



TRECENTO

BLOCKCHAIN CAPITAL

APPENDIX

Compliance, Risk Management and Security Paper

June 2018

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General Warning

This Compliance, Risk Management and Security Paper is for discussion and and pre-information purposes only. The information contained herein is subject to change. No part of this Compliance, Risk Management and Security Paper is legally binding or enforceable, nor is it meant to be, until it has been discussed, reviewed and revised by the board of directors, the board of advisors and Company lawyers. Please do not copy or disseminate any part of this Compliance, Risk Management and Security Paper without including this disclaimer. The final version of this Compliance, Risk Management and Security Paper will be published as soon as adopted.

This document is not composed in accordance with, and is not subject to, laws or regulations of any jurisdiction, which are designed to protect investors.

You acknowledge and agree that there are risks associated with investing in Trecento Blockchain Capital funds and/or purchasing, holding, and using TOT ("Trecento Token") in connection with the Company's product, services and platform developed for such products and/or services (hereafter, the "Platform"), as disclosed and explained in this Compliance, Risk Management and Security and in the Terms and Condition available at <http://ico.trecento-blockchain.capital>. If you have any questions regarding these risks, please contact us at contact@trecento-bc.com.

Any buyer purchasing the Company's products or services expressly acknowledges technical and market uncertainties which are inherent in any business development project as presented in this Compliance, Risk Management and Security Paper (see below for risk factors) and that this project may therefore never come to fruition or may have to be abandoned. In such a case, the buyer expressly acknowledges and accepts that it will not be entitled to sue or bring any direct or indirect legal action before the courts, the arbitration bodies or any alternative dispute settlement body, either in Switzerland or abroad, against the Company, its directors, shareholders, employees or subcontractors in the event of the non-performance, non-deployment or non-implementation of the project, even in cases where it's Trecento Blockchain Capital that have lost some or all of their value.

In addition, the Company may not be held liable for any of the following:

- (i) use of services that are not compliant with the applicable terms;
- (ii) non-performance, failure, malfunction or unavailability of the services due to a third party, the buyer, a third-party product, or the buyer's breach of its obligations;
- (iii) indirect damages such as business loss or disturbance, loss of orders, operating loss, infringement of the trade mark, loss of profits or clients (e.g. improper disclosure of confidential information concerning said clients due to failure or piracy of the Platform, third-party proceedings against the client, etc.);
- (iv) loss, disclosure or unlawful or fraudulent use of user sign ons by the buyers or third parties;
- (v) suspension of access or temporary or permanent suspension of services (in particular, arising from a request issued by an appropriate administrative or judicial authority, or notification received from a third party);
- (vi) loss, alteration or destruction of all or part of the content (information, data, applications, files or other items) hosted on the infrastructure, insofar as the the Company is not responsible for managing the continuity of buyers activities, and data backups in particular;

(vii) mismatch between the services and the buyer's needs (in particular, with regard to the sensitivity of the relevant data);

(viii) security incidents relating to use of the Internet, concerning in particular the loss, alteration, destruction, disclosure or unauthorized access to the buyer's data or details on or via the Internet; and

(ix) damages to systems, applications and other items installed by the buyer on the infrastructure.

BY PURCHASING TRECENTO TOKENS (TOT) AND/OR INVESTING IN TRECENTO BLOCKCHAIN CAPITAL FUNDS, YOU EXPRESSLY ACKNOWLEDGE AND ASSUME THESE RISKS.

Executive Summary

Protecting our investors is our priority, Trecento Blockchain Capital will adopt strict Risk Management, Compliance and Security Policies

Trecento Blockchain Capital is an all-in-one Blockchain-centric investment solution.

In order to address most of the opportunities driven by the Blockchain revolution, Trecento Blockchain Capital will launch and manage **4 different funds** covering the 360-investment spectrum, and offering an optimal risk/return exposure to investors and strong potential alpha¹:

ICO Fund Investment in innovative companies raising funds, during the private sale (upstream)	Crypto Trading Fund Trading and Arbitration of cryptocurrencies and digital assets
Venture Capital Fund (VC) Equity investment in startups developing disruptive Blockchain solutions	Fund of Funds (FoF) Investment in specialized funds active in cryptocurrency/digital assets space and Blockchain companies

As the Blockchain market grows and becomes more disciplined or institutionalized and because of the additional anonymity and privacy features related to Blockchain technologies which increase trust and risk concerns, we will adopt **strict Compliance, Risk Management, Ethics & Transparency and Security/Cybersecurity policies**, as applied in the conventional Asset Management sector.

