro may approach ensuring that financial promotions relating to qualifying cryptoassets comply with relevant regulations. In particular, the requirement that a financial promotion is fair, clear, and not misleading.

Authorized persons communicating or approving financial promotions also need to consider their obligations under applicable consumer protection laws. This Company policy highlights the types of steps that authorized persons may need to consider taking to meet these obligations, ensuring that all communications are transparent, accurate, and compliant with regulatory expectations.

This guidance is relevant to PayBitoPro because:

1. The company communicates or approves financial promotions relating to qualifying cryptoassets.
2. The company is registered with the Financial Crimes Enforcement Network (FinCEN) under the Bank Secrecy Act (BSA) and complies with applicable anti-money laundering (AML) regulations when communicating financial promotions relating to qualifying cryptoassets.

This Company Policy is also relevant to individuals and unauthorized persons who are seeking to understand or comply with our rules or are considering communicating cryptoasset financial promotions to U.S. consumers.

This "Effective Systems and Controls" Company Policy is designed to comply with our cryptoasset financial promotion rules, particularly the core requirement that promotions are fair, clear, and not misleading. This requirement applies to all promotions communicated or approved by authorized persons or communicated by this FinCEN-registered company.

As PayBitoPro is authorized to communicate or approve financial promotions, it also needs to consider its obligations under applicable consumer protection laws. This Company Policy highlights the steps that authorized persons may need to take to meet their obligations under these laws.



We recognize that the cryptoasset market is evolving rapidly and will keep this Company Policy under review as market practices and regulations develop.

Govt. guidance on Financial Transaction

A financial promotion is an invitation or inducement to engage in investment activity. It can take many forms, including advertisements placed in print, broadcast, or online media, marketing brochures, emails, websites, apps, or social media posts.

Our Perimeter Guidance Manual provides detailed guidance on the scope of the financial promotion regulations applicable in the United States.

Exemption for MLR-registered cryptoasset businesses

The definition of 'qualifying cryptoassets' under U.S. regulations broadly refers to any cryptographically secured digital representation of value or contractual rights that are transferable and fungible. This definition excludes cryptoassets that meet the definition of electronic money or an existing regulated investment.

This broad definition can encompass various types of cryptoassets, such as fiat-backed stablecoins. As a result, the financial promotion regulations apply to a wide range of promotions involving cryptoassets, related services, and arrangements.

Beyond the financial promotion restriction, PayBitoPro also considers whether any of its activities involving cryptoassets are regulated and whether they have the necessary authorization and appropriate permissions to conduct their business in the United States. For instance, while the U.S. regulatory framework has not specifically categorized 'qualifying cryptoassets' as a regulated investment, certain activities may still fall under existing regulations.

For example, arrangements related to investment in, or referencing, cryptoassets might be classified as Collective Investment Schemes (CIS) or units in a CIS. Derivatives related to



qualifying cryptoassets might also be considered regulated investments, and activities related to such derivatives might be subject to regulatory oversight.

Approval cryptoasset-related financial promotions

Authorized companies must not approve cryptoasset financial promotions unless they have the appropriate competence and expertise to do so. Authorized companies intending to approve cryptoasset financial promotions should also consult the relevant government guidance on approving financial promotions. PayBitoPro has specialized personnel dedicated to this specific domain.

Effective February 7, 2024, authorized companies approving the financial promotions of unauthorized companies can only do so within the scope of:

- a)** a specific permission granted by the relevant regulatory authority; or
- b)** a relevant exemption.

Authorized companies considering approving cryptoasset financial promotions for unauthorized companies need to determine whether they require permission from the relevant regulatory authority to do so.

PayBitoPro ensures that any promotion they approve complies with the relevant financial promotion regulations and applicable consumer protection laws. They must act to deliver positive outcomes for the retail consumers who will see the promotion.

