Liquid Trading Rules

IMPORTANT NOTICE FOR RESIDENTS OF JAPAN: These Trading Rules do not apply to you if you reside in Japan or if you are using or accessing the Services on behalf of an entity that is incorporated, established, or domiciled in Japan. In that case, your account will be opened with Quoine Corporation and the Trading Rules (取引ルール/手数料) provided on the Japanese language version of the Liquid website apply to you.

If you are a Japanese citizen but not resident in Japan, your account is with Quoine Pte. Ltd. and the Trading Rules set out below apply to you.

Effective date: 31 July 2020

These Trading Rules and any terms expressly incorporated herein ("**Rules**") form a part of and are incorporated into the Liquid Terms of Use ("**Terms of Use**") that apply to your access to and use of any Services made available by Quoine. Certain capitalized words and phrases used in these Rules are defined in the Terms of Use.

By clicking a checkbox or a button that contains words such as "I Agree" when presented with these Rules or, if earlier, by accessing or using any Services, you agree to be bound by these Rules.

Please review these Rules periodically to ensure that you understand all the terms and conditions that apply to your access to and use of the Services.

These Rules provide explanations of permitted trading methods, terminology, fees, rules applicable to Leveraged Trades and other important matters so that users can understand the trading of Digital Assets and Derivative Products that can be performed using the Services. Additional matters not addressed in these Rules are set out in the Liquid Support pages, the Developer Tools, and other Quoine Materials.

1. TRADING CHANNELS

Orders may be placed only through the methods specified in the Services. However, some Services may not be available from certain devices.

Quoine does not accept orders through customer support, by email, by text message or messaging applications, through social media services, by telephone, or by any other method not approved by Quoine.

2. TRADING PAIRS

A "**Currency**" refers to a specific Fiat Currency or Digital Asset (or in the case of a Derivative Product, the instrument derived from a Digital Asset). A "**Trading Pair**" is a set of two Currencies, displayed side by side, that may be traded in a Trade.

Each Trading Pair, as shown on the Site, indicates the amount of Currency displayed on the right side of the Currency Pair that is necessary to acquire one unit of the Digital Asset on the left side of the Trading Pair. For example, ETH/BTC indicates the amount of BTC necessary to purchase one ETH and BTC/USD indicates the amount of USD necessary to purchase one BTC.

The Trading Pairs available to you for trading are visible on the Site after you log in.

3. TRADING OVERVIEW

Various types of trading are available through the Services, including:

- spot trading;
- margin trading; and
- trading of Derivative Products.

As of the date of these Trading Rules, the Derivative Products consist of:

- Liquid Infinity, which refers to leveraged contract-for-difference (CFD) trading ("**Infinity**"); and
- Liquid Perpetuals, which refers to the trading of perpetual contracts based on an underlying index and the associated swapping of cash-flows between users with long and short positions ("**Perpetuals**").

In spot and margin Trades, Digital Assets are actually bought and sold. In Infinity and Perpetuals Trades, Digital Assets are not actually bought and sold due to the fact that these are derivative products that are cash-settled.

Additional details of spot trading, margin trading, and Derivative Products are set out in the Quoine Materials for informational purposes only and may be updated from time to time by Quoine at its discretion.

4. ORDER TYPES

Market orders	*An Order in which the user does not specify a price* ● When a market buy order is placed, the order quantity is filled beginning with the lowest-priced sell order (an "ask") currently available. ● When a market sell order is placed, the order quantity is filled beginning with the highest-priced buy order (a "bid") currently available in the orderbook. Batch sell orders, partial liquidation orders, total liquidation orders, batch liquidation orders, batch long position liquidation orders, and batch short position liquidation orders are executed as market orders.
Limit orders	*An Order to be executed when the market price reaches a specified price (a "limit") that is better than the market price as of the time the order is entered* ● A buy limit order will be executed if the lowest ask in the orderbook falls to or below the limit. ● A sell limit order will be executed if the highest bid in the orderbook rises to or above the limit. The amount of Funds in unfilled limit orders is deducted from a user's available balance.
Stop orders	*An Order to be executed when the market price reaches a specified price (a "limit") that is worse than the market price as of the time the Order is entered* ● A buy stop order will be executed if the lowest ask in the orderbook rises to or above the limit. ● A sell stop order will be executed if the highest bid in the orderbook falls to or below the limit. The amount of Funds in unfilled stop orders is not deducted from a user's available balance. If there is insufficient balance in a user's account, a stop order will be canceled automatically.
Trailing stop orders	*A stop order with a limit that "trails" after market price by a specified amount or percentage* ● In a buy trailing stop order, a limit is set at a fixed amount or percentage above market ask with a "trail" amount. When market ask falls, the limit will also fall ("trailing" the market ask) by the trail amount. When market ask rises, limit does not change, and the order is executed as a market order when the limit is hit.