Trecento Blockchain Capital aims to establish a long-standing investment management in the Blockchain world and then aims to be compliant with most of the international financial rules and standards.

For this purpose, 3 specialised departments will be created and will **ensure that all these policies are communicated, fully understood and assimilated by the Trecento Blockchain Capital team, including the founders, the Advisory Board, our Partners and, as a minimum communicated to all of our third parties**:

- Risk Management Department
- Legal & Compliance Department
- Security and Cybersecurity Department

These ones will cover all identifiable risks associated to the crypto/Blockchain market, all identifiable legal risks and operational-related risks (non-exhaustive list): Market risk; Legal risk; counterparty risk; currency risk; risk associated to the technology and the Ethereum ERC-20 Protocol; hacking and cybercrime risk; conflict of interest risk; liquidity risk; risk associated to the exchange platforms; etc.

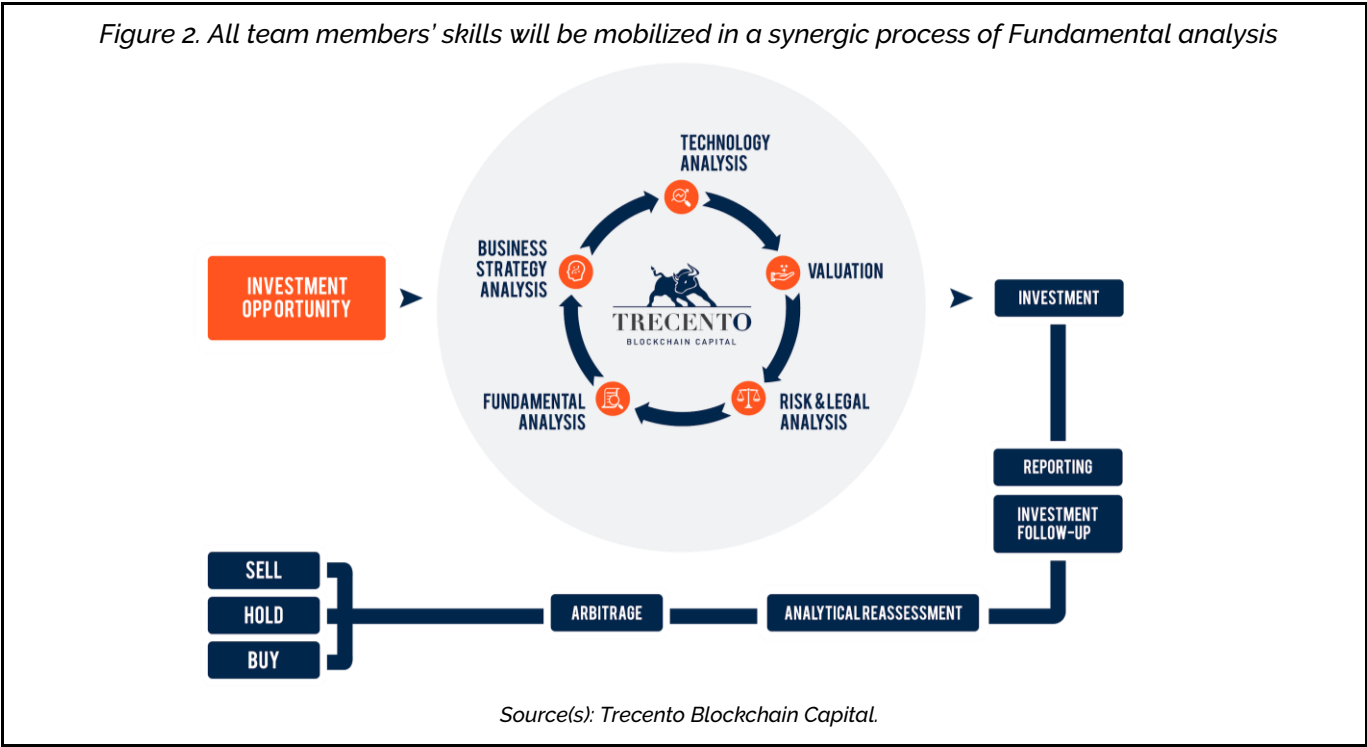
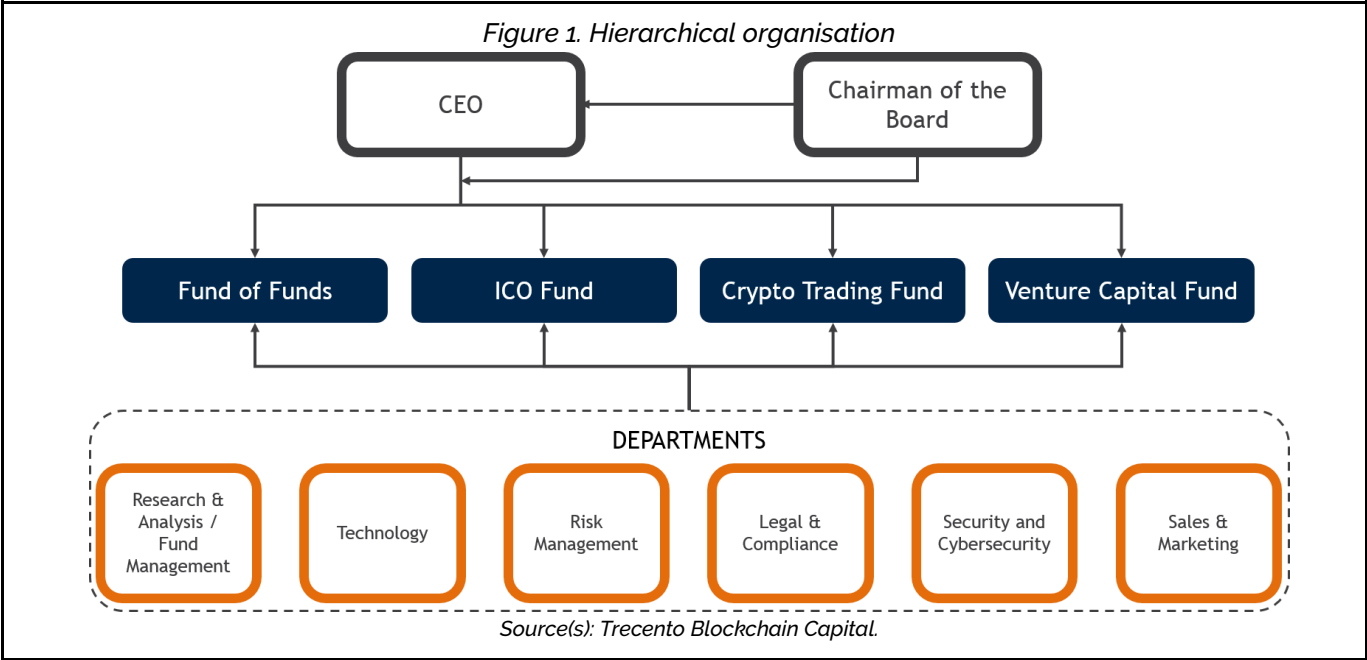
In addition to that, we will adopt a **code of Ethics & Transparency** adapted to the Blockchain world which will address most of the PRI principles as defined by the United Nations (UN). We will in particular integrate the ESG issues (Environmental, Social and Governance) in our processes of analysis and decision-making. This code will also address transparency issues and **a special attention will be paid by the whole team members to the KYC/AML rules and procedures**.

¹ The excess return of an investment relative to the return of a benchmark index is the investment's alpha.

Dedicated Teams and Departments

3 specialized department will cover all identifiable risks associated to the Crypto/Blockchain market

Blockchain and cryptocurrency space is a complex world for most people. Enabling blockchain technologies to emerge and democratize can be done only through a strong and skilled team with a unique mix of complementary and key/core expertise from different industries.



The Risk Management, Legal & Compliance and Security & Cybersecurity departments will ensure that all of the rules mentioned in this document, as defined by Trecento Blockchain Capital and in accordance with existing regulations, are fully respected.

In this purpose, we will hire a Risk Manager and a Legal & Compliance Officer, assisted by a specialist provider in compliance and internal control, and a Head of Security in charge of cybersecurity and all technology-related issues.

