



ETC Issuance GmbH

(a limited liability company incorporated under the laws of the Federal Republic of Germany,
having its corporate domicile in Frankfurt am Main, Federal Republic of Germany)

as Issuer

Up to 21,000,000,000 BTC_{ETC}[™] Bonds secured by Bitcoin

Issue Price: Cryptocurrency Entitlement plus a subscription fee of up to 0.50 percent of the Cryptocurrency Entitlement

ETC Issuance GmbH (the "**Issuer**") will issue on or about 5 June 2020 ("**Issue Date**") up to 21,000,000,000 bonds secured by Bitcoin ("**BTC**") (the "**Bonds**"). The Bonds do not have a fixed maturity date. The Bonds will be governed by the laws of the Federal Republic of Germany ("**Germany**").

This prospectus (the "**Prospectus**") constitutes a prospectus within the meaning of Article 6 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "**Prospectus Regulation**"). This Prospectus will be published in electronic form together with all documents incorporated by reference on the website of the Issuer (<https://www.btc-etc.com>). This Prospectus has been approved by the *Bundesanstalt für Finanzdienstleistungsaufsicht* ("**BaFin**") in its capacity as competent authority under the Prospectus Regulation.

BaFin only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or of the quality of the Bonds that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Bonds.

Application has been made to the Frankfurt Stock Exchange for the Bonds to be admitted to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange. The regulated market of the Frankfurt Stock Exchange is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and the Council of 15 May 2014 on Markets in Financial Instruments, as amended.

The Bonds have been assigned the following securities codes:
ISIN DE000A27Z304, Common Code 211382520, WKN A27Z30.

The Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, (the "**Securities Act**"). The Bonds are being offered outside the United States of America (the "**United States**" or "**U.S.**") in accordance with Regulation S under the Securities Act, and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

This Prospectus may not be used for the purposes of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised, or to any person to whom it is unlawful to make such offer or solicitation.

The validity of the Prospectus will expire at the end of 3 June 2021. Any obligation to supplement a prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when a prospectus is no longer valid.

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1. SUMMARY

1.1. INTRODUCTION AND WARNINGS

This Prospectus relates to the public offering in the United Kingdom, Germany, Austria and Italy and the admission to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange of secured bonds (the "**Bonds**"). The Bonds' International Securities Identification Number ("**ISIN**") is DE000A27Z304.

The date of approval of the prospectus is 4 June 2020 (the "**Prospectus**") and it was approved by the *Bundesanstalt für Finanzdienstleistungsaufsicht* ("**BaFin**"), Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Germany, Email: poststelle@bafin.de, Phone: +49 (0)228 4108-0.

This summary should be read as an introduction to this Prospectus. Any decision to invest in the Bonds of the Issuer should be based on consideration of the Prospectus as a whole by the investor. Investors could lose all or part of their capital invested in the Issuer's Bonds. ETC Issuance GmbH with its registered office at Holzhecke 13, 60528 Frankfurt am Main, Germany (the "**Issuer**") assumes responsibility for the information contained in this summary and its German translation. The Issuer can be held liable but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities. In the event that a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area, be required to bear the costs of translating the Prospectus prior to the commencement of any legal proceedings.

The Issuer's legal entity identifier ("**LEI**") number is 875500BTZPKWM4X8R658.

1.2. KEY INFORMATION ON THE ISSUER

1.2.1. Who is the issuer of the securities?

The legal and commercial name of the issuer is ETC Issuance GmbH. The Issuer's LEI number is 875500BTZPKWM4X8R658. The Issuer is incorporated and operates under the laws of Germany and maintains its principal place of business at Gridiron, One Pancras Square, London, N1C 4 AG, United Kingdom. The Issuer's address and registered office is at Holzhecke 13, 60528 Frankfurt am Main, Germany and the Issuer is registered in the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main under HRB 116604. The Issuer's website is <https://www.btc-etc.com> and the phone number is +49 69 8088 3728.

1.2.1.1. Principal activities of the Issuer

The only activity of the Issuer is the issue of bonds which are secured by cryptocurrencies and other digital assets. Pursuant to the European Banking Authority, virtual currencies or cryptocurrencies "are a digital representation of value that is neither issued by a central bank or public authority nor necessarily attached to a fiat currency, but is accepted by natural or legal persons as a means of exchange and can be transferred, stored or traded electronically"¹.

Through the issue of the Bonds, the Issuer intends to satisfy investor demand for tradeable securities through which an investment in cryptocurrencies and other digital assets is made.

1.2.1.2. Major shareholders

The Issuer's sole shareholder is ETC Management Ltd ("**ETCM**"). ETCM's sole shareholder is ETC Holdings Ltd (the "**Holding Company**"). Shares in Holding Company are highly concentrated: (i) Alexander Gerko controls indirectly, via XTX Investments UK Limited ("**XTX**") and regulated by the Financial Conduct Authority (the "**FCA**"), 22.5 percent of the shares; (ii) Oleg Mikhasenko controls indirectly 11.25 percent of the shares; (iii) Maximilian Monteleone controls indirectly 22.5 percent of the shares; (iv) ITI Capital Ltd. ("**ITI**"), which is also regulated by the FCA, controls a further 11.25 percent of the shares, with the remaining 32.5 percent of the shares held by other co-founders, partners and management.

¹ European Banking Authority Opinion on "virtual currencies" dated as of 4 July 2014 on page 7.

1.2.1.3. Key managing directors

The Issuer is managed by its sole managing director Bradley Duke.

1.2.1.4. Statutory auditors

Ernst & Young S.A. with their registered office at 35E avenue John F. Kennedy, Luxembourg, L-1855 Luxembourg are the statutory auditors of the Issuer. Ernst & Young S.A. is a member of Luxembourg institute of auditors (*Institute des Réviseurs d'Entreprises*).

1.2.2. What is the key financial information regarding the issuer?

The Issuer's financial information is included in the Issuer's audited annual financial statements dated 31 December 2019 (the "**Financial Statements**"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted in the European Union (the "**EU**"). The Financial Statements have been audited and an unqualified auditor's report has been issued.

The following selected financial information is based on and extracted from the Financial Statements.

<i>Income Statement</i>	31 December 2019
Operating profit/loss	EUR (6,457)

<i>Balance Sheet</i>	31 December 2019
Net financial debt	EUR 0

<i>Cash Flow Statement</i>	31 December 2019
Net Cash flows from operating activities	EUR (481)
Net Cash flows from financing activities	EUR 25,000
Net Cash flow from investing activities	EUR 0

1.2.3. What are the key risks that are specific to the issuer?

The following risk factors are material with respect to the ability of the Issuer to fulfill its obligations under Bonds issued by it.

Risks related to the limited business objective of the Issuer: The focus of the Issuer's business activities is the issuance of bonds linked to Bitcoin. In the future, products linked to other cryptocurrencies and/or digital assets may be issued. The Issuer will not carry out any other business than as described above (see under "*1.2.1.1. Principal activities of the Issuer*"). Because of this limited business objective, the Issuer is exposed to the risk that Bitcoin does not become successful or becomes less successful. The Issuer may then be unsuccessful in carrying out its business which could have an adverse impact on the Issuer's business and financial situation.

Risks related to the short business history of the Issuer: The Issuer is a newly incorporated limited liability company (*Gesellschaft mit beschränkter Haftung*) and was registered with the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main, Germany on 27 August 2019. Due to this short period of existence, the Issuer has no track record of successfully operating the business activity described herein adding to commercial risks which could have an adverse impact on the Issuer's business and financial situation.

Major shareholders: Shares in the Issuer are highly concentrated; (i) Alexander Gerko controls indirectly, via XTX which is regulated by the FCA, 22.5 percent of the shares of the Holding Company, which is the ultimate parent company of the Issuer (ii) Oleg Mikhasenko controls indirectly 11.25 percent of the shares of the Holding Company; (iii) Maximilian Monteleone controls indirectly 22.5 percent of the shares of the Holding Company; (iv) ITI Capital Ltd, which is also regulated by the FCA, controls a further 11.25 percent of the shares of the Holding Company, with the remaining 32.5 percent of the shares of the Holding Company held by other co-founders, partners and

management. Shareholders mentioned in (i) to (iv) (inclusive) above or their representatives have the ability to remove any and all members of the board of directors of the Issuer with a majority vote. As such, these shareholders have significant influence on the management of the Issuer. There can be no assurance that these shareholders or their representatives will exercise their voting right in a manner that benefits the Issuer or the investors.

Dependence on authorisations. The Issuer depends on the Frankfurt Stock Exchange's authorisation and the permissibility under the rules and regulations of Germany to continue issuing and listing the Bonds. Any change to the listing requirements, the regulation of the Bonds, or acceptance of cryptocurrency as underlying asset could adversely impact the Issuer and investors in the Bonds.

Attacks by "hackers" and sabotage from outside the Issuer: The whole business of the Issuer depends on certain IT infrastructure. Additionally, service providers (e.g. the Administrator, the Paying Agent and the Clearing System) also rely on IT systems to provide services to the Issuer. Both Issuer's IT systems and IT systems of such service providers may be hacked by criminals. The Issuer is exposed to the risk of being partially, temporarily or even permanently prevented from carrying out its business activities and even become insolvent, and the holders of the Bonds (the "**Bondholders**") may lose part or all of their investment in the Bonds due to such security breach.

1.3. **KEY INFORMATION ON THE SECURITIES**

1.3.1. **What are the main features of the securities?**

The Bonds are secured bonds. The Bonds do not have a fixed maturity date. The Bonds do not bear interest. Each Bond represents the right of the Bondholder to demand from the Issuer (a) delivery of Bitcoin equal to the Bondholder's claim, as of any Business Day, against the Issuer in respect of each Bond, expressed as the amount of BTC per Bond, and calculated by the Issuer in its sole discretion in accordance with the formula below ("*1.4.1. Method of determination of the Issue Price*") (the "**Cryptocurrency Entitlement**") or (b) under certain conditions, payment of US dollars ("**USD**") determined in accordance with the relevant provisions of the terms and conditions (the "**Terms and Conditions**"). The obligations under the Bonds constitute direct, unsubordinated and secured obligations of the Issuer ranking *pari passu* among (i) themselves, (ii) any Secured Put Option Obligations (as defined below) ("*1.3.3. Risks related to the exercise of the Put Option*") and (iii) any obligation of the Issuer to transfer Bonds to any entity which has been appointed by the Issuer as an authorised participant (the "**Authorised Participant**") if such Authorised Participant has transferred at least the Cryptocurrency Entitlement per Bond being subscribed or purchased to a depository wallet operated by BitGo Trust Company, Inc (the "**Depository Wallet**" and, such obligations, the "**Secured Settlement Obligations**"). The Bonds are freely transferable.

The following rights are attached to the Bonds:

Security: Pledge by the Issuer in favour of the Bondholders of its rights, title, interest and benefit, present and future, in, to and under the Depository Wallet and the Deposited BTC and pledge by the Issuer over the Issuance Account and the Issuer-owned Bonds in favour of the Bondholders (the "**Security**"). Details of the accounts and the terms and conditions of the respective pledges shall be stipulated in the Security Documents which shall be available for inspection by the Bondholders at the Issuer's principal place of business (Gridiron, One Pancras Square, London, N1C 4 AG, United Kingdom).

Mandatory Redemption: Upon occurrence of certain mandatory redemption events, the Issuer may at any time (but is not required to), on not less than 30 (thirty) days' notice to the Bondholders, redeem the Bonds at the mandatory redemption date at their Mandatory Redemption Price (as defined below). Such mandatory redemption events include, among others, the entering into force of any new law or regulation that requires the Issuer to obtain any license in order to be able to fulfil its obligations under the Bonds; or any changes in the tax treatment of Bitcoin; or if the Issuer was ordered by a competent court or otherwise became required by law to arrange for mandatory redemption. The exercise of the mandatory redemption right by the Issuer leads inevitably to a redemption of the Bonds for the Bondholders.

Put Option of the Bondholders: The Bonds do not have a fixed maturity date. However, each Bondholder may terminate his Bonds against payment of the Cryptocurrency Entitlement (or against payment of USD if a Bondholder is prevented from receiving Bitcoin due to legal or regulatory reasons). If Bonds are redeemed in USD, the redemption amount will be equal to the proceeds of sale of the

Cryptocurrency Entitlement using the BTC Auction Procedure (as defined below) ("*1.3.3. Auction cannot be carried out due to missing participants or insufficient bids*"), if such procedure results in a successful sale. In order to terminate his Bonds, the Bondholder needs to (i) submit the put option exercise form, (ii) pay a fee in an amount of USD 2,500.00 (which is subject to certain exemptions) and (iii) transfer the Bonds, in relation to which the Put Option (as defined below) is exercised, to the Issuance Account free of payment. If a Bondholder exercises his Put Option vis-à-vis the Issuer or vis-à-vis an Authorised Participant redemption fees will be charged (the "**Exercise Fee**"). However, if the Bondholder sells his Bonds on the stock exchange - then no redemption fees from the Issuer or Authorised Participant will be incurred. If a Bondholder is prevented from receiving Bitcoin due to legal or regulatory reasons and the Issuer holds a BTC Auction Procedure, the Auctioneer (as defined below) will announce that it is auctioning the required amount of Bitcoin on the Issuer's website (<https://www.btc-etc.com>). The sale proceeds will be used for redemption of the Bonds. Bids submitted for less than 80 percent of the reference price, which is on the relevant determination date, the price for Bitcoin as displayed by Bloomberg at a certain time (the "**Reference Price**") or bids for less or more than the full amount of Bitcoin being auctioned will be rejected. If such a failed auction occurs, the Issuer shall return all Bonds to the Bondholder within 7 (seven) business days. The Issuer may choose to charge an Exercise Fee to the respective Bondholder in case of a failed auction.

Redemption in an Event of Default: The Bonds provide for events of default entitling each Bondholder to demand immediate redemption at the Cryptocurrency Entitlement.

Split: If Bitcoin splits into two or more cryptocurrencies, each Bond will represent a claim on a basket of cryptocurrencies that corresponds to such Cryptocurrency Entitlement as each Bond represented before the split and the Issuer may, at its sole discretion, resolve to split the Bonds into two, or more, separate Bonds.

Resolutions of Bondholders: In accordance with the German Act on Debt Securities of 2009 (*Schuldverschreibungsgesetz*) the Terms and Conditions contain provisions pursuant to which Bondholders may agree by resolution to amend the Terms and Conditions (with the consent of the Issuer) and to decide upon certain other matters regarding the Bonds. Resolutions of Bondholders properly adopted, either in a meeting of Bondholders or by vote taken without a meeting in accordance with the Terms and Conditions, are binding upon all Bondholders. Resolutions providing for material amendments to the Terms and Conditions require a majority of not less than 75 percent of the votes cast. Resolutions regarding other amendments are passed by a simple majority of the votes cast.

1.3.2. Where will the securities be traded?

Application has been made by the Issuer for admission to trading of the Bonds on the regulated market of the Frankfurt Stock Exchange. The Issuer may decide to list the Bonds on such other or further regulated markets and/or arrange for the trading of the Bonds on multilateral trading facilities, organised trading facilities or through systematic internalisers, all within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments.