Securities and Exchange Commission (SEC) rules to firms communicating or approving financial promotions

The U.S. Securities and Exchange Commission (SEC) rules for financial promotions related to cryptoassets apply to entities like PayBitoPro that communicate or endorse such promotions. These rules also apply to entities that rely on specific exemptions while promoting cryptoassets. The key aspects of these rules are:



- Communications with clients

The U.S. Securities and Exchange Commission (SEC) rules for financial promotions related to cryptoassets apply to:

i) Authorized Persons/Companies (e.g., PayBitoPro): These are entities that communicate financial promotions or approve such promotions for communication to professional investors. They must ensure that their promotions are accurate, truthful, and not misleading, with clear risk disclosures prominently displayed.

ii) MLR-Registered Persons: These are entities registered under Money Laundering Regulations that promote cryptoassets. Even if they rely on specific exemptions, they must still ensure compliance with SEC rules, providing balanced information on risks and benefits and avoiding incentives that could lead to impulsive investment decisions.

These rules aim to protect investors by ensuring transparent, accurate, and fair communication in the promotion of cryptoassets.

Under the U.S. Securities and Exchange Commission (SEC) rules, the following principles apply to authorized persons or companies, such as PayBitoPro, when communicating or approving financial promotions addressed to or likely to be received by retail customers:

Principle 12 and PRIN 2A:

1. **Fair, Clear, and Not Misleading Communication:** Financial promotions must be fair, clear, and not misleading. They should present information in a manner that is straightforward and easily comprehensible for retail customers, ensuring all claims are truthful and balanced.
2. **Risk Disclosures:** Promotions must include clear and prominent risk disclosures. This ensures that retail customers are well-informed about the potential risks associated with cryptoasset investments.
3. **Prominence of Important Information:** Essential information, including risk warnings, must be prominently displayed to ensure retail customers can easily notice and understand the key details.
4. **No Unjustified Incentives:** Financial promotions should not offer incentives that might encourage retail customers to make impulsive or reckless investment decisions. This



includes avoiding promises of bonuses or rewards for investing in cryptoassets without a clear explanation of the associated risks.

5. **Compliance and Approval:** Entities such as PayBitoPro must ensure that their promotions comply with SEC regulations and obtain necessary approvals. This may involve having the promotion reviewed and approved by a qualified individual to ensure compliance with SEC standards.

These principles aim to protect retail customers by ensuring they receive accurate, complete, and clear information about cryptoasset investments, enabling them to make well-informed decisions.

Under the U.S. Securities and Exchange Commission (SEC) rules, authorized persons or companies, such as PayBitoPro, must adhere to the following guidelines when communicating or approving financial promotions addressed to or likely to be received by retail customers. This includes statements about authorization and regulation by the appropriate regulator and the use of regulatory logos:

Relevant Parts of GEN (General Provisions):

1. **Statements About Authorization and Regulation:**

- **Accuracy of Claims:** Any statements about the entity's authorization or regulation status must be accurate and not misleading. For example, if an entity is authorized by a regulatory body, it must clearly state the scope and extent of this authorization.

Clarity: The statements must be clear and understandable to retail customers, ensuring that they do not misinterpret the level of protection or oversight provided by the regulatory body.

2. **Use of Regulatory Logos:**

Proper Use: The use of regulatory logos, such as those of the Financial Conduct Authority (FCA) or SEC, must be done appropriately. These logos can only be used in a manner consistent with the guidelines provided by the respective regulatory bodies.

Non-Misleading Presentation: The display of these logos should not give the impression that the regulatory body endorses or approves the financial promotions or the specific cryptoassets being promoted.



Contextual Integrity: The use of logos must be in the correct context, ensuring that customers understand what the authorization or regulation entails and does not extend beyond its actual scope.

These guidelines ensure that retail customers receive transparent and honest information regarding the authorization and regulation of entities promoting cryptoassets. This transparency helps maintain trust and integrity in financial markets by preventing the misuse of regulatory claims and logos.

Ensuring that cryptoasset financial promotions to be fair

The relatively recent emergence of cryptoassets as an asset class means these investments often pose unique risks that may not be widely understood by prospective retail investors. The variety of cryptoassets and cryptoasset-related models, along with the relatively opaque nature of these investments, increases the likelihood that individuals may not fully understand the investments being promoted to them and the associated risks. We continue to believe that cryptoassets are high-risk investments and that consumers should understand they may lose all the money they invest. PayBitoPro provides all possible information to interested individuals and ensures that they are not misguided or misled in any direction.

