



Mr. Daniel Risch
Prime Minister of Liechtenstein
Peter-Kaiser-Platz 1
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Fürstentum Liechtenstein

Vaduz, October 26th 2022

OPEN LETTER
LCX Utility Token; Information Request by the U.S. Securities and Exchange Commission (SEC)

Dear Mr. Risch,

I am writing to you in regards to an urgent matter on Liechtenstein's reputation, integrity and sovereignty. The reaction by the Liechtenstein government and the Financial Market Authority (FMA) Liechtenstein in this case is of great importance for the blockchain industry. It is the tipping point of whether Liechtenstein is standing for its beliefs to establish a token economy of compliant, trustworthy and innovative blockchain and crypto companies.

That's why I ask you to uphold Liechtenstein's Blockchain Act as a framework to give legal clarity for its market participants, such as LCX AG, and their users. Don't let foreign authorities undermine Liechtenstein's legal framework for the token economy.

The Liechtenstein government passed a legal framework for the token economy, the Token and Trusted Technology Service Provider Act (Token- und VT-Dienstleister-Gesetz or TVTG), also known as the Blockchain Act. The law entered into force on January 1st 2020 and is described as a legal framework to give legal clarity to all market participants. In particular the Blockchain Act introduced a framework to classify tokens and their associated rights - including utility tokens used as vouchers to be used for procurement of services. The Liechtenstein government in collaboration with many stakeholders have worked hard to establish an innovative legal framework to foster the opportunities of the growing token economy. Liechtenstein became a role model and new policies, such as the European Commission's Regulation of Markets in Crypto-assets (MiCA), have been based on key concepts of the Blockchain Act.

Due to this holistic legal framework I decided to incorporate LCX in Vaduz Liechtenstein in 2018. Since then LCX has become one of the leading regulated cryptocurrency platforms worldwide and a new category leader in the blockchain industry. LCX AG is the company operating LCX.com and has issued its utility token, the LCX token. LCX invested millions of Swiss francs for our legal setup and our Crypto



Compliance Suite - probably the most advanced KYC and compliance solution in the market including blockchain analytics and travel rule implementation. We also invested upfront into clarifications to issue and operate LCX token as a utility token in a fully compliant manner. As a result, LCX gained 8 regulatory registrations by the Financial Market Authority, more than any other company in the country. LCX is registered as Trusted Technology (TT) Exchange Service Provider, TT Token Depository, Token Generator, TT Key Depository, TT Price Service Provider, TT Identity Service Provider, TT Token Issuer for its own and TT Token Issuer for third parties.

The Financial Market Authority (FMA) has been contacted by the U.S. Securities and Exchange Commission (SEC) to collect and exchange information about LCX AG and its LCX token. LCX received the information request from the FMA on September 2nd 2022 with a list of 16 questions from the SEC. The information request includes financial information, confidential business information, internal strategy documents, internal communication and confidential partnership documents.

In the letter, the FMA confirmed that SEC emphasizes that it is not investigating LCX AG.

The SEC explains that there is an investigation against several US individuals, also former Coinbase employees, in regards to insider trading. In order to be able to prove insider trading, the SEC must demonstrate, among other things, that the traded tokens are securities ("securities" in the USA). According to American law, this is, among other things, a "security" if a so-called "investment contract" is present. According to the so-called Howey test, such a test is present if (1) money was invested (2) in a joint venture (3) with an expectation of profit arising from the efforts of others. In its lawsuit, the SEC assumed that at least nine of the traded tokens represented such "investment contracts", including the LCX token.

LCX token is not a security, the token has been classified as a utility token and has been issued under Liechtenstein laws by LCX AG. LCX has hired reputable law firms in Liechtenstein, Singapore and the US to obtain detailed legal opinions that LCX token is not a security and is classified as a utility token. LCX utility token is structured as a voucher to pay fees at the LCX online platform. In 2020 a special investigation triggered by the FMA Liechtenstein, the public prosecutor Liechtenstein investigated the LCX token in detail. In a ruling by the office of the public prosecutor Liechtenstein closed the case and **clarified that the LCX token is not a financial instrument, not a security and is not E-Money.**

Since the inception of LCX AG, our dedicated compliance team has been in constant contact with the FMA Liechtenstein with weekly communication and frequent exchange of information and documents. LCX has acted in full transparency and FMA has all necessary information to answer all SEC's questions in detail and beyond.

LCX offered support and provided detailed information, answering several questions by the SEC related to the insider trading case and also offered to be available for clarification calls or discussion.

LCX confirmed that the accused individuals are not known to LCX and have never been in contact with LCX. LCX also confirmed that Coinbase acted as a role model in regards to the listing process of LCX Token at Coinbase Exchange. There was no communication between LCX and Coinbase, no information shared before listing and LCX got informed about a listing of the LCX token from the mainstream media -



not before. Coinbase publicly confirmed that they [“do not list any securities”](#) and that their process to select tokens for listing had been reviewed and approved by the SEC.

This week the FMA has sent another letter to LCX AG threatening with a notice of enforcement if LCX will not answer all questions by the SEC, including confidential corporate documents. This is undermining what Liechtenstein has been building for so long - a regulatory framework to provide legal clarity for all market participants.

As LCX Token is not a security and the information exchange agreement between FMA and SEC is only applicable to security or banks, LCX did not provide information outside of the scope of the insider trading case. LCX also requested the FMA to not share any confidential information from LCX to the SEC without LCX's authorization.

The information request by the U.S. Securities and Exchange Commission (SEC) is falsely based on the Liechtenstein FMA Act Article §27a and a signed Memorandum of Understanding (MoU) between SEC and FMA from 2013 - which we reviewed in detail. Both the FMA law §27a and the signed MoU is specifically focusing on exchange of information in regards to funds, banks or other financial institutions handling securities. LCX token is not a security, LCX AG is not a bank or fund and is not handling any securities. **As such the whole information request by the SEC does not have any legal basis and must be rejected.**

As stated at the beginning of my open letter, this case is of great importance for LCX and the whole token economy in Liechtenstein. We did everything in our power to structure and maintain LCX token as a utility token according to the Liechtenstein Blockchain Act (TVTG). Reputable lawyers and the office of the public prosecutor Liechtenstein have confirmed that LCX token is not a security.

Therefore our respond to SEC will include the following:

1. Liechtenstein established a legal framework to classify tokens as utility tokens or security tokens.
2. LCX token has been classified as a utility token.
3. The SEC information request will be rejected as it is based on securities laws which do not apply to LCX Token and LCX AG.
4. We invite the SEC to learn about the Blockchain Act and encourage them to also set a legal framework which gives legal clarity to market participants, such as LCX AG.



Lastly, I would like to take this opportunity to thank you and the whole Liechtenstein government for your engagement in the blockchain industry. The Blockchain Act is enabling the industry to mature and to establish businesses in a legal and compliant manner providing investor protection and clarity for all crypto companies.

I also want to congratulate you for your opening speech at the TokenSummit Liechtenstein earlier this month, where you “took the opportunity to show the advantages of Liechtenstein’s business location and to emphasize how much innovation and economic success depend on us being able to decide and act freely. **It is worth standing up for this privilege.**”

Best regards,

Monty C. M. Metzger
CEO
LCX AG