	• In a sell trailing stop order, a limit is set at a fixed amount or percentage below market bid with a "trail" amount. When market bid rises, the limit will also rise ("trailing" the market bid) by the trail amount. When market bid falls, limit does not change, and the order is executed as a market order when the limit is hit.

5. OTHER TERMS

Active period of limit and stop orders	Orders are active until executed or until canceled. There are instances in which only part of an Order is executed (or "filled"). In these cases, the remaining unfilled order will remain active until executed or until canceled.
Canceling orders	Users may cancel unfilled limit orders and stop orders. Quoine may cancel unfilled limit orders or stop orders in connection with scheduled maintenance and in certain other circumstances (see Section 11.5). Market orders cannot be canceled.
Changing orders	A user may not change limit orders and stop orders if they have been partially filled. Market orders cannot be changed.
Order limits and conditions	Quoine, at its sole discretion, may impose and amend limits or conditions on Orders and Trades, as set out in the Quoine Materials. Such limits or conditions may vary by Currency and type of Order or Trade. Quoine unilaterally may take suitable measures (such as to cancel open Orders) to enforce any such limits or conditions. Without limiting the generality of this section, when Quoine determines in its sole discretion that a user has placed multiple Orders at a particular price point, Quoine may consolidate such Orders and/or cancel excess Orders.
Order quantities	Quoine, at its sole discretion, may apply minimum and maximum order quantities, as set out in the Quoine Materials. Such quantities may vary by Currency and type of Order or Trade.
Slippage	Slippage refers to a situation in which there is a difference between the price seen by the user (the price displayed on screen when placing an order) and the actual execution price, due to reasons such as market changes after an order is placed. Slippage can occur with market orders and stop orders. Slippage may be beneficial to the user in some cases but detrimental in other cases. Quoine will not be liable for any such difference in price, and Quoine otherwise bears no liability whatsoever in relation to slippage.

6. LEVERAGED TRADES

A "**Leveraged Trade**" refers to any Trade in which a user deposits margin with Quoine as collateral and engages in a Trade for an amount multiple times larger than the margin. Leverage Trades include Trades made through the margin trading and Derivative Product features of the Services.

Certain details of Leveraged Trades are set out in the Quoine Materials and may be changed at Quoine's discretion. It is important for users to visit the Site to view the details currently applicable to each type of Leveraged Trade. By placing an Order to execute a Leveraged Trade, you represent and warrant that you have read the Quoine Materials and that you understand all relevant details of the applicable type of Leveraged Trade.