Given the lack of transparency about the purpose and functionality of some cryptoassets and cryptoasset-related models, PayBitoPro conducts significant due diligence on the cryptoassets it promotes. PayBitoPro takes particular care with the information it provides and the way it is communicated to ensure that financial promotions are fair, clear, and not misleading. PayBitoPro carefully considers consumers' information needs when communicating or approving cryptoasset financial promotions. In developing and reviewing financial promotions, the company is particularly aware of the need to ensure that those receiving promotions are well-equipped to make clear, considered, and informed decisions about whether investing in cryptoassets is right for them.

Against this background, the following sections of this guidance consider some of the implications of our rules for the promotion of particular types of cryptoassets and cryptoasset-related models.

Ensuring Fair, Clear, and Not Misleading Promotions

PayBitoPro ensures that all cryptoasset financial promotions are fair, clear, and not misleading. To meet this standard, the company considers the means of communication, the information intended to be conveyed, and the type of consumer expected to receive the information. The



information is sufficient for, and presented in a way that is likely to be understood by, the type of consumer to whom it is directed or who is likely to receive it.

When assessing whether a financial promotion is fair, clear, and not misleading, PayBitoPro considers both the promotion's substance and presentation. PayBitoPro takes into account the following factors when assessing this:

Clarity and Comprehension of the Promotion

PayBitoPro ensures that all promotional materials are presented in a manner that is easy for consumers to understand, taking into account the information needs of the likely recipients of the promotion. The company avoids using unnecessary jargon or complex language that may confuse or mislead consumers. Important information, statements, or warnings are not disguised, diminished, or obscured. We recommend that interested individuals review our Company Policy on prominence in financial promotions, as well as the specific prominence requirements for risk warnings and risk summaries.

Compliance with U.S. Law

To comply with U.S. laws, specifically those enforced by the Federal Trade Commission (FTC) and the Securities and Exchange Commission (SEC), PayBitoPro ensures:

1. **Clear and Conspicuous Disclosures:** All disclosures, including those about risks, costs, and material terms, are clear and conspicuous. This means they are easily noticeable and understandable by an average consumer.
2. **Truth in Advertising:** All promotional materials must be truthful and not misleading. Claims must be substantiated, especially if they involve potential earnings, investment returns, or other financial benefits.
3. **Fair and Balanced Information:** Promotional content must present a balanced view, including both the potential benefits and risks associated with the product or service. This is particularly important for financial products.
4. **Avoidance of Deceptive Practices:** Any practices that could be deemed deceptive under the FTC Act, such as hiding important information or presenting it in a way that could mislead consumers, are strictly prohibited.
5. **Adherence to Specific SEC Guidelines:** For promotions involving securities or investment opportunities, PayBitoPro adheres to SEC guidelines, ensuring that all statements are accurate and that risk factors are clearly communicated.



By adhering to these principles, PayBitoPro maintains transparency and trust with its consumers, ensuring compliance with U.S. laws and regulations governing promotional activities.

When assessing whether a financial promotion is fair, clear, and not misleading, PayBitoPro considers both the substance and presentation of the promotion. The following factors are evaluated:

Ensuring Fair, Clear, and Not Misleading Financial Promotions

When assessing whether a financial promotion is fair, clear, and not misleading, PayBitoPro considers both the substance and presentation of the promotion. The following factors are evaluated:

a. Clarity and Comprehension of the Promotion

- **Presentation:** All promotional materials are designed to be easy for consumers to understand, considering the information needs of the likely recipients.
- **Avoiding Complexity:** The company avoids unnecessary jargon or complex language that may confuse or mislead consumers.
- **Transparency:** Important information, statements, or warnings are not disguised, diminished, or obscured.
- **Policy Review:** Interested individuals are encouraged to review our Company Policy on prominence in financial promotions and the specific prominence requirements for risk warnings and risk summaries.