1.3.3. What are the key risks that are specific to the securities?

The following key risks could lead to substantial losses for Bondholders. Each Bondholder would have to bear possible losses in case of selling its Bonds or with regard to repayment of principal:

Risks relating to the nature of the Bonds and the Terms and Conditions of the Bonds

Auction cannot be carried out due to missing participants or insufficient bids: If a Bondholder is prevented from receiving Bitcoin for legal reasons, in particular due to regulatory provisions applicable to him, the Issuer will arrange for a Bitcoin auction to receive USD to redeem the Bonds (the "**BTC Auction Procedure**"), which will be conducted by the Issuer itself or an entity nominated by the Issuer (the "**Auctioneer**"). If such auction fails, the Bondholder faces the risk that the Bonds cannot be redeemed in USD. In addition, the transaction price achieved on the auction can be below the current market price of Bitcoin which would have a negative impact on the Bondholders' investment.

Auctioneer has the choice to accept or reject a bid: If it is required to conduct a BTC Auction Procedure, the Auctioneer will inter alia reject bids, if they are submitted for less than 80 percent of the Reference Price, or for less or more than the full amount of Bitcoin being auctioned. This means at the same time that bids can be accepted at 80 percent of the Reference Price and therefore significantly less than the Reference Price.

Risks related to the exercise of the Put Option: Investors in the Bonds have a put option (the "**Put Option**") to redeem Bonds with the Issuer against payment of the Cryptocurrency Entitlement. However, investors may not be able to exercise the Put Option if they do not provide sufficient information to the Issuer in accordance with the Terms and Conditions. Additionally, if Bondholders exercise the Put Option and requests USD settlement because they are prevented from receiving Bitcoin for legal reasons, in particular due to regulatory provisions applicable to them, obligations of the Issuer to remit USD to such Bondholder after the surrender of the relevant Bonds to the Issuer constitute unsecured obligations of the Issuer. Only settlement obligations related to the exercise of the BTC Put Option (the "**Secured Put Option Obligations**") constitute secured obligations of the Issuer. Claims of a Bondholder for payments in USD due to the exercise of the USD Put Option will only be settled after the relevant Bondholder has delivered the Bonds to the Issuer and, during the period from delivery of the Bonds until actual payment of USD, the relevant Bondholder will no longer be the owner of the Bond, nor have a secured claim against the Issuer.

Mandatory Redemption: In case of occurrence of certain events as further specified in the Terms and Conditions, the Issuer may (but is not required to) at any time, in its sole and absolute discretion, elect to terminate and redeem all but not some of the Bonds at their mandatory redemption price, which is (i) an amount equal to the Cryptocurrency Entitlement; or (ii) if a Bondholder is prevented from receiving Bitcoin for legal reasons, in particular due to regulatory provisions applicable to him, the BTC Sale Proceeds divided by the number of Outstanding Bonds as of the relevant mandatory redemption date, minus any reasonable third-party fee related to redemption of the Bonds, (the "**Mandatory Redemption Price**"). The BTC Sale Proceeds is the amount in USD that results from the auction of the Bitcoin for the redemption of the Bonds. In exercising such discretion, the Issuer is not required to have any regard to the interests of the Bondholders, and Bondholders may receive less, or substantially less, than their initial investment. The Mandatory Redemption Price of the Bonds redeemed in USD can be less or substantially less than the equivalent Bitcoin price, as the Issuer will try to sell Bitcoin using the BTC Auction Procedure, and all risks related to the auctioning of Bitcoin as described above apply. Additionally, should the Issuer fail to realise Bitcoin using the BTC Auction Procedure, it is entitled to use any other reasonable procedure to sell Bitcoin holdings, and there is a risk that such procedures would result in the sale of Bitcoin at a price less or substantially less than the minimum stipulated by the BTC Auction Procedure. Additionally, mandatory redemption might result in the effective disposal of the Bonds for tax purposes by some or all Bondholders on a date earlier than planned or anticipated, which can result in less beneficial tax treatment of the investment in the Bonds for such Bondholders than otherwise would be available should the investment be maintained for a longer period of time.

Risks related to the Security of the Bonds

Security granted to secure the Bonds may be unenforceable or enforcement of the security may be delayed: The Issuer has undertaken to have an amount in Bitcoin equal to or higher than the Secured Obligations Amount always deposited with the Depository, and have pledged such deposited Bitcoin to the Bondholders as security for the Issuer's obligations towards the Bondholders. These security arrangements may not be sufficient to protect the Bondholders in the event of the Issuer's or the Depository's bankruptcy or liquidation due to various reasons.

Risks related to Bitcoin

Price volatility of Bitcoin: The value of the Bonds is affected by the price of Bitcoin. The price of Bitcoin fluctuates widely and, for example, may be impacted by global and regional political, economic or financial events, regulatory events or statements by regulators, investment trading, hedging or other activities by a wide range of market participants, forks in underlying protocols, disruptions to the infrastructure or means by which crypto assets are produced, distributed, stored and traded. The price of Bitcoin may also change due to shifting investor confidence in future outlook of the asset class. Characteristics of Bitcoin and divergence of applicable regulatory standards creates the potential for market abuse and could lead to high price volatility. Amounts received by Bondholders (i) upon redemption of the Bonds in USD, in cases where Bondholders are prevented from receiving Bitcoin for legal or regulatory reasons; or (ii) upon sale on the stock exchange depends on the price performance of Bitcoin and available liquidity.

Political risk in the market of Bitcoin: The entire business model of the Issuer depends on possible regulations or prohibitions, especially with regard to Bitcoin as the underlying of the Bonds. It is

impossible to predict how exactly politics and future regulations may affect the markets and general economic environment for the Issuer's business model. However, future regulations and changes in the legal status of Bitcoin are political risks which may affect the price development of Bitcoin. If the Issuer fails to comply with potential future regulations, this may lead to the Issuer incurring losses and it may also have an adverse impact on the Issuer's ability to carry out its business.

Transaction costs: Charges apply when transferring Bitcoin as part of the redemption of the Bonds in Bitcoin. Transaction costs may vary depending on network load (unpredictable for the Issuer and Bondholders). Transaction costs can also vary due to the timings of transactions and are therefore unpredictable. Depending on how much the redeeming Bondholder is willing to pay in transaction costs and fees to process the redemption, Bitcoin could be received later than expected, or, in extreme cases, not received at all, as blockchain transactions with low associated fees are allocated less processing power by the network.

Risks related to the admission of the securities to trading

Risks related to the admission to trading: The trading price of the Bonds could decrease if the creditworthiness of the Issuer or associated parties worsens or is perceived to worsen irrespective of the fact that the Bonds are secured by the actual holdings of the Bitcoin. The risk is that third parties would only be willing to purchase Bonds at a substantial discount relative to the price of Bitcoin, which in turn may result in a Bondholder's loss of the investment in the Bonds.

Taxation risks relating to the Bonds

Financial Transaction Tax: In 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax (the "FTT"). According to the Commission's Proposal, the FTT shall be implemented in certain EU Member States, including Germany. The specific risk is that the FTT may result in a negative tax treatment applied to the Bonds which in turn may have a detrimental effect on the return on the Bondholder's investment in the Bonds.

1.4. KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND THE ADMISSION TO TRADING ON A REGULATED MARKET

1.4.1. Under which conditions and timetable can I invest in this security?

The conditions and timetable for investing in the Bonds are set out below.

The Issuer will issue up to 21,000,000,000 Bonds secured by Bitcoin.

Offer to the Public: The Bonds will be offered by financial intermediaries (including Authorised Participants) to institutional and retail investors in compliance with applicable selling restrictions. As at the date of the Prospectus XTX Markets Ltd, ITI Capital Ltd and Bank Frick & Co. AG have been appointed as Authorised Participants. Bonds bought directly from the Issuer in the primary market can only be purchased with Bitcoin and only by Authorised Participants. Bank Frick & Co. AG as one of the Authorised Participants will face their own clients who are professional investors to subscribe for and redeem the Bonds. The offer period is expected to commence on 5 June 2020 and will be open until 3 June 2021 (the expiration date of the Prospectus) subject to shortening the period. An offer to the public may be made in the countries specified under "*1.1 Introduction and warnings*", subject to applicable selling restrictions. As of the date of the Prospectus the Issuer has entered into agreements with three Authorised Participants.

Conditions and technical details of the Offer: The offer is not subject to any conditions or time limits other than the time limit resulting from the validity of the Prospectus as specified under "*Offer to the Public*". There is no possibility to reduce subscriptions. No minimum or maximum subscription amounts have been specified, however financial intermediaries (including Authorised Participants) offering the Bonds can determine minimum or maximum subscription amounts when offering the Bonds in their sole and absolute discretion.

Bonds can be purchased in the primary market either with Bitcoin, Euro, USD or any other fiat currency or cryptocurrency as will be determined by each financial intermediary offering the Bonds. However, Bonds bought directly from the Issuer in the primary market can only be purchased with Bitcoin and only by Authorised Participants. The Bonds will be delivered via book-entry through the clearing system and its account holding banks.

In the secondary market Bonds can be purchased exclusively with fiat.

Method of determination of the Issue Price: The issue price for Authorised Participants is equal to the Cryptocurrency Entitlement plus a subscription fee. The Cryptocurrency Entitlement will be determined pursuant to the following formula:

$$CE = ICE \times (1 - DER)^n$$

Where:

"CE" means Cryptocurrency Entitlement;

"ICE" means initial cryptocurrency entitlement which means Bitcoin 0.001 per Bond;

"DER" means diminishing entitlement rate which is 2.00 percent (subject to reduction by the Issuer); and

"n" means number of days/365.

The issue price for investors who are not Authorised Participants will be determined on an ongoing basis.

As of the issue date, the Cryptocurrency Entitlement would be Bitcoin 0.001 per Bond, i.e. Authorised Participants purchasing Bonds from the Issuer would receive one Bond for each 0.001 Bitcoin. In addition, the Issuer will charge a subscription fee of up to 0.50 percent of 0.001 Bitcoin from the Authorised Participant. Where an investor purchases a Bond from an Authorised Participant with Euro, the Euro equivalent of the Cryptocurrency Entitlement as of 27 May 2020, based on a Bitcoin value of Euro 8,340.76² would be Euro 8.34. However, given that each Authorised Participant may charge a subscription fee from the investor who he is selling the Bonds at his own discretion, the purchase price for a Bond may be higher than Euro 8.34.

Expenses: The estimated total expenses of the issue and/or offer are EUR 475,000. The Issuer will charge a subscription fee up to 0.50 percent of the Cryptocurrency Entitlement of the Bonds from the Authorised Participants. The Issuer has no influence on whether and to what extent the respective Authorised Participant will charge additional fees. These fees may vary depending on the Authorised Participant.

1.4.2. Why is this prospectus being produced?

1.4.2.1. Reasons for the offer or for the admission to trading on a regulated market

The Issuer intends to make profits with the issue of the Bonds. The Issuer makes profit through charging subscription fees, certain redemption fees and the Diminishing Entitlement Rate.

1.4.2.2. Use and estimated net amounts of the proceeds

The Bonds are purchased from the Issuer with Bitcoin. Bitcoin received by the Issuer through the subscription of the Bonds will be transferred to the Depositary Wallet and secured by a security agreement for the benefit of the Bondholders, the Security Trustee and a bondholders' representative (if appointed). Based on the assumption that a total of 21,000,000,000 units of Bonds are sold and based on the Bitcoin value of EUR 8,340.76 (as of 27 May 2020), the net proceeds for each 10,000 units of Bonds are EUR 83,407.57.

1.4.2.3. Underwriting Agreement

The Issuer has not entered into an underwriting agreement.

1.4.2.4. Material conflicts of interest pertaining to the offer or the admission to trading

ITI and XTX are shareholders of the Issuer and have also been appointed as Authorised Participants. As shareholders both ITI and XTX could gain an information advantage over the other Authorised Participants, especially as Authorised Participants act independently in setting fees and may therefore differ.

Other than the interests described above, there are no material interests, in particular no material conflicts of interest in relation to the public offering or the admission to trading.

² Value of Bitcoin as of 27 May 2020.

2. ZUSAMMENFASSUNG

2.1. EINLEITUNG UND WARNHINWEISE

Dieser Prospekt bezieht sich auf das öffentliche Angebot im Vereinigten Königreich, Deutschland, Österreich und Italien und die Zulassung zum Handel am regulierten Markt der Frankfurter Börse von besicherten Schuldverschreibungen (die "**Schuldverschreibungen**"). Die internationale Wertpapieridentifikationsnummer ("**ISIN**") der Schuldverschreibungen ist DE000A27Z304.

Das Datum der Billigung des Prospekts ist der 4. Juni 2020 (der "**Prospekt**"). Die Billigung erfolgte durch die Bundesanstalt für Finanzdienstleistungsaufsicht ("**BaFin**"), Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Deutschland, E-Mail: poststelle@bafin.de, Telefon: +49 (0)228 4108-0.

Diese Zusammenfassung ist als Einleitung zu diesem Prospekt zu verstehen. Anleger sollten sich bei jeder Entscheidung, in die Schuldverschreibungen der Emittentin zu investieren, auf den Prospekt als Ganzes stützen. Anleger könnten einen Teil ihres Kapitals oder ihr gesamtes Kapital verlieren, das sie in die Schuldverschreibungen der Emittentin investiert haben. ETC Issuance GmbH mit Sitz in Holzhecke 13, 60528 Frankfurt am Main, Deutschland (die "**Emittentin**") übernimmt die Verantwortung für die in dieser Zusammenfassung enthaltenen Informationen und deren deutsche Übersetzung. Die Emittentin haftet nur für den Fall, dass die Zusammenfassung verglichen mit den anderen Teilen des Prospekts irreführend, unrichtig oder inkohärent ist oder verglichen mit den anderen Teilen des Prospekts wesentliche Informationen, die in Bezug auf Anlagen in die Schuldverschreibungen für die Anleger eine Entscheidungshilfe darstellen, vermissen lässt. Ein Anleger, der wegen der in dem Prospekt enthaltenen Angaben Klage einreichen will, muss nach den nationalen Rechtsvorschriften des Mitgliedstaats des Europäischen Wirtschaftsraums möglicherweise für die Übersetzung des Prospekts aufkommen, bevor das Verfahren eingeleitet werden kann.

Die LEI-Nummer der Emittentin ist 875500BTZPKWM4X8R658.