7. LEVERAGED TRADE TERMINOLOGY

Open positions	*An Order that has been placed and has not been closed with an opposing Order or cancelled* Open positions (sometimes called “positions”) are referred to as “long positions” when buying and “short positions” when selling.
Initial required margin	*Margin required to open a position* The methods for calculating the initial required margin for each type of Leveraged Trade are set out in the Quoine Materials and may be changed at Quoine’s discretion.
Leverage	*The amount of Currency a user may borrow for a Leveraged Trade, expressed as a multiple of the amount of margin deposited by the user* For example, a user who deposits USD$10 of margin for a Leveraged Trade with 10x leverage may borrow USD$100 for such Leveraged Trade.
Maintenance margin	*Margin required to maintain open positions* The methods for calculating maintenance margin for each type of Leveraged Trade are set out in the Quoine Materials and may be changed at Quoine’s discretion.
Margin	*Funds used as collateral to open and maintain a position*
Margin coverage	*A percentage used to determine when to trigger an alert or a liquidation* The calculation of margin coverage depends on the margin type selected by the user: ● When <u>isolated margin</u> is selected as the margin type, margin coverage is calculated as follows (expressed as a percentage): *(margin allocated to the isolated margin position +unrealized gains – unrealized losses) ÷ maintenance margin* ● When <u>cross margin</u> is selected as the margin type, margin coverage is calculated as follows (expressed as a percentage): *(account balance – reserved balance + unrealized gains – unrealized losses) ÷ maintenance margin* “Reserved balance” is the amount of funds reserved for isolated margin positions. Margin coverage calculations may be changed at Quoine’s discretion.
Margin coverage – alert level	*The margin coverage level at which a user is notified by email that the user’s margin coverage has decreased (sometimes referred to as a “margin call”)* Alert notifications are sent as a tool to help users manage their open positions. However, be aware that due to technical reasons, sudden market changes, and other such causes, notification may be delayed or not sent at all in some cases. Accordingly, users should anticipate the possibility of such events and constantly exercise sufficient caution in their trading.
Margin coverage – liquidation level	*The margin coverage level at which a user’s positions are forcibly liquidated* Similarly, the “liquidation price” is the price at which a position is forcibly liquidated.
Unrealized profits and losses (P&L)	*Profits and losses of open positions* The methods for calculating unrealized P&L for each type of Leverage Trade are set out in the Quoine Materials and may be changed at Quoine’s discretion.

7.1 ADVANCED TRADING OPTIONS

Advanced trading options such as the following may be available for certain types of Leveraged Trades:

Margin type	Isolated margin or cross margin may be selected.
Mode	One-Direction: If selected, a newly-opened position must be in the same direction (buy or sell) as currently open positions. Two-Direction: If selected, a newly-opened position does not need to be in the same direction (buy or sell) as currently open positions. Net-Out: If selected, a newly-opened position cancels and "nets out" a currently open position. For example, if there is an open long position for 3 BTC, then a short position for 2 BTC opened in Net-Out mode will result in one long position for 1 BTC.
Stop loss	Stop loss is a method to limit losses automatically. A user may specify an amount of acceptable loss or a target price (expressed either as a specific price or as a percentage difference from the open price) at which to close a position. Once the market price reaches the target price or a price that would result in the specified amount of losses, a market order will automatically be placed to close the open position for a loss. Because stop loss relies on the placement of market orders, losses may be greater or less than anticipated due to market fluctuations.
Take profit	Take profit is a method to realize profits automatically. A user may specify an amount of desired profit or a target price (expressed either as a specific price or as a percentage difference from the open price) at which to close a position. Once the market price reaches the target price or a price that would result in the desired profit, a limit order will be executed to close the open position for a profit.

7.2 Funding Leveraged Trades

Margin must be deposited ("posted") before placing any new Order in a Leveraged Trade.

To open a position, the deposited margin must be equal to or greater to the initial required margin calculated at the time the position is opened. To maintain an open position, margin coverage must exceed the maintenance margin. With respect to an isolated margin position, the user may increase the amount of margin allocated to the isolated margin position from time to time at the user's discretion.

Margin can be deposited using any Fiat Currency supported by Liquid or certain Digital Assets. When depositing margin using certain Digital Assets, the value of the Digital Assets may be reduced by a certain percentage for purposes of calculating maintenance margin and initial required margin (sometimes referred to as a "haircut"), as set out in the Quoine Materials.

7.3 Liquidation

Open positions will remain open indefinitely until they are closed or liquidated. An open position is liquidated by performing an opposing trade for an equal amount.

The liquidation method differs by type of Leveraged Trade, as set out below and described in further detail in the Quoine Materials.