b. Consumers' Understanding of Risks

- **Informed Decision-Making:** Promotions enable consumers to form an informed view of the risks of investing in cryptoassets.
- **No Trivialization:** Risks are not trivialized, and the promotions do not exploit consumers' lack of experience or knowledge.

c. Providing a Balanced View of Information

- **Equitable Information:** PayBitoPro presents a balanced view of the potential risks and rewards associated with cryptoassets.
- **Risk Awareness:** Benefits are not promoted without an equally prominent indication of the associated risks.



d. Exaggerated Claims

- **Accuracy:** The company avoids making exaggerated claims about the potential benefits of cryptoassets.
- **Realistic Expectations:** Claims about potential returns are realistic and reflect what a consumer can reasonably expect.

e. Omitting Relevant Information

- **Complete Information:** PayBitoPro does not omit information that would impact consumers' ability to make an informed decision.
- **Full Disclosure:** Promotions labeled as 'commission-free' also disclose any other costs, fees, and charges that may apply.

f. Accuracy of Information

- **Verification:** All supporting information, such as facts, figures, and statements, are accurate, up-to-date, and substantiated.
- **Non-Misleading Visuals:** Graphics and images used in promotions are current and not misleading.

g. Past and Future Performance

- **Past Performance:** Promotions referring to past performance include a risk warning that past performance is not a reliable indicator of future results.
- **Future Performance:** Information about future performance is based on reasonable assumptions and supported by up-to-date data, reflecting various market conditions.

h. Disclosing Costs, Fees, and Charges

- **Transparency:** Financial promotions clearly outline any costs, fees, and charges, including transaction fees, exchange fees, platform fees, and any other charges.
- **Straightforward Presentation:** This information is presented in a straightforward and transparent manner.

i. Effective Systems and Controls

- **Compliance Monitoring:** The company has effective systems and controls to monitor the compliance of their promotions with relevant rules.
- **Adaptability:** Promotions can be amended or withdrawn in light of market developments or other events that could affect the fairness of claims made.



Adherence to Regulatory Guidance

COBS 4 Guidance

- **Avoid Misleading Terms:** Terms like 'guaranteed', 'protected', or 'secure' are used only if they accurately and clearly describe the product or service.
- **Complex Charging Structures:** Promotions for products or services with complex charging structures include all necessary information to ensure they are fair, clear, and not misleading.

Stand-Alone Compliance

- **Comprehensive Information:** Each stage of a financial promotion must comply with regulatory rules. For complex investments, supporting hyperlinks or pathways are provided to access additional information.
- **Key Risks Disclosure:** Key risks are disclosed early in the consumer journey, not just in later stages.

PS23/6 Requirements

- **Risk Warning and Summary:** The company adheres to the requirements for prescribed risk warnings and associated risk summaries for both digital and non-digital communication mediums.

By following these principles and regulatory guidelines, PayBitoPro ensures that all financial promotions are fair, clear, and not misleading, maintaining transparency and trust with consumers while complying with U.S. laws and regulations.

Application of the Consumer Duty to cryptoasset financial promotions

PayBitoPro reminds individual consumers that communicating or approving cryptoasset financial promotions that the Duty¹ applies to them and came into force on 31 July 2023. Where applicable, the Duty will build upon the core requirement for communications to be fair, clear, and not

¹ Kindly refer to FG22/5 for further information



misleading and strengthen the expectations of this Company communicating or approving cryptoassets financial promotions.

The Duty sets high standards across retail financial services markets. In particular, the Duty consists of:

- a new Consumer Principle (Principle 12) for PayBitoPro to act to deliver good outcomes for retail customers
- cross-cutting rules
- a suite of rules under 4 outcomes for products and services, price and value, consumer understanding, and consumer support

This Company communicating or approving financial promotions considers its responsibilities under the Duty's general obligations for firms, particularly the cross-cutting rules and the consumer understanding outcome.

The cross-cutting rules include obligations to act in good faith towards retail customers, to avoid causing them foreseeable harm and to enable and support them to pursue their financial objectives.