2.2. BASISINFORMATIONEN ÜBER DIE EMITTENTIN

2.2.1. Wer ist die Emittentin der Wertpapiere?

Der gesetzliche und kommerzielle Name der Emittentin ist ETC Issuance GmbH. Die LEI-Nummer der Emittentin ist 875500BTZPKWM4X8R658. Die Emittentin ist nach dem Recht der Bundesrepublik Deutschland eingetragen. Das für die Emittentin geltende Recht ist das Recht der Bundesrepublik Deutschland. Die Emittentin unterhält ihren Hauptgeschäftssitz in Gridiron, One Pancras Square, London, N1C 4 AG, Vereinigtes Königreich. Die Adresse und der registrierte Sitz der Emittentin ist in Holzhecke 13, 60528 Frankfurt am Main, Deutschland und die Emittentin ist im Handelsregister des Amtsgerichts Frankfurt am Main unter der HRB 116604 registriert. Die Webseite der Emittentin ist <https://www.btc-etc.com> und die Telefonnummer lautet +49 69 8088 3728.

2.2.1.1. Haupttätigkeiten der Emittentin

Die einzige Geschäftstätigkeit der Emittentin ist die Ausgabe von durch Kryptowährung besicherten Schuldverschreibungen und anderen digitalen Vermögenswerten. Gemäß der Europäischen Bankenaufsichtsbehörde (*European Banking Authority*) sind virtuelle Währungen oder Kryptowährungen "eine digitale Abbildung von Wert, der weder durch eine Zentralbank oder öffentliche Behörde geschaffen wird, noch notwendigerweise eine Verbindung zu Papiergeld haben muss; er wird jedoch von natürlichen oder juristischen Personen als Tauschmittel akzeptiert und kann elektronisch übertragen, verwahrt oder gehandelt werden³".

Mit der Ausgabe der Schuldverschreibungen beabsichtigt die Emittentin, die Nachfrage von Anlegern nach handelbaren Wertpapieren, über die eine Investition in Kryptowährungen und anderen digitalen Vermögenswerten getätigt wird, zu bedienen.

2.2.1.2. Hauptanteilseigner der Emittentin

Der alleinige Gesellschafter der Emittentin ist die ETC Management Ltd ("**ETCM**"). Alleinige Gesellschafterin der ETCM ist die ETC Holdings Ltd (die "**Muttergesellschaft**"). Die Gesellschaftsanteile an der Muttergesellschaft sind stark gebündelt, (i) Alexander Gerko kontrolliert indirekt, über die XTX Investments UK Limited ("**XTX**"), welche durch die Finanzaufsichtsbehörde

³ Gutachten der Europäischen Bankenaufsichtsbehörde (*European Banking Authority*) bezüglich 'virtual currencies' vom 4. Juli 2014 auf Seite 7.

(*Financial Conduct Authority* – "**FCA**") beaufsichtigt wird, 22,5 Prozent der Anteile; (ii) Oleg Mikhasenko kontrolliert indirekt 11,25 Prozent der Anteile; (iii) Maximilian Monteleone kontrolliert indirekt 22,5 Prozent der Anteile; (iv) ITI Capital Ltd ("**ITI**"), welche ebenfalls durch die FCA beaufsichtigt wird, kontrolliert weitere 11,25 Prozent der Anteile, während der Rest der Anteile von 32,5 Prozent von anderen Mitbegründern, Partnern und dem Management gehalten werden.

2.2.1.3. Identität der Hauptgeschäftsführer

Die Emittentin wird von ihrem alleinigen Geschäftsführer Bradley Duke geleitet.

2.2.1.4. Identität der Abschlussprüfer

Ernst & Young S.A. mit Geschäftssitz in 35E avenue John F. Kennedy, Luxemburg, L-1855 Luxemburg, sind die gesetzlichen Abschlussprüfer der Emittentin. Ernst & Young S.A. ist Mitglied des Luxemburger Instituts der Wirtschaftsprüfer (*Institute of Réviseurs d'Entreprises*).

2.2.2. Welches sind die wesentlichen Finanzinformationen über die Emittentin?

Die Finanzinformationen der Emittentin sind in dem geprüften Jahresabschluss vom 31. Dezember 2019 (der "**Abschluss**") enthalten. Der Abschluss wurde in Übereinstimmung mit den International Financial Reporting Standards ("**IFRS**"), wie sie in der Europäischen Union (der "**EU**") anzuwenden sind, erstellt. Der Abschluss wurden geprüft und mit einem uneingeschränkten Bestätigungsvermerk versehen.

Die folgenden ausgewählten Finanzinformationen basieren auf dem Abschluss und sind diesem entnommen.

Gewinn- und Verlustrechnung	31. Dezember 2019
Operativer Gewinn/Verlust	EUR (6.457)

Bilanz	31. Dezember 2019
Nettofinanzverbindlichkeiten	EUR 0

Kapitalflussrechnung	31. Dezember 2019
Netto-Cashflows aus der laufenden Geschäftstätigkeit	EUR (481)
Netto-Cashflows aus Finanzierungstätigkeiten	EUR 25.000
Netto-Cashflow aus Investitionstätigkeiten	EUR 0

2.2.3. Welches sind die wesentlichen Risiken spezifisch auf die Emittentin bezogen?

Die folgenden Risikofaktoren sind wesentlich für die Fähigkeit der Emittentin, ihre Verpflichtungen aus den von ihr ausgegebenen Schuldverschreibungen zu erfüllen.

Risiken im Zusammenhang mit dem begrenzten Unternehmensziel der Emittentin: Der Schwerpunkt der Geschäftstätigkeit der Emittentin liegt auf der Emission von Schuldverschreibungen, die in Verbindung mit Bitcoin begeben sind. In Zukunft können auch Produkte in Verbindung mit anderen Kryptowährungen und/oder digitale Vermögenswerte ausgegeben werden. Die Emittentin wird keine weiteren Geschäfte, außer den oben beschriebenen, tätigen (siehe unter "**2.2.1.1. Haupttätigkeiten der Emittentin**"). Aufgrund dieses begrenzten Unternehmensziels ist die Emittentin dem Risiko ausgesetzt, dass Bitcoin nicht erfolgreich oder weniger erfolgreich wird. Die Emittentin könnte deshalb möglicherweise nicht erfolgreich darin sein, ihr Geschäft auszuführen was negative Auswirkungen auf die geschäftliche und finanzielle Situation der Emittentin haben kann.

Risiken im Zusammenhang mit der kurzen Unternehmensgeschichte der Emittentin: Die Emittentin ist eine neu gegründete Gesellschaft mit beschränkter Haftung (*GmbH*) und wurde am 27. August 2019 in das Handelsregister des Amtsgerichts Frankfurt am Main eingetragen. Aufgrund des kurzen Bestehens

hat die Emittentin keine relevante Erfolgsbilanz bezüglich des erfolgreichen Betriebs der hier beschriebenen Geschäftstätigkeit, was zu geschäftlichen Risiken führt, welche zu negativen Auswirkungen auf die geschäftliche und finanzielle Situation der Emittentin führen können.

Hauptgesellschafter: Die Gesellschaftsanteile der Emittentin sind stark gebündelt: (i) Alexander Gerko kontrolliert indirekt, über die XTX, welche durch die FCA beaufsichtigt wird, 22,5 Prozent der Anteile an der Muttergesellschaft; (ii) Oleg Mikhasenko kontrolliert indirekt 11,25 Prozent der Anteile an der Muttergesellschaft; (iii) Maximilian Monteleone kontrolliert indirekt 22,5 Prozent der Anteile an Muttergesellschaft; (iv) ITI Capital Ltd., welche durch die FCA beaufsichtigt wird, kontrolliert weitere 11,25 Prozent der Anteile an der Muttergesellschaft, während der Rest der Anteile an der Muttergesellschaft von anderen Mitbegründern, Partnern und dem Management gehalten werden. Die in (i) bis (iv) (einschließlich) genannten Gesellschafter oder deren Vertreter sind dazu in der Lage, sämtliche Mitglieder des Vorstands der Emittentin mit einem Mehrheitsbeschluss abzuberufen. Als solche haben diese Gesellschafter erheblichen Einfluss auf die Geschäftsführung der Emittentin. Es kann nicht garantiert werden, dass diese Gesellschafter oder ihre Vertreter ihre Stimmrechte in einer Weise ausüben, die der Emittentin oder den Anlegern zugutekommen.

Abhängigkeit von Ermächtigungen: Die Emittentin ist abhängig von der Ermächtigung der Frankfurter Wertpapierbörse und der Zulässigkeit unter deutschen Gesetzen und Vorschriften, die Ausgabe und Notierung der Schuldverschreibungen fortzuführen. Jede Änderung der Zulassungsanforderungen, der Regulierung der Schuldverschreibungen oder der Akzeptanz der Kryptowährung als Basiswert könnte sich nachteilig auf die Emittentin und die Anleger der Schuldverschreibungen auswirken.

Angriffe von "Hackern" und Sabotage von außerhalb der Emittentin: Das gesamte Geschäft der Emittentin ist von einer bestimmten IT-Infrastruktur abhängig. Zusätzlich sind auch Dienstleister (z.B. der Administrator, die Zahlstelle und das Clearingsystem) auf IT-Systeme angewiesen, um Dienstleistungen für die Emittentin zu erbringen. Sowohl die IT-Systeme der Emittentin als auch die IT-Systeme der Dienstleister können von Kriminellen gehackt werden. Die Emittentin ist dem Risiko ausgesetzt, teilweise, vorübergehend oder sogar dauerhaft an der Ausübung ihrer Geschäftstätigkeit gehindert zu werden und sogar insolvent zu werden, und die Gläubiger der Anleihe (die "**Anleihegläubiger**") können durch einen solchen Sicherheitsverstoß einen Teil ihres Investments oder gar ihr ganzes Investment in die Schuldverschreibungen verlieren.

2.3. BASISINFORMATIONEN ÜBER DIE WERTPAPIERE

2.3.1. Welches sind die wichtigsten Merkmale der Wertpapiere?

Bei den Schuldverschreibungen handelt es sich um besicherte Schuldverschreibungen. Die Schuldverschreibungen haben keinen festgelegten Fälligkeitstag. Die Schuldverschreibungen werden nicht verzinst. Jede Schuldverschreibung verbrieft das Recht des Anleihegläubigers, von der Emittentin (a) die Lieferung von Bitcoin entsprechend dem Anspruch des Anleihegläubigers, zu einem beliebigen Geschäftstag gegenüber der Emittentin in Bezug auf jede Anleihe, ausgedrückt als der Betrag von BTC pro Anleihe und berechnet von der Emittentin nach eigenem Ermessen gemäß der nachstehenden Formel ("**2.4.1 Feststellungsmethode des Ausgabepreises**") (der "**Kryptowährungsanspruch**") oder (b) unter bestimmten Umständen, die Zahlung eines gemäß maßgeblichen Bestimmungen der Bedingungen der Anleihe (die "**Anleihebedingungen**") bestimmten Barbetrags in USD zu verlangen. Die Verpflichtungen unter den Anleihen begründen unmittelbare, nicht nachrangige und besicherte Verpflichtungen der Emittentin, die (i) untereinander, (ii) mit den Gesicherten Put-Options-Verpflichtungen (wie unten definiert) ("**2.3.3 Risiken im Zusammenhang mit der Ausübung der Put Option**") und (iii) mit jeder Verpflichtung der Emittentin, die Anleihen auf ein Unternehmen zu übertragen, das von der Emittentin als autorisierter Teilnehmer (der "**Autorisierte Teilnehmer**") benannt wurde und der Autorisierte Teilnehmer zumindest den Kryptowährungsanspruch pro Schuldverschreibung, die gezeichnet oder erworben wird, auf das Verwahrstellen-Wallet, welches von der BitGo Trust Company, Inc betrieben wird (das "**Verwahrstellen Wallet**" und, solche Verpflichtungen, die "**Gesicherten Abwicklungsverpflichtungen**") übertragen hat, gleichrangig sind. Die Schuldverschreibungen sind frei übertragbar.

Die folgenden Rechte sind mit den Schuldverschreibungen verbunden:

Sicherheiten: Verpfändung der gegenwärtigen und zukünftigen Rechte, Titel, Zinsen und der Vorteile durch die Emittentin zugunsten der Anleihegläubiger in, an und unter dem Verwahrstellen-Wallet, der Hinterlegten BTC (*Deposited BTC*) und Verpfändung durch die Emittentin über das Emissionskonto

und die im Besitz der Emittentin befindlichen Schuldverschreibungen zugunsten der Anleihegläubiger (die "**Sicherheit**"). Einzelheiten der Konten und der Bedingungen der jeweiligen Verpfändungen sind in den Sicherheitendokumenten festgelegt, die zur Ansicht durch die Anleihegläubiger am Hauptgeschäftssitz der Emittentin (Gridiron, One Pancras Square, London, NIC 4 AG, Vereinigtes Königreich) verfügbar sind.

Zwangsrückzahlung: Bei Eintritt bestimmter Ereignisse der Zwangsrückzahlung kann die Emittentin (ist jedoch nicht verpflichtet) zu jedem Zeitpunkt, mit einer Kündigungsfrist gegenüber den Anleihegläubigern von mindestens 30 (dreißig) Tagen, die Schuldverschreibungen am Zwangsrückzahlungstag zu ihrem Zwangsrückzahlungspreis (wie unten definiert) zurückzahlen. Diese Ereignisse der Zwangsrückzahlung umfassen unter anderem das Inkrafttreten neuer Gesetze oder Verordnungen, durch die ein Erwerb von Lizenzen für die Emittentin erforderlich wird, damit sie ihre Verpflichtungen unter den Schuldverschreibungen erfüllen kann, Änderungen in der steuerlichen Behandlung des Bitcoins, oder den Fall, dass die Emittentin von einem zuständigen Gericht angewiesen oder anderweitig gesetzlich verpflichtet wird, eine Pflichtrückzahlung zu veranlassen. Eine solche Kündigung führt für die Anleihegläubiger zwangsläufig zur Rückzahlung der Schuldverschreibungen.