In parallel, we will closely work with major law firms as our partners:

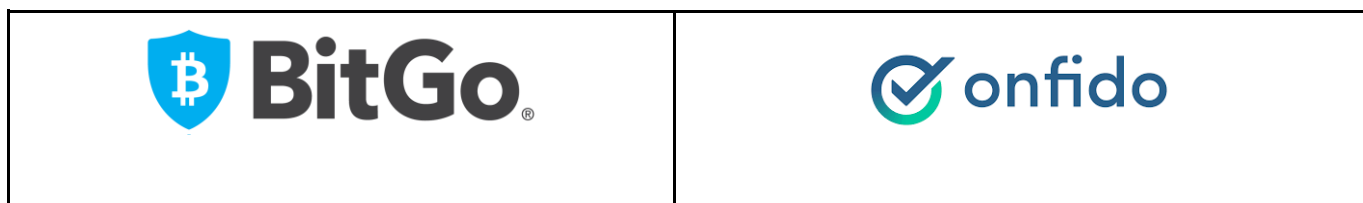
- Kramer Levin Naftalis & Frankel LLP;
- Ochsner & Associés;
- Bersay & Associés.

Each of which is considered as a major law firm in different areas of expertise, Finance among others (including Investment Management, Banking and Finance, M&A, Private Equity, Cybersecurity, Privacy and Data, Tax, cryptocurrencies and Blockchain, etc).



Other partners will help Trecento Blockchain Capital to reach a sufficient and strong Compliance, Risk Management and Security Policy:

- BitGo: a software company that secures digital currency for institutional investors;
- OnFido: a company that builds trust in an online world by helping businesses digitally verify people's identity (especially for KYC/AML procedures).



Risk Management Policy

Principles

Our 4 funds respond to different strategies and investment/management methods, resulting in a potential diversification of the global risk for investors: different investment timing, recommended investment period, investment type or vehicle, different risks associated to each fund, types of assets, etc.

In order to mitigate financial risks associated to our activity (including but not limited to market risk, currency risk or digital currency risk, liquidity risk), all our investment decisions will be taken in a collegial fashion after an in-depth analysis made by the Analysis and Research Department, whose members have been or will be selected for their professional competence and expertise within the Finance and/or Blockchain Industries.

Trecento Blockchain Capital will hire a Risk Management Officer along with risk analysts in order to address all the risks related to the 4 underlying investment vehicles. In particular, the Risk Management Department will ensure that (non-exhaustive list):

- Risk measurement and monitoring systems are conducted;
- Each investment decision is the result and conclusion of an in-depth analysis;
- Each investment decision is taken in a collegial fashion;
- Each investment decision is not taken thanks to a privileged information, an objective of price manipulation (or any abnormal events or behaviors that might result from prohibited actions which could constitute a market-related offence). The Risk Management will be assisted by the Legal & Compliance Officer for this purpose;
- A follow-up on each investment case is made with regular audits in order to make arbitrages in the best way;
- All the limits defined are respected depending on the different strategies (liquidity ratios, control ratios, weight limits, etc);
- Trades are exclusively done on sustainable exchange platforms such as HitBTC, Binance, Bittrex, Bitfinex. Exchange platforms that are unregulated and/or which do not have proof or reserves will not be used;
- In order to address counterparty risk, the use of derivatives (such as futures, options, CFD or Rolling Spot Forex) is permitted and allowed (under the discretionary strategy of the trading team and hedge funds managers);
- Policies regarding conflicts of interest management, confidentiality, investor relations, security and cybersecurity and a policy of fraud management are implemented;
- Stress tests and VAR procedures are put in place, conducted and performed in order to address market and investment risks. Specific or "unsystematic" risk can be lowered through a portfolio diversification from the different hedge funds managers (as opposed to market risk which cannot be eliminated through diversification, though it can be hedged against);

- Subscriptions to the funds are opened to “qualified investors” (minimum of € (EUR) 1,000).

More details on the Investment Committee

The Investment Committee is made up of all the teams from each department including the Executive Management of Trecento Blockchain Capital, because we consider that the fundamental analysis of such projects in this universe requires transversal skills that a single individual can not necessarily have.