PayBitoPro takes into account customers' interests when presenting information while acting in good faith and avoiding foreseeable harm. In particular, this Company while communicating or approving a cryptoasset financial promotion acts in good faith and does not exploit or manipulate retail customers' behavioral biases and/or information asymmetries to mislead or create demand for a product. It does not take advantage of retail customers' vulnerabilities and avoids causing foreseeable harm. For example, cryptoasset financial promotions should not present communications in an unbalanced way where benefits are given undue prominence over risks or costs, or which trivialize risks to customers.

Foreseeable harm can be both a result of an act and an omission in the company's relationship with retail customers, such as, a failure to communicate clearly and in a timely way about the promoted cryptoassets's potential risks. **PayBitoPro has a special Compliance team that makes sure that foreseeable harm does not affect its valuable customers.**



The Duty does not require firms to ensure customers always receive good investment returns: clearly, cryptoassets carry a risk of loss. The Company is not expected to protect their customers from risks that they reasonably believe, the customer understands and accepts.

The Duty rules build on, and go further than previous FCA disclosure rules², and require PayBitoPro to support retail customers' understanding by ensuring that financial promotions:

- meet the information needs of customers
- are likely to be understood by customers intended to receive them
- equip customers to make decisions that are effective, timely and which are properly informed
- are tailored to the characteristics of the customers intended to receive the financial promotion, having regard to any characteristics of vulnerability, the complexity of the relevant products, the communication channel to be used, and the role of the Company in communicating or approving the promotion

PayBitoPro, while communicating and approving financial promotions, also considers the overall product or service and what the relevant target customers can reasonably be expected to understand. There is a wide variety of cryptoasset products and services with different structures and risk profiles, and the medium of communication used may also add to the risk or complexity of a particular campaign.

Some cryptoassets may have a range of complex features and risks that can be hard for customers to understand. In this case, this Company considers that customers are likely to understand the information on risks and complexity of the promoted cryptoasset. Where the promotion and/ or the complexity of the cryptoasset are not likely to be understood, communicating or approving promotions for the relevant cryptoasset is unlikely to be compliant with Company's obligations under the Duty.

PayBitoPro also considers how appropriate the method of communication is, particularly for promotions on social media. This will involve considering factors such as the likely audience on social media and the complexity of a product or service. Our Company may want to use social

² for instance, those in COBS 4



media to signpost potential customers towards other channels where more comprehensive information can be provided.

Financial promotions for cryptoassets that claim their value is linked to a fiat currency

For the purposes of this Guidance, a financial promotion for a complex yield cryptoasset model or arrangement is a financial promotion where a person (Person A) markets the possibility for another person (Person B) to transfer or make available (e.g. give control of) their cryptoassets to Person A to use (either directly or indirectly). In return, Person B will receive a rate of return.

The activities underlying the financial promotions of complex yield models or arrangements for which consumers will receive a return may take a variety of forms. As a result, there will be differences in the complexity of such models and associated risks for consumers. For example, there will be distinct considerations within and between staking, borrowing, or lending models or arrangements.

For financial promotions relating to lending and borrowing models, there may be specific risks that should be disclosed, for example counterparty risk, credit risk, investment risk, and general transparency of onward arrangements.

PayBitoPro also reminds its customers there is no industry-agreed terminology to define staking and there are a broad range of models that use the language of staking when communicating financial promotions. This Company also considers the risks of the staking models or arrangements they are promoting, and whether today they may fall within the definition of a CIS.

Cryptoassets can sometimes be promoted as part of complex yield models or arrangements that claim certain rates of return can be achieved. In ensuring such claims are fair, clear and not misleading, we would expect firms to conduct appropriate due diligence before communicating or approving a financial promotion containing claims of this nature.

Given the complexity and risks associated with these models or arrangements, PayBitoPro takes particular care when promoting these to consumers. This Company also considers the possible harms these models or arrangements could expose consumers to, and whether they are likely to be appropriate for retail consumers.

PatBitPro clearly communicates the risks with these models or arrangements and demonstrates its ability to meet any promoted rates of return through documentation and publicly available



evidence. Our Company also uses past performance information to support assertions about potential rates of return. However, it is important that any such use of past performance data complies with the relevant rules³ and, in particular, that it is clear to recipients that past performance is not a reliable indicator of future results.