Rückzahlung nach Wahl der Anleihegläubiger (Put-Option): Die Schuldverschreibungen haben keinen festgelegten Fälligkeitstag. Jeder Anleihegläubiger kann seine Schuldverschreibungen jedoch gegen Zahlung des Kryptowährungsanspruchs (oder gegen Zahlung von USD sofern ein Anleihegläubiger aufgrund rechtlicher oder regulatorischer Gründe keine Bitcoins empfangen kann), kündigen. Im Falle einer Zahlung in USD entspricht der Rückzahlungsbetrag dem Verkaufserlös des Kryptowährungsanspruchs unter Zuhilfenahme des BTC-Auktionsverfahren ("**2.3.3. Die Auktion kann aufgrund fehlender Teilnehmer oder unzureichender Gebote nicht durchgeführt werden**"), sofern ein solches Verfahren in einem erfolgreichen Verkauf resultiert. Um seine Schuldverschreibungen kündigen zu können, muss der Anleihegläubiger (i) das Put-Options-Ausübungsformular einreichen, (ii) eine Gebühr in Höhe von USD 2.500,00 zahlen (vorbehaltlich bestimmter Ausnahmen) und (iii) die Schuldverschreibungen, für die die Put-Option (wie unten definiert) ausgeübt wird, zahlungsfrei auf das Emissionskonto übertragen. Falls ein Anleihegläubiger seine Put-Option gegenüber der Emittentin oder gegenüber einem Autorisierten Teilnehmer ausübt, fallen Rückzahlungsgebühren an (die "**Ausübungsgebühr**"). Verkauft der Anleihegläubiger seine Schuldverschreibungen jedoch über die Börse, fallen keine Rückzahlungsgebühren gegenüber der Emittentin oder dem Autorisierten Teilnehmer an. Sofern ein Anleihegläubiger aus rechtlichen oder regulatorischen Gründen keine Bitcoins erhalten darf und die Emittentin ein BTC-Auktionsverfahren durchführt, wird der Auktionator (wie unten definiert) auf der Webseite der Emittentin (<https://www.btc-etc.com>) bekannt geben, dass er die erforderliche Menge an Bitcoin versteigert. Der Verkaufserlös wird zur Rückzahlung der Anleihe verwendet. Gebote, die auf weniger als 80 Prozent des Referenzpreises, der Preis, der am maßgeblichen Festlegungstag zu einer bestimmten Zeit von Bloomberg angezeigt wird (der "**Referenzpreis**") abgegeben werden oder Gebote, die auf weniger oder mehr als den gesamten Betrag der zu versteigernden Bitcoin entfallen, werden abgelehnt. Wenn eine solche fehlgeschlagene Auktion geschieht, wird die Emittentin alle Schuldverschreibungen innerhalb von 7 (sieben) Geschäftstagen an die Anleihegläubiger zurücktransferieren. Die Emittentin kann im Falle einer fehlgeschlagenen Auktion wählen, ob sie eine Ausübungsgebühr vom betreffenden Anleihegläubiger verlangt.

Rückzahlung bei einem verzugsbegründenden Ereignis ("Event of Default"): Die Schuldverschreibungen gewähren jedem Anleihegläubiger für den Fall eines außerordentlichen Kündigungsgrundes (*Event of Default*) das Recht, die sofortige Rückzahlung des Kryptowährungsanspruchs zu verlangen.

Teilung: Wenn Bitcoin in zwei oder mehrere Kryptowährungen geteilt wird, wird jede Schuldverschreibung einen Anspruch auf eine Ansammlung (*basket*) von Kryptowährungen darstellen, der dem Kryptowährungsanspruch entspricht, den jede Schuldverschreibung vor der Teilung hatte und die Emittentin kann, nach eigenem Ermessen die Schuldverschreibungen in eine oder mehrere einzelne Schuldverschreibungen teilen.

Beschlüsse der Anleihegläubiger: In Übereinstimmung mit dem Schuldverschreibungsgesetz von 2009 sehen die Anleihebedingungen vor, dass die Anleihegläubiger durch Beschluss (mit Zustimmung der Emittentin) Änderungen der Anleihebedingungen zustimmen und gewisse sonstige Maßnahmen in Bezug auf die Schuldverschreibungen beschließen können. Beschlüsse der Anleihegläubiger können nach Maßgabe der Anleihebedingungen entweder in einer Gläubigerversammlung oder im Wege der Abstimmung ohne Versammlung gefasst werden und sind für alle Anleihegläubiger verbindlich.

Beschlüsse der Anleihegläubiger, durch welche der wesentliche Inhalt der Anleihebedingungen geändert wird, bedürfen einer Mehrheit von mindestens 75 Prozent der an der Abstimmung teilnehmenden Stimmrechte. Sonstige Beschlüsse bedürfen der einfachen Mehrheit der teilnehmenden Stimmrechte.

2.3.2. **Wo werden die Wertpapiere gehandelt?**

Die Emittentin hat die Zulassung der Schuldverschreibungen zum Handel im regulierten Markt der Frankfurter Börse beantragt. Ferner kann die Emittentin beschließen, die Schuldverschreibungen an anderen oder weiter regulierten Märkten zu notieren und/oder den Handel der Schuldverschreibungen an multilateralen Handelssystemen, organisierten Handelssystemen oder durch systematische Internalisierer im Sinne der Richtlinie 2014/65/EU des Europäischen Parlaments und des Rates vom 15. Mai 2014 über Märkte für Finanzinstrumente zu regeln.

2.3.3. **Welches sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?**

Die folgenden zentralen Risiken können zu erheblichen Verlusten bei Anleihegläubigern führen. Jeder Anleihegläubiger muss die möglichen Verluste im Falle einer Veräußerung seiner Schuldverschreibungen oder bei Kapitalrückzahlungen tragen:

Risiken im Zusammenhang mit der Art der Schuldverschreibungen und den Anleihebedingungen

Die Auktion kann aufgrund fehlender Teilnehmer oder unzureichender Gebote nicht durchgeführt werden: Sofern es einem Anleihegläubiger aus rechtlichen Gründen untersagt ist, Bitcoins zu erhalten, insbesondere aufgrund regulatorischer Bestimmungen, die auf ihn Anwendung finden, wird die Emittentin eine Bitcoin-Auktion organisieren (das "**BTC-Auktionsverfahren**"), welche von der Emittentin selbst oder von einem Unternehmen, welches von der Emittentin ernannt wird, durchgeführt wird (der "**Auktionator**"), um US Dollar ("**USD**") zur Rückzahlung der Schuldverschreibungen zu erhalten. Scheitert eine solche Auktion, besteht für den Anleihegläubiger das Risiko, dass die Schuldverschreibungen nicht in USD zurückgezahlt werden können. Darüber hinaus kann der bei der Auktion erzielte Transaktionspreis unter dem aktuellen Marktpreis von Bitcoin liegen, was sich negativ auf die Investition der Anleihegläubiger auswirken würde.

Der Auktionator hat die Wahl, Gebote anzunehmen oder abzulehnen: Ist die Durchführung eines BTC-Auktionsverfahrens erforderlich, wird der Auktionator unter anderem Gebote ablehnen, wenn sie auf weniger als 80 Prozent des Referenzpreises oder auf weniger oder mehr als den vollen der zu versteigernden Bitcoin-Betrag abgegeben werden. Dies bedeutet gleichzeitig, dass Gebote zu 80 Prozent des Referenzpreises und damit deutlich unter dem Referenzpreis angenommen werden können.

Risiken im Zusammenhang mit der Ausübung der Put Option: Anleger der Schuldverschreibungen haben eine Put-Option (die "**Put-Option**"), die es Ihnen erlaubt, der Emittentin die Schuldverschreibungen gegen Zahlung des Kryptowährungsanspruchs zurückzuzahlen. Jedoch können Anleger möglicherweise nicht dazu in der Lage sein, die Put-Option auszuüben, wenn sie der Emittentin nicht genügend Informationen gemäß den Anleihebedingungen zur Verfügung stellen. Wenn außerdem Anleihegläubiger die Put-Option ausüben und eine USD-Abwicklung verlangen, da ihnen aus rechtlichen Gründen untersagt ist, Bitcoin zu erhalten, insbesondere aufgrund regulatorischer Regelungen, die auf sie Anwendung finden, stellen die Verpflichtungen der Emittentin, USD an diesen Anleihegläubiger nach der Rückgabe der betreffenden Schuldverschreibungen an die Emittentin zu überweisen, unbesicherte Verpflichtungen der Emittentin dar. Nur Abwicklungsverpflichtungen, die im Zusammenhang mit der Ausübung der BTC-Put-Option stehen (die "**Besicherten Put-Options-Verpflichtungen**"), stellen besicherte Verpflichtungen der Emittentin dar. Ansprüche eines Anleihegläubigers auf Zahlungen in USD aufgrund der Ausübung der USD-Put-Option werden erst erfüllt, wenn der jeweilige Anleihegläubiger die Schuldverschreibungen an die Emittentin geliefert hat. Während des Zeitraums von der Lieferung der Schuldverschreibungen bis zur tatsächlichen Zahlung von USD ist der jeweilige Anleihegläubiger nicht mehr Eigentümer der Schuldverschreibungen und hat auch keinen gesicherten Anspruch gegen die Emittentin.

Zwangsrückzahlung: Im Falle des Eintritts bestimmter Ereignisse, wie in den Anleihebedingungen näher beschrieben, kann die Emittentin jederzeit nach eigenem und absolutem Ermessen beschließen (sie ist jedoch nicht dazu verpflichtet), alle Schuldverschreibungen, jedoch nicht einen Teil davon, zu ihrem Zwangsrückzahlungspreis zu kündigen und zurückzuzahlen, der (i) dem Kryptowährungsanspruch; oder (ii) falls es dem Anleihegläubiger aus rechtlichen Gründen untersagt ist, Bitcoin zu erhalten, insbesondere aufgrund regulatorischer Regelungen die auf ihn Anwendung finden, die BTC Verkaufserlöse, dividiert durch die Anzahl der ausstehenden Schuldverschreibungen am maßgeblichen

Zwangsrückzahlungstag, abzüglich sämtlicher angemessener Gebühren Dritter aufgrund der Rückzahlung der Schuldverschreibungen, (der "**Zwangsrückzahlungspreis**") entspricht. Der BTC-Verkaufserlös ist der Betrag in USD, der sich aus der Versteigerung der Bitcoin für die Rückzahlung der Anleihen ergibt. Bei der Ausübung dieses Ermessens ist die Emittentin nicht verpflichtet, die Interessen der Anleihegläubiger zu berücksichtigen, und die Anleihegläubiger können weniger oder wesentlich weniger als ihre ursprüngliche Investition erhalten. Der in USD gezahlte Zwangsrückzahlungspreis der Schuldverschreibungen kann niedriger oder wesentlich niedriger sein als der entsprechende Bitcoin-Preis, da die Emittentin versuchen wird, Bitcoin im Rahmen des BTC-Auktionsverfahrens zu verkaufen, und alle mit der Versteigerung von Bitcoin verbundenen, vorstehend beschriebenen Risiken gelten. Sollte die Emittentin Bitcoin nicht im Rahmen des BTC-Auktionsverfahrens realisieren, ist sie darüber hinaus berechtigt, jedes andere angemessene Verfahren zum Verkauf von Bitcoin anzuwenden, und es besteht das Risiko, dass ein solches Verfahren zum Verkauf von Bitcoin zu einem Preis führen würde, der niedriger oder wesentlich niedriger ist als das durch das BTC-Auktionsverfahren festgelegte Minimum. Darüber hinaus könnte die Zwangsrückzahlung zu einer Veräußerung der Schuldverschreibungen aus steuerlichen Gründen durch einige oder alle Anleihegläubiger zu einem früheren Zeitpunkt als geplant oder erwartet führen, was zu einer nachteiligen steuerlichen Behandlung der Investition in die Schuldverschreibungen für diese Anleihegläubiger führen kann, als dies anderweitig möglich wäre, wenn die Investition für einen längeren Zeitraum aufrechterhalten würde.

Risiken im Zusammenhang mit der Sicherheit der Schuldverschreibungen

Die zur Besicherung der Schuldverschreibungen gewährten Sicherheiten können nicht vollstreckt werden oder die Vollstreckung der Sicherheiten kann sich verzögern: Die Emittentin hat sich verpflichtet, einen Betrag an Bitcoin, der mindestens dem Betrag Besicherter Verpflichtungen entspricht, bei der Verwahrstelle zu hinterlegen und hat die hinterlegten Bitcoin als Sicherheit für die Verpflichtungen der Emittentin gegenüber den Anleihegläubigern zu verpfänden. Diese Sicherungsvereinbarungen reichen aus verschiedenen Gründen möglicherweise nicht aus, um die Anleihegläubiger im Falle des Konkurses oder der Liquidation der Emittentin oder der Verwahrstelle zu schützen.

Risiken im Zusammenhang mit Bitcoin

Preisvolatilität (Preisschwankungen) von Bitcoin: Der Wert der Schuldverschreibungen wird durch den Preis von Bitcoin beeinflusst. Die Preise von Bitcoin schwanken stark und können beispielsweise durch globale und regionale politische, wirtschaftliche oder finanzielle Ereignisse, regulatorische Ereignisse oder Stellungnahmen von Aufsichtsbehörden, Anlagegeschäften, Absicherungsgeschäften oder anderen Aktivitäten eines breiten Spektrums von Marktteilnehmern, Teilungen in zugrundeliegenden Protokollen, Störungen der Infrastruktur oder Mittel, mit denen Kryptoanlagen hergestellt, verteilt, gespeichert und gehandelt werden beeinflusst werden. Der Preis von Bitcoin kann sich auch aufgrund des veränderten Vertrauens der Anleger in die Zukunftsaussichten der Anlageklasse ändern. Merkmale von Bitcoin und Divergenz der geltenden Regulierungsstandards schaffen das Potenzial für Marktmissbrauch und können zu hohen Preisschwankungen führen. Beträge, die die Anleihegläubiger (i) bei Rückzahlung der Anleihe in USD, in Fällen, in denen es Anleihegläubigern aus rechtlichen oder regulatorischen Gründen untersagt ist, Bitcoin zu erhalten, oder (ii) beim Verkauf an der Börse erhalten, hängen von der Preisentwicklung von Bitcoin und der verfügbaren Liquidität ab.

Politisches Risiko auf dem Markt von Bitcoin: Das gesamte Geschäftsmodell der Emittentin hängt von möglichen Regularien bzw. Verboten, insbesondere bezüglich des Bitcoin als Basiswert der Schuldverschreibungen ab. Wie genau sich Politik und zukünftige Regelungen auf die Märkte und das allgemeine ökonomische Umfeld für das Geschäftsmodell der Emittentin auswirken können, lässt sich unmöglich vorhersagen. Zukünftige Regelungen und Änderungen der rechtlichen Bewertung von Bitcoin stellen jedoch politische Risiken dar, welche die Preisentwicklung von Bitcoin beeinflussen können. Die Nichteinhaltung möglicher zukünftiger Regulierung durch die Emittentin kann dazu führen, dass der Emittentin Verluste entstehen und dies kann sich auch nachteilig auf die Fähigkeit der Emittentin zur Ausübung ihrer Geschäftstätigkeit auswirken.

Transaktionskosten: Bei der Übertragung von Bitcoin zwecks der Rückzahlung der Schuldverschreibungen in Bitcoin fallen Gebühren an. Die Transaktionskosten können je nach Netzwerklast variieren (unvorhersehbar für die Emittentin und die Anleihegläubiger). Transaktionskosten können auch aufgrund des Timings der Transaktionen variieren und sind daher unvorhersehbar. Je nachdem, wie viel der zurückzahlende Anleihegläubiger bereit ist, an Transaktionskosten und

Gebühren für die Abwicklung der Rückzahlung zu zahlen, könnten Bitcoin später als erwartet erhalten werden, oder in Extremfällen, gar nicht erhalten werden, da Blockchain-Transaktionen mit niedrigen Gebühren vom Netzwerk eine geringere Rechenleistung zur Verfügung gestellt werden.