Type of Leveraged Trade	Liquidation Method
Margin	If margin coverage falls to the liquidation level, then in order to prevent losses from increasing, the user’s open positions are forcibly liquidated one position at a time through opposing trades as market orders. ● In the case of <u>cross margin</u>, positions are liquidated beginning with the position with the largest unrealized loss, until the margin coverage returns to an amount that is greater than the liquidation level. ● In the case of <u>isolated margin</u>, only the applicable position will be liquidated. Because the final liquidation price in a liquidation depends on the current market price and availability of market orders, the total amount of losses is not determined until liquidation is complete. In cases of sudden changes in market conditions, for whatever reason, the final liquidation price can differ greatly from the price at the time that the liquidation is triggered, so it is possible for users to incur losses greater than the amounts they have deposited.
Infinity	Liquidation of open positions is initiated when margin coverage is equal to or lower than the liquidation level. The price at which this occurs is referred to as the liquidation price. The profit and loss (P&L) of a position closed by way of forced liquidation is calculated using a bankruptcy price. The bankruptcy price is the price at which the entire margin of the position would be depleted, causing the margin coverage to become 0%.
Perpetuals	Liquidation of open positions functions in the same manner as Infinity, but with certain key differences: ● Calculations to value positions or P&L are based on a “mark price”, not the current market price. ● Maintenance margin (which influences margin coverage) is recalculated at each settlement time based on the then-current mark price. Users should review the Quoine Materials for additional details.

Fees: Additional fees may be charged upon liquidation, as set out on the “Fees” page of the Site.

System errors: If procedures for liquidation trades cannot be performed due to system, technical or other issues, there is a risk of users incurring losses that are greater than anticipated or greater than the amount deposited by them. In such cases, Quoine bears no liability to compensate for losses incurred by users.

Liquidation level and alerts: When the margin coverage has fallen to the alert level, Quoine will send a warning email to the user’s registered email address. Alert notifications are sent as a tool to help users manage their open positions. Quoine bears no liability whatsoever in cases where notification is delayed or not sent at all due to technical reasons, sudden market changes, or other causes.

	Margin coverage
Liquidation level	100%
Alert level	120%

The liquidation level and alert level for each type of Leveraged Trade may be changed at Quoine 's discretion.

Negative balances: You agree to promptly pay any negative balance that arises as a result of liquidation of your open positions, system errors, or any other reason. If you fail to pay such balance promptly, you hereby authorize Quoine to deduct Digital Assets from your Liquid Account, if any, to satisfy any such negative balance.

7.4 Cross-trading

Cross-trading means holding both the long position and the short position. This is not possible under default settings, but users can specify settings to allow for cross-trading. When engaging in cross-trades, the maintenance margin for both the long position and short position are necessary.

Users must note that cross-trades incur financing fees for both the long position and short position, and therefore may lack economic rationale.

8. BUY AND SWAP

For the convenience of users, simplified "Buy" and "Swap" tools are available as part of the Services. Users may choose to purchase a supported Currency in exchange for a pre-agreed amount of funding Currency. Users' contracting counterparty in Buy and Swap deals will be Quoine. Eligible users can choose to deal on the most recent quote presented by the Buy and Swap tools. Quotes are purely indicative and for reference purposes only. Buy and Swap deals may be executed at the quoted price or better. There is no warranty or guarantee that a deal will be executed through the Buy and Swap tools notwithstanding presentation of a quote. For avoidance of doubt, Buy and Swap deals are "Trades" for purposes of these Trading Rules and the Terms of Use.

Funding methods (Buy)	Cryptocurrency purchases made through the Buy tool must be funded using an accepted payment method, which may be updated from time to time at Quoine's discretion. Accepted payment methods may not be available to all users.
Net open position excess (Swap)	The user must have sufficient funds available to execute a deal through the Swap tool.
Changes and cancellation	Users may not cancel or modify a deal after accepting a quote.
Price protection	Deals will not be executed at prices worse than the quoted price.

9. TRADING FEES, CHARGES, AND REBATES

Trading fees, charges and rebates, as adjusted from time to time at Quoine's discretion, are shown on the "Fees" link on the Site.

10. SYSTEM MAINTENANCE

During scheduled or unscheduled system maintenance, availability of the Services will be affected and Trades cannot be performed. You acknowledge that adverse price movements in your Digital Assets are possible before and after system maintenance is carried out. You must manage your positions with appropriate risk control. Quoine will use reasonable efforts to provide notice prior to performing scheduled system maintenance. Quoine may cancel unfilled limit orders or stop orders in connection with system maintenance.