A financial promotion of a complex yield model or arrangement would be unlikely to be considered as fair, clear, and not misleading, unless it set out with sufficient clarity and prominence the following:

- Clear evidence of how the advertised rates of return could be achieved. Evidence of achieving the advertised rates of return is made available to potential consumers before an investment is made. PayBitoPro generally gives an indication of future performance to be based on conditions including reasonable assumptions supported by objective data. This Company also considers the supporting documentation it makes available. This may include modeling, rationales and assumptions. The key is to make clear to consumers that there is evidence of how the rates of return have been calculated and that all relevant risks are accounted for. Advertised rates are not promoted as 'guaranteed'.
- Clear and prominent disclosure of the legal and beneficial ownership of a consumer's cryptoassets before they enter into an arrangement and the consequences if something goes wrong (for example, failure of the issuer or custodian)
- Clear and prominent disclosure of any fees, fixed and or variable rates, commissions, or other charges within the investment's structure or elsewhere that could materially affect the provider's ability to deliver advertised or targeted rates of return.
- PayBitoPro in terms of communicating or approving a promotion stating a target rate of return does demonstrate it has appropriate access to data and systems and controls in place to ensure it keeps all targeted rates of return up to date. In the case of an approved promotion, the approver must take reasonable steps to monitor the continuing compliance of the financial promotion for the lifetime of the promotion⁴.

³ As stated in COBS 4.6

⁴ COBS 4.10.2 R (1A)



- The consumer is aware of the business model and all relevant risks associated with the complex yield cryptoasset model or arrangement. For example, risks if there is a rehypothecation of assets, additional onward transactions, if associated contractual arrangements fail, potential depreciation of the value of tokens, for example, from new minting, potential loss or hack of private keys held by the company.

Investments that offer high yields are often high risk and consumers should be comfortable with the risks before making an investment decision. As part of the wider consumer journey⁵, PayBitoPro prominently discloses risks specific to these types of cryptoasset models or arrangements in the risk summary. This Company also robustly assesses consumers against their understanding of these risks as part of the appropriateness assessment as part of the consumer journey requirements. The assessments are designed to test if the consumer has sufficient knowledge and experience of the specific type of service or cryptoassets being promoted.

PayBitoPro is aware that some of these cryptoassets and associated models/ arrangements may constitute or involve a specified investment, such as a derivative or a unit in a CIS, and/or the activities carried on in relation to them may constitute regulated activities that require authorization under FSMA. It is vital that this Company which is engaged in business relating to cryptoassets understand the regulatory characterisation of the investment or business in which it is engaged.

Ensuring Fair, Clear, and Not Misleading Promotions

1. Stability and Fiat Currency Linkage Claims

- **Due Diligence:** PayBitoPro conducts thorough due diligence on claims about the stability of cryptoassets or their linkage to fiat currency.
- **Verification:** The company ensures that claims of stability or fiat currency linkage are genuine, providing details on how stability is maintained and what assets are used.

2. Communication and Consumer Protection

⁵ outlined in PS23/6



- **Genuine Claims:** PayBitoPro does not use misleading terms like 'inflation resistant' unless they can be substantiated.
- **Algorithm-based Claims:** Claims of stability primarily relying on algorithms or other cryptoassets are scrutinized and likely considered non-compliant if misleading.

3. Disclosure of Specific Risks

- **Risk Summary:** PayBitoPro discloses specific risks associated with cryptoassets claiming stability in the risk summary.
- **Consumer Assessment:** The company assesses consumers' understanding of these risks as part of the appropriateness assessment during the consumer journey.

Complex Yield Cryptoasset Models or Arrangements

Promotion and Due Diligence

1. Definition and Scope

- **Complex Yield Models:** Financial promotions involving the transfer or control of cryptoassets in exchange for a rate of return.
- **Variety of Forms:** Differences in complexity and associated risks within staking, borrowing, or lending models.

2. Risk Disclosure

- **Specific Risks:** Disclosures include counterparty risk, credit risk, investment risk, and transparency of onward arrangements.

3. Staking Models

- **Terminology and Risks:** The company acknowledges the lack of industry-agreed terminology for staking and considers the risks associated with different staking models.