The investment decision will always belong to the funds managers, but this must be linked to a global consensus (justified decision). In the event that a consensus is not reached or if there is a complex problem, the Investment Committee will obviously be able to call on the Advisory Board composed of experts from different industries, including Blockchain expertise.

Basel III Principles against liquidity issues

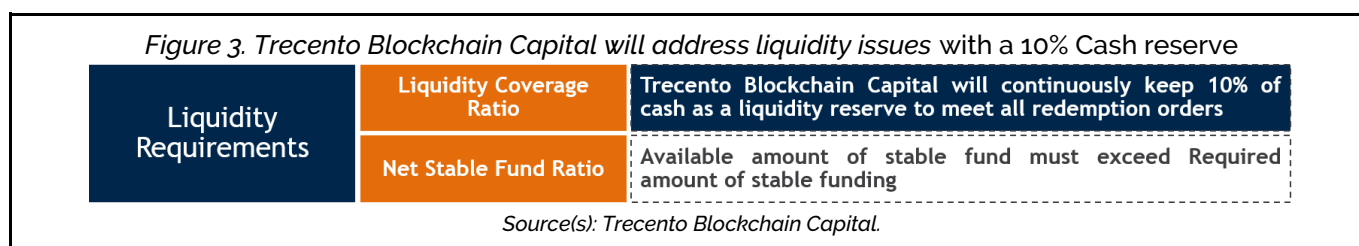
Liquidity is a major issue in both the traditional Financial markets and Crypto/Digital Assets space:

markets can be rendered illiquid by a strong imbalance between supply and demand. If the offer retracts, prices go up. And conversely, if the asset is no longer required, the seller is obliged to agree a sharp decline to find taker. In some cases even, prices can't be formed.

Basel Accords, issued by the Basel Committee on Banking Supervision (BCBS), are a set of recommendations for regulations in the banking industry:

- **Basel I** was primarily focused on credit risk and appropriate risk-weighting of assets;
- **Basel II** was intended to ensure that the more significant the risk a bank is exposed to, the greater the amount of capital the bank needs to hold to safeguard its solvency and overall economic stability);
- **Basel III** standard, developed in response to the deficiencies in financial regulation revealed by the financial crisis of 2007-08, aims to strengthen the requirements from the Basel II standard on bank's minimum capital ratios. In addition, it introduces requirements on liquid asset holdings and funding stability.

In order to meet investors interests and offer liquidity regarding redemption orders, Trecento Blockchain Capital has chosen to apply (in an adapted way) one of the main Basel framework principle required by the BCBS and applied by the Banking Industry:



Except for the Venture Capital fund, all other funds have no lock-up period. This could obviously generate liquidity issues. These are addressed efficiently by both the smart contract allowing fast redemption orders execution (in respect with the “Best execution principle”) and by the **cash reserve equivalent to 10% of AuM.**

Compliance Policy

Principles

In order to avoid any conflicts of interest or market-related offence, ethical rules' monitoring mission will be ensured by the Compliance and Internal Control Officer and its Department team (assisted by the Legal Officer and with the support from our different Lawyers-Partners).

Their joint mission will be to ensure compliance with the principle of management autonomy and to monitor compliance with the internal code of ethics.

As defined in the Compliance and Internal Control plan, deontological actions will be recurring, they will, if applicable, be adjusted according to the rules set within the company.

Each semester, a summary note regarding ethics checks' results will be formalized by the Internal Control delegate. An annual report will be filed based on those notes.

The Compliance and Internal Control Officer will set internal procedures to **ensure anti money laundering laws and compliance regarding jurisdictions in which Trecento Blockchain Capital has an activity.**

Strict KYC procedures will be followed, to verify the client exact identity, its activities and tax credits entrusted. **A second level of control will be performed by an Internal Control Delegate.**

The controlled aspects of the company activity include (non-exhaustive list):

- Strict KYC/AML/CFT procedures are put in place with the help of the Legal and Compliance Officer;
- Regularity of operations carried out by Trecento Blockchain Capital and their compliance with the laws, regulations, standards and professional practices, contractual stipulations binding the company or the funds;
- Respect of internal procedures, as the ones regulating the selection and relations with contributors and external providers;
- Respect of the global strategy and more specifically the consistency between the objectives set up initially, limits, market changes, performance and any other feature of the managed fund;
- Guarantee of the traceability of orders and investment decisions;
- Valuation of financial instruments;
- Controle of the hedge funds Managers regarding compliance with regulatory and contractual investment ratios;
- The quality of information and communication systems to support operations, their monitoring and reporting.