Risiken im Zusammenhang mit der Zulassung der Wertpapiere zum Handel

Risiken im Zusammenhang mit der Zulassung zum Handel: Der Handelspreis der Schuldverschreibungen könnte sinken sobald sich die Bonität der Emittentin oder mit der Emittentin verwandten Parteien verschlechtert oder den Anschein hat sich zu verschlechtern, unabhängig von der Tatsache, dass die Schuldverschreibungen durch das gegenwärtige Halten von Bitcoin besichert sind. Es besteht das Risiko, dass Dritte nur mit einem wesentlichen Preisabschlag im Verhältnis zum Preis für einen Bitcoin bereit sind, die Schuldverschreibungen zu kaufen. Diese kann wiederum in einem Verlust für die Anleihegläubiger resultieren.

Steuerrisiken im Zusammenhang mit den Schuldverschreibungen

Finanztransaktionssteuer: Im Jahr 2013 veröffentlichte die Europäische Kommission einen Vorschlag (der "**Vorschlag der Kommission**") für eine Richtlinie bezüglich einer gemeinsamen Finanztransaktionssteuer (*Financial Transaction Tax*). Gemäß dem Vorschlag der Kommission soll die Finanztransaktionssteuer in bestimmten EU-Mitgliedstaaten, darunter auch in Deutschland, umgesetzt werden. Das konkrete Risiko dieser Finanztransaktionssteuer liegt in der möglichen nachteiligen Steuerbehandlung der Schuldverschreibungen, was sich wiederum nachteilig auf die Rendite der Anlage des Anleihegläubigers in die Schuldverschreibungen auswirken kann.

2.4. BASISINFORMATIONEN ÜBER DAS ÖFFENTLICHE ANGEBOT VON WERTPAPIEREN UND/ ODER DIE ZULASSUNG ZUM HANDEL AN EINEM REGULIERTEN MARKT

2.4.1. Zu welchen Konditionen und nach welchem Zeitplan kann ich in dieses Wertpapier investieren?

Die Bedingungen und der Zeitplan für die Investition in die Schuldverschreibungen werden nachstehend aufgeführt.

Die Emittentin wird bis zu 21.000.000.000 Schuldverschreibungen emittieren, welche mittels Bitcoin besichert sind.

Öffentliches Angebot: Die Schuldverschreibungen werden von Finanzintermediären (einschließlich Autorisierten Teilnehmern) institutionellen und privaten Anlegern unter Beachtung der geltenden Verkaufsbeschränkungen angeboten. Zum Datum dieses Prospekts sind XTX Markets Ltd, ITI Capital Ltd und Bank Frick & Co. AG als Autorisierte Teilnehmer benannt. Im Primärmarkt können Schuldverschreibungen, die direkt von der Emittentin gekauft werden, nur mit Bitcoin und nur durch die Autorisierten Teilnehmer erworben werden. Bank Frick & Co. AG als einer der Autorisierten Teilnehmer wird direkt mit ihren Kunden, die professionelle Investoren sind, für das Kaufen und Verkaufen der Schuldverschreibungen in Kontakt treten. Die Angebotsfrist beginnt voraussichtlich am 5. Juni 2020 und ist bis zum 3. Juni 2021 (dem Ablaufdatum des Prospekts) geöffnet, vorbehaltlich einer Verkürzung der Frist. Ein öffentliches Angebot erfolgt in den unter "*1.1 Einleitung und Warnhinweise*" genannten Ländern, vorbehaltlich der geltenden Verkaufsbeschränkungen. Zum Datum des Prospekts hat die Emittentin Verträge mit drei Autorisierten Teilnehmern geschlossen.

Bedingungen und technische Einzelheiten des Angebots: Das Angebot ist nicht an Bedingungen oder Fristen gebunden, mit Ausnahme der Frist, welche sich aus dem Gültigkeitszeitraum des Prospekts ergibt, wie unter "*Öffentliches Angebot*" beschrieben. Es gibt keine Möglichkeit, die Zeichnung zu reduzieren. Es wurden keine Mindest- oder Höchstzeichnungsbeträge festgelegt. Finanzintermediäre (einschließlich Autorisierte Teilnehmer), die die Schuldverschreibungen anbieten, können jedoch beim Anbieten der Schuldverschreibungen nach eigenem und absolutem Ermessen Mindest- oder Höchstzeichnungsbeträge festlegen. Die Schuldverschreibungen können im Primärmarkt entweder mit Bitcoin, Euro, USD oder einer anderen Papierwährung oder Kryptowährung gekauft werden, wie jeweils von dem die Schuldverschreibungen anbietenden Finanzintermediär bestimmt. Jedoch können Schuldverschreibungen, die direkt von der Emittentin im Primärmarkt gekauft werden, nur mit Bitcoin und nur durch Autorisierte Teilnehmer erworben werden. Die Schuldverschreibungen werden via Buchung (*Book-Entry*) über das Clearingsystem und seine kontoführenden Banken geliefert.

Im Sekundärmarkt können Schuldverschreibungen ausschließlich in Fiat erworben werden.

Feststellungsmethode des Ausgabepreises: Der Ausgabepreis für Autorisierte Teilnehmer entspricht dem Kryptowährungsanspruch zuzüglich einer Zeichnungsgebühr. Der Kryptowährungsanspruch wird nach der folgenden Formel ermittelt:

$$CE = ICE \times (1 - DER)^n$$

Wobei:

"CE" den Kryptowährungsanspruch bezeichnet;

"ICE" den anfänglichen Kryptowährungsanspruch, d.h. BTC 0,001 pro Schuldverschreibung bezeichnet;

"DER" die Verminderte Anspruchsrate von 2,00 Prozent (vorbehaltlich einer Reduzierung durch die Emittentin) bezeichnet; und

"n" Anzahl der Tage/365 bezeichnet.

Der Ausgabepreis für Anleger, die keine Autorisierten Teilnehmer sind, wird fortlaufend festgelegt.

Zum Ausgabetag beträgt der Kryptowährungsanspruch 0,001 Bitcoin pro Schuldverschreibung, d.h. Autorisierte Teilnehmer, die Schuldverschreibungen von der Emittentin erwerben, würden pro 0,001 Bitcoin eine Schuldverschreibung erhalten. Zusätzlich erhebt die Emittentin von den Autorisierten Teilnehmern eine Zeichnungsgebühr von bis zu 0,50 Prozent von 0,001 Bitcoin. Wenn ein Investor eine Schuldverschreibung von einem Autorisierten Teilnehmer mit Euro erwirbt, würde der Eurogegenwert des Kryptowährungsanspruchs zum 27. Mai 2020, basierend auf dem Wert des Bitcoin von Euro 8.340,76⁴, Euro 8,34 betragen. Da jedoch jeder Autorisierte Teilnehmer nach eigenem Ermessen eine Zeichnungsgebühr von dem Investor, an den er die Schuldverschreibungen verkauft, verlangen kann, ist der Kaufpreis für eine Schuldverschreibung gegebenenfalls höher als Euro 8,34.

Kosten: Die geschätzten Gesamtkosten der Emission und/oder des Angebots belaufen sich auf EUR 475.000. Die Emittentin erhebt von den Autorisierten Teilnehmern eine Zeichnungsgebühr von bis zu 0,50 Prozent des Kryptowährungsanspruchs der Schuldverschreibungen. Die Emittentin hat keinen Einfluss darauf, ob und in welchem Umfang der jeweilige Autorisierte Teilnehmer zusätzliche Gebühren erhebt. Diese Gebühren können je nach Autorisiertem Teilnehmer variieren.

2.4.2. Weshalb wird dieser Prospekt erstellt?

2.4.2.1. Gründe für das Angebot bzw. für die Zulassung zum Handel an einem geregelten Markt

Die Emittentin beabsichtigt, mit der Ausgabe der Schuldverschreibungen Gewinne zu erzielen. Die Emittentin erzielt Gewinne durch die Erhebung von Zeichnungsgebühren, bestimmter Rückzahlungsgebühren und der Verminderten Anspruchsrate.

2.4.2.2. Zweckbestimmung der Erlöse und geschätzten Nettoerlöse

Die Schuldverschreibungen werden von der Emittentin mit Bitcoin gekauft. Bitcoins, welche die Emittentin durch die Zeichnung der Schuldverschreibungen erhält, werden auf das Verwahrstellen-Wallet übertragen und mittels Sicherheitsvereinbarung zugunsten der Anleihegläubiger, des Sicherheitentreuhänders sowie eines gemeinsamen Gläubigervertreeters (sofern einer benannt wird) besichert. Basierend auf der Annahme, dass insgesamt 21.000.000.000 Einheiten von Schuldverschreibungen verkauft werden und basierend auf dem Bitcoin Wert von EUR 8.340,76 (zum 27. Mai 2020) betragen die Nettoerlöse für jede 10.000 Einheiten von Schuldverschreibungen EUR 83.407,57.

2.4.2.3. Übernahmevertrag

Die Emittentin hat keinen Übernahmevertrag abgeschlossen.

2.4.2.4. Wesentliche Interessenkonflikte in Bezug auf das Angebot oder die Zulassung zum Handel

ITI und XTX sind Gesellschafterinnen der Emittentin und wurden ferner als Autorisierte Teilnehmer bestellt. Als Gesellschafterinnen könnten sowohl die ITI, als auch die XTX einen Informationsvorteil gegenüber den anderen Autorisierten Teilnehmern erlangen, insbesondere da Autorisierte Teilnehmer bei der Festlegung der Gebühren unabhängig voneinander handeln und daher abweichen können.

⁴ Wert des Bitcoin zum 27. Mai 2020.

Abgesehen von den oben beschriebenen Interessen gibt es keine wesentlichen Interessen, insbesondere keine wesentlichen Interessenkonflikte im Zusammenhang mit dem öffentlichen Angebot oder der Zulassung zum Handel.

3. RISK FACTORS

ETC Issuance GmbH (the "Issuer") believes that the following factors may affect its ability to fulfil its obligations under the Bonds.

The risk factors are presented in a limited number of categories depending on their nature. In each category the two most material risk factors are mentioned first according to the assessment of the Issuer. The Issuer assesses the materiality of the risk factors based on the probability of their occurrence and the expected magnitude of their negative impact.

3.1. RISKS RELATING TO THE ISSUER

The following descriptions of the risk factors relating to the Issuer and their occurrence within a risk category, with the most material risk factor presented first in each category, should be understood as descriptions of residual risks, i.e. of the remaining risks following all counter measures taken in order to avoid such risks or limit their adverse effects.

3.1.1. Risks related to the Issuer's business activities

Risks related to the limited business objective of the Issuer.

The focus of the Issuer's business activities is the issuance of bonds linked to Bitcoin. In the future, securities linked to other cryptocurrencies and/or other digital assets may be issued. The Issuer will not carry out any other business than the issue of bonds which are secured by cryptocurrencies and other digital assets. Because of this limited business objective, the Issuer is exposed to the risk that Bitcoin does not become successful or becomes less successful (such risks are further described under the headline "3.2.3. Risks related to Bitcoin" below) going forward and the Issuer cannot adapt to such changed circumstances. Due to this limited business objective the Issuer may then be unsuccessful in carrying out its business which could have an adverse impact on the Issuer's business and financial situation.

Risks related to the short business history of the Issuer.

The Issuer is a newly incorporated limited liability company (*Gesellschaft mit beschränkter Haftung*) and was registered with the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main, Germany on 27 August 2019. Due to such a short period of existence, the Issuer has no track record of successfully operating the business activity described herein adding to commercial risks. Hence, there is a risk that the Issuer will not be successful in its issue of the Bonds, and that the Issuer will not make profits, despite this being the Issuer's aim. If the Issuer becomes unsuccessful in the issuance of securities, the Issuer may cease its business activities as issuer or ultimately become insolvent. Although, the Issuer takes reasonable efforts to develop its business, there can be no assurance that the planned business activities will be successful in the future which could have an adverse impact on the Issuer's business and financial situation.

Reputation.

The Issuer depends on its reputation and the reputation of associated parties to maintain and grow its core business. Any material adverse event could impact the Issuer's reputation, which could, in turn, depress the Issuer's profitability, creditworthiness and fundraising capacity. This, in turn, can affect the desirability and liquidity of the Bonds and price of the Bonds on the market relative to the Bitcoin price and – in case such development triggers a Mandatory Redemption Event – may result in the Issuer giving a Mandatory Redemption Notice (such risks are further described under "*The Issuer is allowed at any time to perform a mandatory redemption in case certain events as specified in the Terms and Conditions materialise*" below).

Data.

The Issuer maintains significant amounts of data surrounding subscriptions to and redemptions of the Bonds. For every subscription or redemption, the Issuer may receive and maintain in relation to each subscribing or redeeming investor the following data: (i) proof of identity and/or incorporation

documents; (ii) residence or incorporation address; (iii) certain bank and securities accounts details; (iv) blockchain digital wallets information; (v) contact information; (vi) such other information requested by the Issuer from time to time. A significant data breach may have wide reaching adverse effects, including trading losses and reputational damage, which may adversely impact the Issuer's core business and could therefore have a negative impact on the Issuer's profitability, creditworthiness and fundraising capacity.

3.1.2. Risks related to the Issuer's corporate structure

Major shareholders.

Shares in the Issuer are highly concentrated; (i) Alexander Gerko controls indirectly, via XTX Investments UK Limited ("**XTX**") which is regulated by the Financial Conduct Authority (the "**FCA**"), 22.5 percent of the shares in ETC Holdings Ltd the ultimate parent company of the Issuer (the "**Holding Company**"); (ii) Oleg Mikhasenko controls indirectly 11.25 percent of the shares of the Holding Company; (iii) Maximilian Monteleone controls indirectly 22.5 percent of the shares of the Holding Company; (iv) ITI Capital Ltd, which is also regulated by the FCA controls a further 11.25 percent of the shares of the Holding Company, with the remaining 32.5 percent of the shares of the Holding Company, held by other co-founders, partners and management. Shareholders mentioned in (i) to (iv) (inclusive) above or their representatives can remove any and all members of the board of directors of the Issuer with a majority vote. As such, these shareholders have significant influence on the management of the Issuer. There can be no assurance that these shareholders or their representatives will exercise their voting rights in a manner that benefits the Issuer or the investors.

3.1.3. Legal and regulatory risks

Compliance.

Pursuant to the regulatory framework which is currently applicable to the Issuer, it faces relatively low compliance requirements, as it is, for example, not directly responsible for "know your client" ("**KYC**") checks or anti-money laundering ("**AML**") checks of end investors. However, the Issuer takes reasonable efforts to establish the nature of counterparty and customer activities and to try to ascertain the legitimacy of counterparty funds. In this respect the Issuer relies on its Authorised Participants to perform checks on the sources of funds. It should be stressed that performing KYC/AML checks in respect of transactions related to Bitcoin is new and challenging and even though Authorised Participants are regulated entities, there is risk of compliance failures with respect to KYC/AML. Any breach of the compliance processes of the Issuer, Authorised Participants or service providers could have a material adverse effect on the Issuer's core business, including reputational damage and significant legal and financial impact.

Change in regulatory status of the Issuer.