4. Ensuring Fair, Clear, and Not Misleading Claims

- **Due Diligence:** Firms must conduct appropriate due diligence before making claims about potential rates of return.
- **Evidence and Documentation:** Claims must be supported by documentation and publicly available evidence, ensuring past performance data is compliant with relevant rules.

5. Required Disclosures



- **Rates of Return:** Clear evidence of how advertised rates of return can be achieved and made available before investment.
- **Ownership and Consequences:** Disclosure of legal and beneficial ownership of cryptoassets and consequences of issuer or custodian failure.
- **Fees and Charges:** Transparent disclosure of any fees, rates, commissions, or charges that could affect advertised rates of return.

6. Monitoring and Compliance

- **Data Access:** Demonstrating access to data and systems to keep targeted rates of return up-to-date.
- **Lifetime Compliance:** Ongoing monitoring of compliance for the lifetime of the promotion.

7. Risk Communication

- **Comprehensive Disclosure:** Clear communication of all relevant risks, including rehypothecation of assets, additional transactions, token depreciation, and potential loss or hacks.
- **High-Yield Risks:** Emphasis on the high risks associated with high-yield investments, ensuring consumers are comfortable with the risks before investing.

Regulatory Compliance

1. Understanding Regulatory Requirements

- **Specified Investments:** Awareness that some cryptoassets and models may constitute specified investments, such as derivatives or units in a Collective Investment Scheme (CIS).
- **Authorization Requirements:** Activities related to these investments may require authorization under the Financial Services and Markets Act (FSMA).

2. Ongoing Review

- **Market and Regulatory Developments:** Continuous review and adaptation of guidance in response to market and regulatory developments.

By adhering to these principles and regulatory guidelines, PayBitoPro ensures that all financial promotions are fair, clear, and not misleading, maintaining transparency and trust with consumers while complying with U.S. laws and regulations.



Financial promotions on social media

Compliance with Government Guidance

1. Adherence to Government Guidelines

- **Government Guidance:** PayBitoPro ensures that all financial promotions comply with the Government's existing guidance on financial promotions on social media.
- **Equality and Diversity:** The company adheres to equality and diversity considerations, ensuring promotions are accessible and consider the intended recipients, particularly in the language used.

2. Technology-Neutral Financial Promotion Rules

- **Universal Application:** The financial promotion regime and government rules apply regardless of the format or type of communication on social media platforms, including YouTube, Reddit, X (formerly Twitter), Discord, and Telegram.
- **Restrictions:** Financial promotion restrictions apply to communications through these platforms. Unauthorized persons must comply with these regulations to avoid illegal promotions.

3. Guidance for Unauthorized Persons and Influencers

- **Infographic Resource:** Unauthorized persons and influencers are encouraged to review the infographic designed to help them understand when they might be at risk of communicating financial promotions illegally.
- **Commercial Relationships:** Financial promotions on social media must disclose any relevant commercial relationships, such as being paid or commissioned to promote a cryptoasset or cryptoasset service.

Ongoing Review and Policy Updates

1. Continuous Review

- **Guidance Review:** PayBitoPro continually reviews its guidance and updates it based on market or regulatory developments, including broader guidance on financial promotions on social media.
- **Consultation Outcomes:** The company will consider any changes needed following consultation and regulatory updates.



2. Familiarization with Company Policy

- **Policy Awareness:** Individuals involved in financial promotions should familiarize themselves with PayBitoPro's policy guidance to ensure compliance.

By adhering to these guidelines, PayBitoPro ensures that all financial promotions on social media are fair, clear, and not misleading, maintaining transparency and trust with consumers while complying with U.S. laws and regulations.

Due diligence before communicating a financial promotion

To comply with existing requirements of the financial promotion regime, PayBitoPro conducts thorough due diligence on both the cryptoasset or cryptoasset service it promotes, as well as any claims made in the promotion. There are three main reasons why this due diligence is essential:

1. Disclosure of Risks

- **Understanding Risks:** To ensure a financial promotion is fair, clear, and not misleading, PayBitoPro conducts due diligence to understand the relevant risks associated with the cryptoasset or cryptoasset service.
- **Accurate Risk Disclosure:** This understanding enables accurate and clear disclosure of those risks in the promotion, including in the required risk summaries.
- **Consumer Assessment:** The company assesses consumers' understanding of these risks as part of the appropriateness assessment throughout the customer journey.