Know Your Customer (KYC) procedures

As part of the Know Your Customer procedure (KYC), anyone wishing to acquire TOT will have to provide the Company with the following details via the dedicated ICO website prior to purchasing TOT:

- Surname and first name (for private individuals) / company name (for companies);
- Country of tax residence;
- Address;
- E-mail address;
- ID card / Passport;
- Selfie.

Investor OnBoarding and KYC/AML/CFT procedures

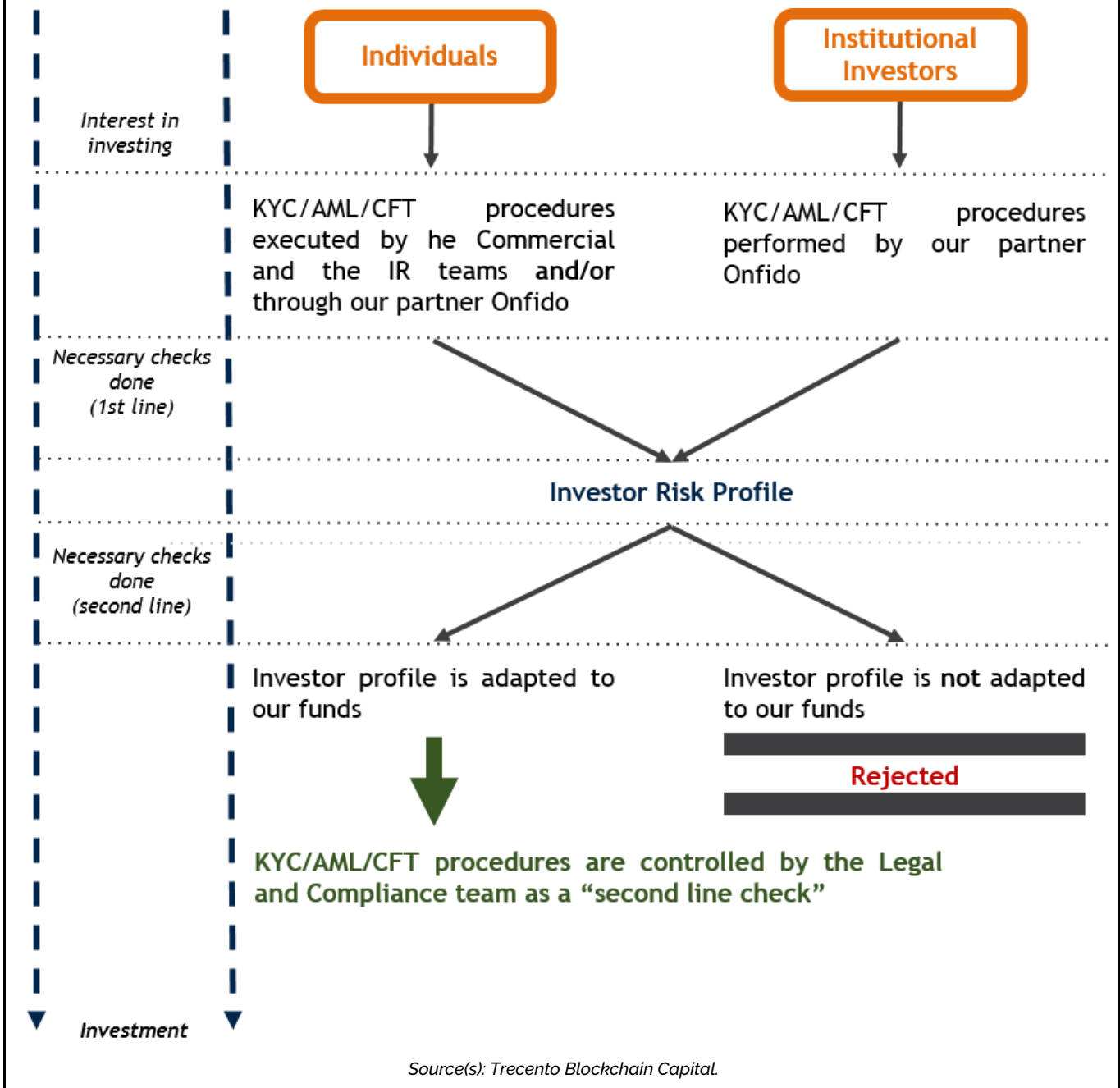
Because the market is still not fully regulated and controlled, we will attach a great importance to KYC procedures in order to protect both the company and our investors from any legal issues (AML/CFT). In addition to the KYC procedures, subscribers will have to fill out an Investor Profile Questionnaire in order to determine if the risk profile is adapted to our funds.