11. MARKET INTEGRITY

11.1 Prohibited Trading Activity

The types of trading activity set out below are prohibited (collectively, "Prohibited Activities" and each a "Prohibited Activity"). When Quoine determines in its sole discretion that a user is engaged in such activity, Quoine may suspend or terminate the user's account and freeze and/or appropriate funds (both Fiat Currency and

Digital Assets) within the user's account as compensation for costs, losses, expenses and any other damage suffered by Quoine or any of its other users.

- Churning: Placing both buy and sell orders at the same (or similar) prices to increase the price by attracting more traders.

- Pumping and dumping: Large-scale buying of a Digital Asset for the purpose of attracting other buyers, inflating market price, and then selling the Digital Asset at such inflated prices.

- Ramping: Artificially raising the price of a Digital Asset to give the impression of trading volume and/or price increase.

- Wash trading: Simultaneously selling and buying the same Digital Asset to create artificial activity in the market.

- Quote stuffing: Entering and withdrawing large quantities of Orders in a short space of time in an attempt to affect the market, thereby gaining an advantage over slower market participants. This may include the use of high frequency trading programs. (Note: High frequency trading is not, in itself, prohibited and thus any action by Quoine would be taken in light of the nature and pattern of such trading.)

- Spoofing: Entering one or more Orders that either create a new best bid or offer or add significantly to the liquidity displayed at the existing best bid or offer and then, during the lifespan of such Order or shortly after cancellation, executing a Trade by placing an Order on the opposite side of the market.

- Layering: Entering multiple Orders on one side of the market at multiple price tiers causing the midpoint of the spread to move away from those multiple orders and executing a Trade by placing an Order on the opposite side of the market.

- Front-running: Entering an Order on the basis of advance, non-public knowledge of a large pending transaction that will influence the price of the applicable Digital Asset.

- Stub quotes: Entering an Order at a price that Quoine in its sole discretion determines is significantly different from prices that would reasonably be expected in an orderly market at the time of Order entry.

- Market manipulation and other prohibited activities: Any other trading activity on the part of a user that in Quoine’s sole discretion does, or is intended to, interfere with a free, fair and transparent market for all Quoine users, create a false market, control or manipulate the price or trading volume of a Digital Asset, interfere with Quoine 's normal market operations, or assist with any such activities.

11.2 Circuit Breakers

Quoine may employ "circuit breakers" on selected Trading Pairs. A circuit breaker is triggered if a Currency’s price moves a significant percentage up or down in a short timeframe, resulting in the temporary halting of trading of the applicable Trading Pair. The trigger is normally set at a 40% movement (up or down) from trading activity within the previous 15 minutes. Circuit breakers and the trigger level(s) are set at Quoine's discretion and are not visible to users.

11.3 Order Cancellation and Trade Reversal

Without limitation to any provision of these Trading Rules or the Terms of Use, Quoine may correct, reverse, or cancel any Order, Trade, transfer, or other transaction or activity if:

- required by any applicable law or regulation;

- such Order or Trade contains an obvious error with respect to price, quantity, or other parameters;

- such Order was placed by a user who Quoine determines has, intentionally or unintentionally, engaged in Prohibited Activities or otherwise violated these Trading Rules or Terms of Use, regardless of whether the Order being cancelled is directly related to such Prohibited Activity or violation;

- such Order or Trade is placed or executed at a price that Quoine in its sole discretion determines is significantly different from prices that would reasonably be expected in an orderly market; or

- Quoine determines such cancellation is required for technical reasons, including without limitation system or operational issues.

At its discretion Quoine may, instead of reversing any such Trade, restore the affected users' account balances to the state existing immediately prior to the execution of such Trade.

12. GOVERNING LANGUAGE

The governing language of these Rules is English. Any other language translation is provided for convenience only. *The "Trading Rules" (* ***取引ルール/手数料*** *) written in Japanese available on the Japanese language version of the Liquid website are not a translation of these Rules and are only applicable to users who are resident in Japan.*