2. Accuracy and Fairness of Claims Made

- **Verification of Claims:** Due diligence is conducted on any claims made in the promotion to ensure they are fair, clear, and not misleading.
- **Stability and Returns:** For example, claims about how stability is maintained or how advertised rates of return are achieved are thoroughly vetted.

3. Supporting Good Consumer Outcomes

- **Additional Obligations:** Beyond ensuring that a promotion is fair, clear, and not misleading, PayBitoPro may conduct additional due diligence to meet obligations under relevant duties, ensuring promotions support good consumer outcomes and avoid foreseeable harm.

Extent and Substance of Due Diligence



The extent and substance of the due diligence required will vary depending on several factors:

- **Form of the Promotion:** The format in which the promotion is delivered.
- **Content of the Promotion:** The specific information and claims included in the promotion.
- **Nature of the Cryptoasset:** Characteristics and attributes of the cryptoasset being promoted.
- **Characteristics of Prospective Recipients:** The likely attributes and understanding of the intended audience.

Specific Due Diligence Considerations

When conducting due diligence for a particular cryptoasset, PayBitoPro considers the following:

a. Authenticity and Accuracy

- **Background Checks:** Verifying the authenticity of the proposition by conducting background checks on the issuer, developers, or other key individuals associated with the cryptoasset.
- **Document Review:** Review the whitepaper and other documentation to ensure the accuracy of the proposition described in the promotion.

b. Fraud and Financial Crime Prevention

- **Anti-Fraud Measures:** Ensuring the cryptoasset is not linked to fraudulent activity, scams, money laundering, or other financial crimes.

c. Operational or Technological Risks

- **Risk Assessment:** Evaluating technological and operational risks, such as blockchain vulnerabilities, hacks, or code exploits.
- **Risk Communication:** Clearly conveying any identified operational or technological risks to consumers.

d. Environmental, Social, and Governance (ESG) Risks

- **ESG Claims:** Verifying claims about potential environmental, social, or governance benefits.
- **Governance Protocols:** Understanding risks from governance decisions approved by underlying protocols or the issuer.



e. Legal and Compliance Checks

- **Legal Status:** Ensuring the cryptoasset does not constitute a specified investment.
- **Regulatory Compliance:** Confirming that the company's activities involving the cryptoasset do not require permission or exemption under the Financial Services and Markets Act (FSMA).

Forming Independent Views

- **Independent Analysis:** PayBitoPro forms its own view of the risks associated with a cryptoasset to ensure compliance with financial promotion rules.
- **Information Reliability:** It is generally inappropriate to accept information provided by an unregulated person at face value. However, the company may rely on information and analysis prepared by independent professional advisers, evaluating the suitability of such information on a case-by-case basis.

Guidance and Best Practices

- **Follow Regulatory Guidance:** Authorized persons approving a cryptoasset financial promotion should adhere to relevant guidance on due diligence as outlined in regulatory documents.
- **Ongoing Review:** PayBitoPro continually reviews its processes and guidance to adapt to market or regulatory developments, ensuring ongoing compliance and protection for consumers.

Disclosure of the firm's regulated status

PayBitoPro ensures that any promotion they communicate or approve does not give an inaccurate impression of the regulated status either of the Company or the cryptoasset to which the promotion relates. In particular, MLR registered persons, which are not otherwise authorised by the Government, must not suggest or imply that they are authorized by the FCA or that their MLR status is equivalent to being authorised. Further, this Company does not indicate or imply that their underlying cryptoasset activities or the cryptoassets themselves are regulated by the FC.

PayBitoPro does not use its regulated status in a promotional way. For example, by using its regulated status to claim or imply a competitive advantage over other firms/companies. PayBitoPro does not claim or imply that its regulated status is an endorsement of the services it provid.