We reserve the right to refuse subscription orders if the investor risk profile is not adapted to our funds.

The Company will ensure that strict KYC procedures are:

- Performed by our partner OnFido (company specialized in identity management & control). KYC procedures will be available on our website and must be done before any subscription. For institutional investors, these procedures can be more extensive and thus executed directly with the Commercial and IR teams;
- Controlled by the Legal and Compliance teams;
- Communicated, fully understood and assimilated by the company staff, including the founders, the Advisory Board members and our partners.

Figure 4. OnBoarding path



Security and Cybersecurity Policy

Security Management

Trecento Blockchain Capital will have a strong Security and Cybersecurity Policy, managed and performed by the Head of Security:

- Each internal tool will use an Access & Rights management to segregate the use & permissions;
- Redundant Servers are going to be used and a continuity plan will be established;
- Wallets/Crypto Funds Security:
 - All unused money will be stored in cold wallets;
 - Private keys will be printed, split, and stored around the world in different locations;
 - A cash reserve will be accumulated and meant to be used on platforms or transferred to cold wallets;
 - Wallets will have multi-signatures;
 - Wallets will only be accessible from Whitelisted IPs;
 - A transaction limit will be set up (per day/per week/per month);

There are 5 types of Wallets that we can use:

- Paper Wallet: The key is generated and printed on a paper and stored in a safe location (bank vault, special location, etc). This bring a strong digital protection;
 - Desktop Wallet: Investors will be able to download and manage their wallets directly on their computer. The wallet generates the private key investors store wherever they want;
 - Web Wallet: You open an account on a web platform which host your wallet. You know your private key, but they manage it for you;
 - Exchange Wallet: The exchanges platforms hold your public & private keys. So you are not in control of your « wallet » in this case;
 - Hardware Wallet: You have a USB Key or else that holds your altcoins. You know and manage your public & private keys. But there is a risk: if you lose the device that, it will be hard to recover your money.
- Withdrawals will need an ID confirmation (video call).
 - Also, we are going to use "classical" internet protections:
 - DDOS attacks protection Policy;
 - Encrypted Internet Connection;
 - SSL Certificate on Website & Tools;
 - VPN Access;
 - Security will be audited by High Level Security Partners;
 - Smart Contracts will be open-source and audited.

Security Audit

We are going to put our Smart Contracts source codes on Github, allowing anyone to audit and test them on a testnet network.

Smart Contracts will be audited by a specialized third-party actor which will analyse our source code and identify any vulnerability.

Code of Ethics and transparency

Trecento Blockchain Capital abides by ethics and transparency standards with:

- A Code of Ethics and Transparency will be adopted;
- Integration of ESG (Environmental, Social, Governance) issues in our processes of analysis and decision-making, as defined in the Principles for Responsible Investment (PRI) from the United Nations (UN);
- Strong ethics compliance i.e. sectors like gambling, alcoholic beverages or cloning are excluded;
- Focus on "clean" businesses only ("no-corruption"/ "no-bribery" policies);
- Regulated company and approved funds;
- Clear tokenization policy and transparency regarding revenues and costs;
- Strong KYC/AML/CFT requirements to ensure the investors compliance with international and recognized standards;
- Complete performance transparency.

Contacts

Investors Contacts

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Websites

- ❖ Trecento Blockchain Capital: <http://www.trecento-blockchain.capital>
- ❖ ICO: <http://ico.trecento-blockchain.capital>

Social Media

- ❖ Facebook: <https://facebook.com/trecentoBC/>
- ❖ Twitter: <https://twitter.com/TrecentoBC>
- ❖ LinkedIn: <https://www.linkedin.com/company/trecento-blockchain-capital>
- ❖ Medium: <https://medium.com/trecento-blockchain-capital>