The Issuer's business is focused on issuing Bonds linked to Bitcoin. Although some financial supervisory authorities across Europe may restrict trading in Bitcoin and/or categories of market participants which may deal with cryptocurrencies, the Issuer is currently not required to be licensed, registered or authorised under any securities, commodities or banking laws of its jurisdiction of incorporation or operation and operates without supervision by any authority in any jurisdiction. However, the regulatory authorities in one or more other jurisdictions relevant to the Issuer's business may determine that the Issuer is required to be licensed, registered or authorised under the securities, commodities or banking laws of such jurisdiction and there can be no guarantee that legal or regulatory requirements with respect thereto will not change in the future. Any such requirement or change could require the Issuer to obtain licenses, registrations or authorisations or even make it impossible for the Issuer to perform its current business. The Issuer may not be granted such licenses, registrations or authorisations or it will face severe financial implications. This may have an adverse impact on the Issuer conducting its business and the administration of the Bonds and may result in the Issuer giving a Mandatory Redemption Notice (such risks are further described under "*The Issuer is allowed at any time to perform a mandatory redemption in case certain events as specified in the Terms and Conditions materialise*" below).

Risks related to regulation of blockchain technologies and digital assets.

The Bonds are linked to Bitcoin and the regulatory regime governing Bitcoin is currently undeveloped and likely to evolve rapidly. Various legislative and executive bodies in Germany and in other countries may in the future, adopt laws, regulations, guidance, or other actions, which may severely impact the development and growth of the Bonds and the adoption and/or utility of the Bonds. Failure by the Issuer or certain investors to comply with any laws, rules and regulations, some of which may not exist yet or are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including civil penalties and fines and may negatively affect the rights of investors under the Bonds.

Dependence on certain service providers and potential conflicts of interest.

The Issuer is dependent on a number of service providers to maintain the issuances and the Security. These include the Depository, Authorised Participants, the Paying Agent and Fiscal Agent, the Administrator, the Clearing System, and the security trustee, which is authorised under the Terms and Conditions to hold and administer security interest over the collateral (which includes the Deposited BTC) for the benefit of the Bondholders and other secured parties (the "**Security Trustee**"). Should there be a material adverse change with any existing partner and a suitable alternative be unavailable or impracticable, it may be impossible for the Issuer to continue to maintain the listing and fulfill its obligations under the Bonds. In addition, the role of service provider may give rise to conflicts of interest, which are adverse to the interests of Bondholders.

§ 4 (*Redemption*) of the Terms of Conditions provides for a right of the Issuer to initiate mandatory redemption in respect of the Bonds if any third-party service provider, including the Issuer's auditors, legal advisors, the Clearing System, the Paying Agent, the Fiscal Agent, the Security Trustee, the Authorised Participants, the Administrator and the Depository, stops providing services to the Issuer, and the Issuer fails to find a replacement within a reasonable time.

Dependence on authorisations.

Application has been made for the Bonds to be admitted to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange. Therefore, the Issuer depends on the Frankfurt Stock Exchange's authorisation and the permissibility under the rules and regulations of Germany to continue issuing and listing, as applicable, the Bonds and other financial products. Any change to the listing requirements, the regulation of the Bonds, or acceptance of cryptocurrency as underlying asset could adversely impact the Issuer, the value of the Bonds and investors in the Bonds. If any authorisation risk materialises, this could have a material adverse effect on the Issuer's business and financial situation.

3.1.4. Internal control and IT risks

Attacks by "hackers" and sabotage from outside the Issuer.

The whole business of the Issuer depends on certain IT infrastructure. Additionally, service providers (e.g. the Administrator, the Paying Agent and the Clearing System) also rely on IT systems to provide services to the Issuer. Both Issuer's IT systems and IT systems of such service providers may be hacked by criminals. The Issuer is exposed to the risk of being partially, temporarily or even permanently prevented from carrying out its business activities or it may become in breach of its covenants and even become insolvent, and the Bondholders may lose part or all of their investment in the Bonds due to such security breach.

Attacks by "hackers" and sabotage from within the Issuer.

The Issuer's business is focused on issuing the Bonds. The Issuer does not and will not own or produce any other assets. The IT infrastructure used by the Issuer is its ultimate asset used to administer the Bonds during their lifetime, which includes in particular the transfer of Bitcoin and the Bonds. Hacker attacks, sabotage or fraud carried out by the managing director or potential future employees of the Issuer or third parties may sabotage the IT systems, which may lead to the failure of hardware and/or software systems of the Issuer. This may also have a negative impact on the Issuer's business activities.

3.2. RISKS RELATING TO THE BONDS

An investment in the Bonds involves certain risks associated with the characteristics, specification and type of the Bonds which could lead to substantial losses that Bondholders would have to bear in the case of selling their Bonds or with regard to repayment of principal. Risks regarding the Bonds comprise, *inter alia*, the following risks:

3.2.1. Risks related to the nature and the Terms and Conditions of the Bonds

Auction cannot be carried out due to missing participants or insufficient bids.

If a Bondholder is prevented from receiving Bitcoin for legal reasons, in particular due to regulatory provisions applicable to him and because of that the Bonds are redeemed in USD, the Issuer has to arrange for a Bitcoin auction to receive USD in order to redeem the Bonds. Pursuant to the Terms and Conditions, a Bitcoin auction shall be deemed unsuccessful if the Reference Price of Bitcoin as of the relevant determination date is not available, or it is expected not to be available on the dates when it is required for the purposes of the procedure (which is further described in the Terms and Conditions) or the winning bidder fails to transfer to the Issuer the balances within the prescribed timeframe or there is no winning bidder in the auction, i.e. if either no bids were submitted or all bids were rejected or all submitted qualifying bidders failed to deposit a bid guarantee amount, or for any other reason. If the auction fails, the Bondholder faces the risk that the Bonds cannot be redeemed in USD and Bondholders do not have any mechanism to monetise the Bonds (except selling the Bonds for fiat on the secondary market, if a liquid market exists). In such case Bondholders could only retain Bitcoin through exercise of the BTC Put Option and would have to rely on crypto-exchanges to exchange Bitcoin for fiat.

Issuer has the choice to accept or reject a bid (up to a certain extent).

If it is required, pursuant to the Terms and Conditions, to conduct a BTC Auction Procedure, the Auctioneer shall *inter alia* reject bids, if they are submitted for less than 80 percent of the Reference Price, or for less or more than the full amount of Bitcoin. This means that bids can be accepted at 80 percent of the Reference Price and therefore significantly less than the Reference Price. The Auctioneer may, at its sole and absolute discretion, not accept bids, which were submitted later than 48 hours before 13:00 (CET) on the Auction Price Determination Date, and may not accept bids where there is a suspicion as to legality of source of funds of the potential bidder. There is also a risk that some groups of potential bidders will be completely excluded from participation in the auction if the Auctioneer cannot make the offer of Bitcoin to such groups of potential bidders for regulatory reasons. In addition, there is also a risk for a Bondholder that the BTC Auction Procedure shall be deemed unsuccessful in total. This would be the case if e.g. no winning bidder in the auction exists or the winning bidder fails to transfer to the Issuer the balances pursuant to the Terms and Conditions. As a consequence, the price achieved on the BTC auction can be below the current market price of Bitcoin which would have a negative impact with regard to the Bondholder's investment, or a BTC Auction Procedure can fail in its entirety and not result in any sale of Bitcoin at any price. Additionally, the Issuer reserves the right to charge certain redemption fees even in case of a failed BTC Auction Procedure.

Risks related to the exercise of the put option in the Terms and Conditions of the Bonds.

Investors in the Bonds have a put option (the "**Put Option**") to sell Bonds to the Issuer against payment of the Cryptocurrency Entitlement. The Issuer may fail to make Bitcoin payments, at all or in a timely manner, due to failure in the Bitcoin network to verify payments, operational deficiencies at the Depositary, the Administrator or the Issuer. In addition, there is a risk that investors may not be able to exercise the Put Option if they do not provide sufficient information to the Issuer in accordance with the Terms and Conditions.

Furthermore, if a Bondholder exercises the Put Option due to a specific value of Bitcoin and there is a delay in the redemption process, there is a risk that the value of Bitcoin can fluctuate/decrease in that time period.

If the transmission fees of the Bitcoin network are higher than an investor has specified as the level he is prepared to pay, the redemption could take longer to process, during which the value of Bitcoin may have fluctuated/decreased.

Additionally, if a Bondholder exercises the Put Option and requests USD settlement because he is prevented from receiving Bitcoin for legal reasons, in particular due to regulatory provisions applicable to him, obligations of the Issuer to remit USD to such Bondholder after the surrender of the relevant Bonds to the Issuer constitute unsecured obligations of the Issuer. Only settlement obligations related to the exercise of the BTC Put Option (the "**Secured Put Option Obligations**") constitute secured obligations of the Issuer. Claims of a Bondholder for payments in USD, due to the exercise of the USD Put Option will only be settled after the relevant Bondholder has delivered its Bonds to the Issuer and during the period from delivery of the Bonds until actual payment of USD, the relevant Bondholder will no longer be the owner of the Bond, nor have a secured claim against the Issuer.

The Issuer is allowed at any time to perform a mandatory redemption in case certain events as specified in the Terms and Conditions materialise.

The Issuer may at any time, in its sole and absolute discretion, elect to terminate and redeem all but not some of the Bonds at their Cryptocurrency Entitlement in case of occurrence of certain events as further specified in the Terms and Conditions (the "**Mandatory Redemption**"). In exercising such discretion, the Issuer is not required to have any regard to the interests of the Bondholders, and Bondholders may receive less, or substantially less, than their initial investment. The Issuer has to make an advance notice of the Mandatory Redemption, but there is a risk that the Issuer will fail to make such notice, or it will not be received by all Bondholders, which can result in some or all Bondholders failing to sell the Bonds or exercise their Put Option rights prior to the Mandatory Redemption. The Mandatory Redemption Price of the Bonds redeemed in USD can be less or substantially less than the equivalent Bitcoin price, as the Issuer will try to sell Bitcoin using the BTC Auction Procedure, and all risks related to Bitcoin auctions apply (see "*Risks related to Bitcoin auctions*") above. Additionally, should the Issuer fail to realise Bitcoin using the BTC Auction Procedure, it is entitled to use any other reasonable procedure to sell Bitcoin holdings, and there is a risk that such procedures would result in the sale of Bitcoin at a price less or substantially less than the minimum stipulated by the BTC Auction Procedure.

Additionally, the Mandatory Redemption might result in the effective disposal of the Bonds for tax purposes by some or all Bondholders on a date earlier than planned or anticipated, which can result in less beneficial tax treatment of an investment in the Bonds for such Bondholders than otherwise would be available should the investment be maintained for a longer period of time.

Fees related to the redemption of the Bonds upon exercise of the put option.

Subject to certain exceptions (as further described in the Terms and Conditions of the Bonds), the Issuer may charge an upfront redemption fee of USD 2,500.00 at its sole and absolute discretion for the exercise of a Put Option by a Bondholder who is not an Authorised Participant, and where the Put Option is exercised in relation to a number of Bonds which, if multiplied by the Cryptocurrency Entitlement and then multiplied by the Reference Price, is less than USD 250,000.00 (the "**Upfront Redemption Fee**"). Payment of the Upfront Redemption Fee can lead to a lower than expected yield when exercising the Put Option. In addition to the Upfront Redemption Fee, the exercise of the Put Option triggers an exercise fee which can amount to up to 1.00 percent of the Cryptocurrency Entitlement for each Bond in relation to which the Put Option is exercised (depending on whether the Put Option is exercised by an Authorised Participant or other Bondholders than Authorised Participants) (the "**Exercise Fee**"). The Exercise Fee will be deducted from the Cryptocurrency Entitlement or, in the case of USD settlement, from the proceeds of the Bitcoin sale and accordingly the redemption amount per Bond received will be less than the actual Cryptocurrency Entitlement or, in the case of USD settlement, the proceeds of the Bitcoin sale. Additionally, in the case of USD settlement, the Issuer reserves the right to charge relevant redemption fees even if the BTC Auction Procedure fails and, subsequently, the redemption request is cancelled.

Ability to comply with the Terms and Conditions and Event of Default.

The Issuer is required to comply with the Terms and Conditions. Events beyond the Issuer's control, including changes in the economic and business condition in which it operates, may affect the Issuer's ability to comply with the undertakings set out in the Terms and Conditions. Further, there is a risk that a breach of the Terms and Conditions will result in an Event of Default under the Terms and Conditions, which could cause a material adverse effect on the Issuer's financial position.

Upon the occurrence of an Event of Default as defined in the Terms and Conditions, each Bondholder shall be entitled to declare due and payable its entire claims arising from the Bonds and demand immediate payment of the Cryptocurrency Entitlement. The Issuer must then distribute the Cryptocurrency Entitlement in accordance with the Terms and Conditions. The value of Bitcoin can fluctuate during the time when the distribution is being processed to be executed. In order for the distribution to be made, Bondholders need to have their own digital cryptocurrency wallet (the "**Digital Wallet**") and report such Digital Wallets to the Issuer and a failure of doing so will result in the respective Bondholder not receiving the Cryptocurrency Entitlement. Additionally, the Issuer may receive more redemption requests in an Event of Default than it can operationally process. This may result in delays for the Bondholders receiving their Cryptocurrency Entitlement.

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of its investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Prospectus;
- have access to and knowledge of appropriate analytical tools to evaluate (in the context of his particular financial situation and the investment(s) he is considering) an investment in the Bonds and the impact the investment in the Bonds will have on his overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the terms of the Bonds and be familiar with the financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The specific risk is that if an investment in the Bonds turns out to be not a suitable investment for such investor, due to the factors set out above, such investor may suffer a substantial loss which may negatively impact its overall investment strategy.

Investing in the Bonds does not correspond to a direct investment in Bitcoin.

Investors should be aware that the market value of the Bonds does not exclusively depend on the prevailing price of Bitcoin and changes in the prevailing price of Bitcoin may not necessarily result in a comparable change in the market value of the Bonds. The performance of the Bonds may differ significantly from direct holdings of Bitcoin as a result of negative effects of fees and charges (see below "*The Bonds are subject to transaction costs and charges*", including, but not limited to the Exercise Fee upon Redemption), in addition to the negative effect of any other risks described herein. The return on the Bonds may not reflect the return if the investor had actually owned Bitcoin and held such investment for a similar period.

Passive investment risk.

The Bonds cannot be considered as an actively managed investment and may be affected by a general decline in the value of Bitcoin (see also "*Risks related to Bitcoin*"). Neither the Issuer nor any other party will actively manage Bitcoin or the Bonds. As a result, the Issuer will not take any action to

attempt to reduce the risk of loss resulting from price decreases. As a result, Bondholders bear the risk of a loss of part or all of their investment.

Changes in regulation of Bitcoin.

The Bonds are linked to Bitcoin. A potential investor has, therefore, to consider that the regulation of Bitcoin is subject to change. Therefore, it cannot be ruled out that the regulatory treatment of Bitcoin by national authorities and courts or international standard setting bodies could be subject to changes in the future. As a result of such changes, the purchase and/or direct or indirect investment in Bitcoin, including with respect to the Bonds may be prohibited or otherwise restricted. Furthermore, if an investment in Bitcoin is prohibited, Bondholders may not redeem and receive Bitcoin pursuant to the Terms and Conditions.

Moreover, changes in the regulation of Bitcoin, including with respect to the Bonds, may adversely impact the Issuer, the value of the Bonds and the value of the Security. As a result, Bondholders bear the risk of a loss of part or all of their investment.

The Bondholder is responsible for choosing an appropriate Digital Wallet (an inadequate or inappropriate Digital Wallet for Bitcoin can lead to the loss of Bitcoin).

If Bonds are terminated either by the Issuer or the Bondholder pursuant to the Terms and Conditions and the Bondholder is entitled to receive payments in Bitcoin, the Bitcoin must be transferred to the Bondholder's Digital Wallet. If this transfer occurs to an inadequate or inappropriate Digital Wallet (which includes, but is not limited to, a Digital Wallet to which the Bondholder does not have the corresponding private cryptographic key or keys, or which the Bondholder cannot operate due to any other limitation, technical or otherwise), the Bondholder will may not be able to access and dispose of the Bitcoin. For the Bondholder, this means a total loss of his investment. The decision on choosing the correct compatible Digital Wallet lies solely with the Bondholder. The Bondholder is also entirely responsible for the secure storage of the private key of his Digital Wallet in order to receive and dispose of Bitcoin. The loss or theft of the private key (which includes an unauthorised copy of all or part of the key or keys) can result in a total loss of all the assigned Bitcoin within the Digital Wallet.

The Bondholders who don't provide the information regarding their Digital Wallet to the Issuer during the mandatory redemption process in a timely manner, may be treated by the Issuer as prevented from receiving Bitcoin due to legal or regulatory reasons and may have their Bonds redeemed in USD, and all risks related to the BTC Auction Procedure and Mandatory Redemption (as it applies to redemptions in USD) may materialise, see in particular: "*Auction cannot be carried out due to missing participants or insufficient bids*" and "*Issuer has the choice to accept or reject a bid (up to a certain extent)*".

Supply.

While the Issuer has the right to issue additional Bonds that are fungible with already issued Bonds (See § 16 of the Terms and Conditions "*Further Issues, Purchases and Cancellation*"), the Issuer is under no obligation to issue additional Bonds. Even if the Issuer decides to issue additional Bonds, given that the Issuer only sells Bonds to Authorised Participants, there is no guarantee that Authorised Participants subscribing to the Bonds will make them available on the market. This may create reduced liquidity and increased price volatility in the Bonds. On the one hand, if the Issuer does not issue additional Bonds, or Authorised Participants do not sell those additional Bonds on the market, this could increase the price of the Bonds compared to Bitcoin. On the other hand, when the Issuer starts issuing additional Bonds (and/or Authorised Participants start selling such bonds on the market) at a moment when the Bonds are trading at a premium compared to Bitcoin, this could result in a reduction of the premium compared to Bitcoin and thus a decrease in the price of the Bonds.

No recourse and no guarantee.

Pursuant to the Terms and Conditions, the Bonds will be obligations solely of the Issuer. In particular, the Bonds will not be obligations of, or guaranteed by the Paying Agent, the Fiscal Agent, the Depositary, the Security Trustee, the Administrator or the Authorised Participants or any other partner or affiliate of the Issuer or any direct or indirect holder of the Issuer.

No person has guaranteed the performance of the Issuer's obligations, and no holder of Bonds has any direct rights of enforcement against any such person. As a result, the Bondholders bear the risk of a loss of part or all of their investment.

Risk-hedging transactions.

The ability to eliminate or to restrict the initial risks of the Bonds arising from their purchase by, for example, concluding any hedging transactions during their lifetime, depends mainly on the market conditions and the terms of the Bonds. As a consequence, such transactions may be concluded at unfavourable market prices (or not at all), which may result in corresponding losses. Investors should, therefore, not rely on the ability to conclude transactions at any time during the term of the Bonds that will allow them to offset or limit relevant risks.

The Terms and Conditions, including the terms of payment of principal, can be amended by a Bondholders' resolution and any such resolution will be binding for all Bondholders. Any such resolution may effectively be passed with the consent of less than a majority of the aggregate principal amount of the Bonds outstanding.

The Terms and Conditions, including the terms of payment of principal, can be amended (with the consent of the Issuer) by a Bondholders' resolution and any such resolution will be binding for all Bondholders. Any such resolution may effectively be passed with the consent of less than a majority of the aggregate principal amount of the Bonds outstanding.

According to the Terms and Conditions and the German Act on Issues of Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen - SchVG; "German Act on Issues of Debt Securities"*), Bondholders can, by resolution, consent to amendments of the Terms and Conditions of the Bonds. Accordingly, although no obligation to make any payment or render any other performance may be imposed on any Bondholder, the Bondholders may, by resolution, materially change the substance of the Terms and Conditions, in particular in the case of Section 5 paragraph 3 numbers 1 through 9 of the German Act on Issues of Debt Securities. Under the German Act on Issues of Debt Securities and the Terms and Conditions of Bonds, such amendments require a resolution of Bondholders holding in the aggregate at least 75 percent of the votes cast in respect of the Bonds. Subject to contestation in court, any such resolution will be binding on all Bondholders.

The voting process under the Terms and Conditions will be governed in accordance with the German Act on Issues of Debt Securities, pursuant to which the required participation of Bondholder votes (quorum) is principally set at 50 percent of the aggregate principal amount of outstanding Bonds at the time of the first Bondholders' meeting or a vote without meeting. If the quorum is not met for the first voting process, there is no minimum quorum for the second voting process in relation to the same resolution (unless the resolution to be passed requires a qualified majority, in which case Bondholders representing at least 25 percent of outstanding Bonds by principal amount must participate in the meeting). As the relevant majority for Bondholders' resolutions is generally based on votes cast, rather than on principal amount of Bonds outstanding, the aggregate principal amount of Bonds required to vote in favour of an amendment will vary based on the Bondholders' votes participating.

The specific risk is that Bondholders are being outvoted and losing rights towards the Issuer against its will in the event that Bondholders holding a sufficient aggregate principal amount of the Bonds participate in the vote and agree to amend the Terms and Conditions of the Bonds by majority vote in accordance with the Terms and Conditions and the German Act on Issues of Debt Securities which in turn may result in a Bondholder's loss of the investment in the Bonds.

Since no Bondholders' Representative will be appointed as from the issue date of the Bonds, it will be more difficult for Bondholders to take collective action with respect to the Bonds.

Under the German Act on Issues of Debt Securities, a joint representative (*gemeinsamer Vertreter*) of the Bondholders (the "**Bondholders' Representative**") may be appointed by way of the terms and conditions of an issue. The Bondholders' Representative is not a trustee and its functions differ in material respects from those of a trustee appointed under the U.S. Trust Indenture Act of 1939 or similar legislation. No initial Bondholders' Representative will be appointed under the Terms and Conditions.

Any appointment of a Bondholders' Representative for the Bonds post issuance of the Bonds will, therefore, require a majority resolution of the Bondholders.

The specific risk is that if the appointment of a Bondholders' Representative is delayed, this will make it more difficult or even impossible for Bondholders to take collective action to enforce their rights under the Bonds.

It is possible that a Bondholder may be deprived of its individual right to pursue and enforce its rights under the Terms and Conditions if such right was passed on a Bondholders' Representative.

If a Bondholders' Representative will be appointed by majority decision of the Bondholders it is possible that a Bondholder may be deprived of its individual right to pursue and enforce its rights under the Bonds against the Issuer, if such right was passed to the Bondholders' Representative by majority vote who is then exclusively responsible to claim and enforce the rights of all the Bondholders.

The specific risk is that Bondholders may not be able to enforce their rights under the Bonds individually but with consent and depending on the action of a Bondholders' Representative only which in turn may result in a Bondholder's loss of the investment in the Bonds.

The Bonds are subject to transaction costs and charges.

When Bonds are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the purchase or sale price of the Bonds. These incidental costs may significantly reduce or eliminate any profit from holding the Bonds. Credit institutions as a rule charge commissions which are either fixed minimum commissions or pro-rata commissions, depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including, but not limited to, domestic dealers or brokers in foreign markets, Bondholders may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs). In addition to such costs directly related to the purchase of securities (direct costs), potential investors must also take into account any follow-up costs (such as custody fees).

The specific risk is that such additional costs may lower the yield of the investment substantially. Therefore, potential investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Bonds before investing in the Bonds.

No assurance can be given as to the impact of any possible judicial decision or change of laws or administrative practices after the date of this Prospectus.

The Terms and Conditions are based on the laws of Germany in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to the laws of Germany or administrative practice or the official application or interpretation of German law after the date of this Prospectus.

The specific risk is that Bondholders may face detrimental changes in German law which negatively impact their rights under the Bonds. This could even lead to situations where Bondholders are not allowed to enforce their rights under the Bonds which in turn may result in a Bondholder's loss of the investment in the Bonds.

3.2.2. Risks related to the Security of the Bonds

Security granted to secure the Bonds may be unenforceable or enforcement of the Security may be delayed.

The Issuer has undertaken to have an amount in Bitcoin equal to or higher than the Secured Obligations Amount (i.e. the sum of Outstanding Amount, Secured Put Option Obligations Amount and Secured Settlement Obligations Amount) always deposited with the Depository, and have pledged such deposited Bitcoin to the Bondholders as Security for the Issuer's debt to the Bondholders. These security arrangements may not be sufficient to protect the Bondholders in the event of the Issuer's or the Depository's bankruptcy or liquidation due to various reasons. There is a legal risk that the security

interest in respect of the Bitcoin is not enforceable given it is a cryptocurrency and there could be uncertainties on how to enforce such Security or changes in legislation. In addition, the enforcement of the Security may be delayed.

Moreover, investors should note that the security interests are not governed by German law, but by foreign laws. This may make the enforcement of the security interests more costly and time consuming.

Counterparty risk.

The Issuer will be exposed to the credit risk of depositary institutions with whom it holds cash and Bitcoin. Credit risk, in this case, is the risk that the Depositary holding Bitcoin will fail to fulfil an obligation or commitment to the Issuer. The Bitcoin is maintained by the Depositary in segregated accounts, which are intended to be protected in the event of insolvency of the Depositary. However, any insolvency of the Depositary may result in delayed access to Bitcoin provided as a Security. In such a situation, Bondholders may face a loss due to asset price fluctuation.

Fraud risk arising from third parties.

The Issuer is interacting with a number of third parties, including, but not limited to, the Depositary, the Security Trustee, Authorised Participants, the Administrator and exchanges. The Issuer is also relying on its own staff for its operations. As a result, the Issuer is exposed to the risk of misconduct, negligence or fraud by these third parties and its employees. This could result in serious reputational or financial harm or damage to the assets of the Issuer which are pledged as a Security for the Bonds and also result in losses for the investors in the Bonds. It is not always possible to deter misconduct and the internal control systems set up by the Issuer or the relevant third parties may not always be effective. Also, these risks may not be fully covered by insurance.

Realisation of Security and role of the Security Trustee.

The Security Trustee may take any action permitted by the Terms and Conditions and the relevant Security Documents in an enforcement scenario without having regard to the effect of such action on individual Bondholders. Fees, costs and expenses for the Security Trustee will need to be paid in advance. All fees, costs and expenses related to the enforcement will be the sole responsibility of, and will be deducted from any payments made to, the relevant investors.

The Security Trustee shall have no responsibility whatsoever to any other party hereto or to any investor in the Bonds as regards any deficiency which might arise because the Security Trustee is subject to any tax in respect of the Collateral or any part thereof or any income therefrom or any proceeds thereof.

The Security Trustee will only act upon instruction of the Bondholder's Representative. No initial Bondholders' Representative will be appointed under the Terms and Conditions. Any appointment of a Bondholders' Representative for the Bonds post issuance of the Bonds will, therefore, require a majority resolution of the Bondholders. The specific risk is that no Bondholders' Representative will be appointed because a majority resolution by Bondholders has not been passed or that the Bondholders' Representative might not instruct the Security Trustee in the interest of all individual Bondholders. In such an event it may be difficult or even impossible for Bondholders to take collective action and to enforce the Security.

Recognition of Security and choice of law in other jurisdictions.

The laws of certain jurisdictions may affect some or all of the security interests over assets comprised by the Security. In the event that the laws of a jurisdiction do not recognise the security interests granted by the Security, such security may not be effective in relation to assets deemed located in that jurisdiction and/or such assets may be subject to claims which would otherwise rank after claims secured by the Security.

3.2.3. Risks related to Bitcoin

Price volatility of Bitcoin.

The value of the Bonds is affected by the price of Bitcoin – which fluctuates widely and is influenced by a number of factors. The amount received by Bondholders (i) upon redemption of the Bonds in USD, for the case that a Bondholder is prevented from receiving Bitcoin for legal reasons, or (ii) upon sale on the stock exchange depends on the performance of Bitcoin.

Price of Bitcoin fluctuate widely and, for example, may be impacted by the following factors:

- *Global or regional political, economic or financial events* – global or regional political, economic and financial events may have a direct or indirect effect on the price of Bitcoin;
- *Regulatory events or statements by the regulators* – there is lack of consensus regarding the regulation of cryptocurrencies and uncertainty regarding their legal and tax status and regulations of cryptocurrencies continue to evolve across different jurisdictions worldwide. Any change in regulation in any particular jurisdiction may impact the supply and demand in that specific jurisdiction and other jurisdictions due to the global network of exchanges for cryptocurrencies, as well as composite prices used to calculate the underlying value of such cryptocurrencies (if any), as the data sources span multiple jurisdictions. See also "*Political risk in the market of Bitcoin*".
- *Investment trading, hedging or other activities by a wide range of market participants which may impact the pricing, supply and demand for crypto assets* – markets for crypto assets are local, national and international and include a broadening range of products and participants. Significant trading may occur on any system and platform, or in any region, with subsequent impacts on other systems, platforms and regions.
- *Forks in underlying protocols* – Bitcoin (as with many other crypto currencies) are open source projects. As a result, any individual can propose refinements or improvements to a network's source code through one or more software upgrades that could alter the protocols governing the Bitcoin network and the properties of Bitcoin. When a modification is proposed and a majority of users and miners consent to the modification, the change is implemented and the network remains uninterrupted. However, if less than a majority of the users and miners consent to the proposed modification, the consequence could become what is known as a "fork" (i.e. a "split") of the network (and the blockchain), with one part running the pre-modified software and the other running modified software. The effect of such a fork would be the existence of two versions of the network running in parallel, and the creation of a new digital assets which lacks interchangeability with its predecessor. Additionally, a fork could be introduced by an unintentional, unanticipated software flaw in multiple versions of otherwise compatible software users run. The circumstances of each fork are unique, and their relative significance varies. It is not possible to predict with accuracy the impact that any anticipated fork could have in terms of pricing, valuation and market disruption. Newly-forked assets in particular may have less liquidity than more established assets, resulting in greater risk. See also below "*Split of the Bitcoin blockchain*".
- *Disruptions to the infrastructure or means by which Bitcoin is produced, distributed and stored, which are capable of causing substantial price movements in a short period of time* – Bitcoin infrastructure operators or 'miners' who use computers to solve mathematical problems to verify transactions are rewarded for these efforts by increased Bitcoin supply. The computers that make up the infrastructure supporting Bitcoin are decentralised and belong to a combination of individuals and large corporations. Should a significant subset of this pool choose to discontinue operations, pricing, liquidity and the ability to transact in Bitcoin could be limited. As Bitcoin is designed to have a finite supply pool of approximately 21 million Bitcoin, this finite supply pool will eventually be fully mined at some point in the future. This makes mining unsustainable since block rewards would no longer be available to miners, thereby leading to a reduction in the number of miners. This may trigger the collapse of the network as no miners would want to validate blocks without any economic incentive. Also, as block rewards decrease at a rate that was built into the network at its inception (as a consequence of the finite supply pool), the economic incentives for miners of Bitcoin may not be sufficient to match their costs of validating blocks, potentially leading to miners transitioning to other

networks, in turn slowing transaction validation and usage. This can adversely impact the price of Bitcoin. Other critical infrastructure which may be adversely affected includes storage solutions, exchanges and custodians for Bitcoin. For example, the potential for instability of cryptocurrency exchanges and the closure or temporary shutdown of exchanges due to business failure or malware could impact the liquidity of, demand for, and supply of Bitcoin (and other crypto assets). In addition, volatility in the pricing of Bitcoin leads to increased opportunities for speculation and arbitrage, which, in turn, contributes to price fluctuations.

- *Execution risk* – It may be impossible to execute trades in Bitcoin at the quoted price. Any discrepancies between the quoted price and the execution price may result of the availability of assets, any relevant spreads or fees at the exchange or discrepancies in the pricing across exchanges. See also "*Transaction costs*".

Political risk in the market for Bitcoin.

The legal status of Bitcoin varies between different countries. The lack of consensus concerning the regulation of Bitcoin and how Bitcoin shall be handled tax wise causes insecurity regarding the legal status of Bitcoin. As Bitcoin is an unregulated asset in many jurisdictions, there is a risk that politics and future regulations will affect the market for Bitcoin and companies operating in such market. Exactly how politics and future regulations may affect the market is impossible to know or predict. However, future regulations and changes in the legal status of Bitcoin are political risks which may affect the price of Bitcoin. If the Issuer fails to comply with potential future regulations, this may lead to the Issuer incurring losses and it may also have an adverse impact on the Issuer's ability to carry out its business.

Valuation of Bitcoin.

The market value of Bitcoin is not related to any specific company, government or asset. The valuation of these assets depends on future expectations for the value of the network, number of transactions and the overall usage of the asset. See also above "*Volatility of Bitcoin*". This means that a significant amount of the value in Bitcoin is speculative and could lead to increased volatility. Investors could experience significant gains, losses and/or volatility depending on the valuation of Bitcoin through the exposure to Bonds. Due to the speculative nature of an investment in Bitcoin, the prices of Bitcoin may fluctuate for any reason and such fluctuations may not be predictable.

Momentum pricing of Bitcoin has previously resulted, and may continue to result, in speculation regarding future appreciation or depreciation in the value of such assets, further contributing to volatility and potentially inflating prices at any given time. As a result, pricing of Bitcoin may change due to shifting investor confidence in future outlook of the asset class. These dynamics may impact the value of an investment in the Bonds.

Potential for market abuse.

Markets for Bitcoin are growing rapidly. These markets are local, national and international and include a broadening range of products and participants. Significant trading may occur on systems and platforms and with minimum predictability. Any sudden, rapid change in demand and supply of Bitcoin, could cause significant price volatility. In addition, Bitcoin is not backed by any central government and different regulatory standards apply across countries and in regions. The characteristics of Bitcoin and underlying infrastructure could be used by certain market participants to exploit market abuse opportunities such as front-running, spoofing, pump-and-dump and fraud across different systems, platforms or geographical locations. As a result of reduced oversight, these schemes may be more prevalent in the crypto asset market than in the general market for financial products. Potential for market abuse in the form of such schemes may impact market conditions of Bitcoin, thereby impacting the value of Bitcoin and thereafter the value of an investment in the Bonds.

Split of the Bitcoin blockchain.

There is a risk that source codes or protocols will be further developed and this for various reasons would lead to a split of the virtual currency into several protocols (so-called "**Hard Fork**"). A Hard Fork is a fundamental change to the mutually agreed rules so that computers running the old code do

not execute transactions that will be recognised as valid by computers running the new code. A Hard Fork can be indisputable, controversial or a spin-off. An indisputable Hard Fork can be compared to a software upgrade, which all (or almost all) users agree, so that the change results in only one network and one set of rules. A disputed Hard Fork can cause disagreement among users creating two competing incompatible networks who compete for the same brand. For example, the Bitcoin network saw a spin-off on 1 August 2017, which resulted in a Bitcoin (BTC) and Bitcoin Cash (BCH).

If a Hard Fork in form of a spin-off occurs (the "**Split**") and leads to the creation of two or more cryptocurrencies, each Bond shall represent a claim on a basket of cryptocurrencies that corresponds to such Cryptocurrency Entitlement as each Bond represented before the split. However, the weight of each cryptocurrency in the basket shall be determined only upon (i) Bondholders representing at least 20 percent of all Outstanding Bonds having notified the Issuer in writing about the occurrence of the split; or (ii) the Issuer having notified the Bondholders about the occurrence of the split. Bondholders may therefore have a less favourable claim under the Bonds than might have been the case if the weight of the cryptocurrencies had been determined at an earlier point in time.

Following a split, the Issuer may, at its sole discretion, resolve to split the Bonds into two, or more, separate Bonds each such new Bond representing a claim on the Issuer for a separate cryptocurrency in the basket of cryptocurrencies that each Bond represented immediately following the split. The Issuer may in its sole and absolute discretion suspend Put Option exercises and issuances of Bonds for a reasonable period of time, not exceeding 90 (ninety) days, in order to allow for an arrangement as described above. As indicated, the analysis whether to support a Split by splitting the Bonds is at the sole discretion of the Issuer. These considerations include, but are not limited to, availability of a custody solution, trading support from market makers, sufficient liquidity and the availability of a price on or around the date of the Split. While these attributes may change over time, the Issuer may require that any forked assets have an available custody and trading solution on the fork date. There is no guarantee that both cryptocurrencies will have the same performance or the same technical development and this could lead to a negative impact on the Bondholders. In addition, a newly-forked asset may increase other risks such as liquidity risk, market manipulation risk, risk of bankruptcy or insolvency and increased volatility, amongst others. See also above "*Volatility of Bitcoin*".

Exchange rate risks and failure of crypto-exchange platforms.

Bonds can be redeemed at their Cryptocurrency Entitlement, meaning that the Bondholders will receive Bitcoin if so chosen by the Bondholder. If the Bondholders intend to exchange the Bitcoin into fiat currencies, such as Bitcoin into USD, there is a risk of insufficient liquidity in the market. It is not possible to predict whether a market for Bitcoin will exist and whether such market will be liquid or illiquid and how Bitcoin can be traded in such market. Among other things, this can lead to very volatile exchange rates. With the change from Bitcoin into fiat currency – such as USD – the Bondholder may incur transaction costs and fees. The Bondholder also bears the risk that no such change is possible at all and that no market is available for this purpose.

The historical market price of Bitcoin or its exchange rate is not an indicator of its future development. It is not possible to predict whether the market price of Bitcoin will rise in relation to another currency or fall.

Transactions in cryptocurrency may be misused for criminal activities, including money laundering.

Transactions in cryptocurrencies are public, but the exact identity of the sending party and the recipient of these transactions are not normally known. Transactions are largely untraceable and provide cryptocurrency consumers with a high degree of anonymity. It is therefore possible that the cryptocurrency network will be used for transactions associated with criminal activities, including money laundering. If, as a result of the aforementioned, authorities close down trading platforms, impose regulations or otherwise restrict or complicate the use of Bitcoin, this may affect the value of Bitcoin and therefore the Bonds.

Development of the Bitcoin Protocol.

The Bitcoin protocol (the "**Protocol**") is publicly available and under development. Further development and acceptance of the Protocol is dependent on a number of factors. The development of the Protocol may be prevented or delayed, should disagreements between participants, developers and members of the network arise. New and improved versions of the source code are accepted if the majority of members of the network implement relevant changes in their nodes, meaning upgrading their software to the latest version of the code. Should a situation arise where it is not possible to reach a majority in the network regarding the implementation of a new version of the Protocol, this may mean that, among other things, the improvement of Bitcoin's scalability may be restrained. Should the development of the Protocol be prevented or delayed, this may adversely affect the value of Bitcoin.

Further, as the structure of the Protocol is public, any kind of direct compensation for the developers of the Protocol is missing, which could lead to decreased incentives for continuous development of the Protocol. Should the Protocol not develop further, the value of Bitcoin will decrease, which in turn would affect the value of the Bonds.

Technical risks related to Bitcoin including 51 percent attacks.

Bitcoin miners earn ("mine") Bitcoin by confirming transactions and reaching consensus, and a pre-defined number of Bitcoin is distributed between the miners proportional to their utilised computing ("hashing") power. The results of the reached consensus defined by the Protocol is the public ledger known as the blockchain. If an attacker succeeds in providing more than 50 percent of the blockchain miners computing power in a so-called "51 percent attack", it can manipulate what is designed (by the Protocol) to be a blockchain version reached by consensus to a certain extent (in particular, such an attacker will be able to 'roll back' or exclude valid transactions from the blockchain). Such an attack, in particular, enables perpetrators to 'double-spend' Bitcoin by a way of exchanging some pre-existing Bitcoin for some other value (either other Bitcoin, other crypto-asset or fiat currency), and then rolling-back the transaction where such perpetrators surrender their Bitcoin without rolling back the transactions (if any) where they receive any value in exchange for their Bitcoin. Such an attack is in principle also possible with less than 51 percent of the mining power. The attacker could also block others' transactions by denying them confirmation. The value of Bitcoin as well as the investment in the Bonds would be negatively affected by such attacks, and the Issuer can become insolvent with some or total loss of value for the Bondholders if it becomes a victim of a 'double-spending' attack, where a fraudulent party will subscribe to the Bonds using Bitcoin, but then roll-back the transaction which deposits Bitcoin to the Depository Wallet.

In addition, the rapid development of the quantum computing could have an impact on the integrity of the blockchain. A blockchain is a mathematical structure securing data through asymmetric cryptography (public and private keys) and a hash function (which is a cryptographic method used for mining Bitcoin). Advanced quantum computing could threaten the integrity of a blockchain. Shor's algorithm run on a large enough quantum computer can crack various cryptographic algorithms, including the blockchain one. Bitcoin is based on Elliptic Curve Cryptography which is not quantum-computer resistant. If the integrity of the Bitcoin blockchain is threatened, the value of Bitcoin as well as the investment of the Bonds would be negatively affected.

Bugs in the Protocol.

The source code of Bitcoin is public and may be downloaded and viewed by anyone. There may be one or more bugs in the code which are yet to be found and repaired, or which will occur in the development of the Protocol, which may jeopardize the integrity and security of the Bitcoin network.

Internet disruptions.

The functionality of crypto asset networks such as the Bitcoin network relies on the internet. A significant disruption of internet connectivity (i.e. affecting a large number of users or geographic regions) could prevent the functionality and operations of such network until the internet disruption is resolved. An internet disruption could adversely affect an investment in the Bonds and the ability of the Issuer to operate.

Risk of losing Bitcoin in a Digital Wallet due to fraud, accident or similar.

Bondholders receiving Bitcoin as a result of a redemption of the Bonds should be aware of the risk of losing Bitcoin when they hold or deposit Bitcoin in a Digital Wallet. Bitcoin is usually stored in a "digital wallet" on a computer, laptop or smart phone. Digital Wallets have a public key, and a private key or password that allows their owners to access them. However, Digital Wallets are not impervious to hacking. Similar to conventional wallets, money may therefore be stolen from Digital Wallets. Cases have been reported of consumers losing cryptocurrency in excess of 1 (one) million USD, with little prospect of having it returned. In addition, loss of the key or password to a Digital Wallet (which includes unauthorised copy of the key or the password or part of it), may result in cryptocurrency stored on the Digital Wallet to be lost forever. There are no central agencies that record passwords or issue replacement ones. The Bondholders may lose all, or part, of their Bitcoin as a result of these factors.

Hacks of Bitcoin Digital Wallets.

There are three types of hacks of Bitcoin digital wallets that can affect the investment in the Bonds. In this context, a "hack" refers to any unauthorised access to the private keys necessary to sign transactions on the blockchain transferring value out of the relevant digital wallet. This includes "brute force" attacks (i.e. attacks seeking to obtain the information regarding the private keys through a trial-and-error method, whereby software is used to generate a large number of consecutive guesses) (while such attacks are currently unlikely, it should be noted that the development of quantum computing is expected to make such attacks possible, as Bitcoin is based on Elliptic Curve Cryptography which is not quantum-computer resistant, see also above "*Technical Risks Related to Bitcoin including 51 percent attacks*").

- A hack of the Depository Wallet could result in the loss of the main body of Bitcoin backing the Bonds. Such a hack could thus result in a loss of value of the Bonds for all the Bondholders. Bondholders would risk losing their entire investment. While the Depository takes significant measures to prevent a hack of the Depository Wallet, it is not possible to entirely exclude this risk.
- A hack of a Bondholder's Digital Wallet into which the redemption proceeds of the Bonds of a particular Bondholder are transferred, would only result in a loss of value for that particular Bondholder. Such a hack would not affect the position of other Bondholders. In this respect, please also refer to "*Risk of losing Bitcoin in a Digital Wallet due to fraud, accident or similar*" above.
- A hack of any digital wallet of the Issuer which is not the Depository Wallet would not directly affect the Bondholders, but it could affect the financial and economic position of the Issuer and it could result in the Issuer ceasing its commercial operations and winding-up its activities, which would adversely affect the investment in the Bonds in particular due to a mandatory redemption.

Competition between Bitcoin and other cryptocurrencies.

Different cryptocurrencies compete with each other. If other cryptocurrencies see more innovation to reach competitive advantages, the importance of Bitcoin may be reduced which will decrease the value of Bitcoin and the Bonds.

Large-scale sales of Bitcoin.

Political or economic events, either domestically or in foreign jurisdictions, may motivate large-scale purchases or sales of Bitcoin. Large-scale sales of Bitcoin may result in a decline in the price of Bitcoin, which will adversely affect an investment in the Bonds.

There are some substantial holdings of Bitcoin on publicly-known digital wallets which have not been involved in transactions on the network for a substantial period of time. Market consensus is that the owners of such digital wallets have lost access to them and / or to corresponding private keys. Thus, market consensus is that Bitcoin "locked" in such digital wallets is effectively excluded from

circulation. In the event that Bitcoin holdings deemed locked up forever enter circulation, it might severely affect the price of Bitcoin by increasing the supply.

Additionally, even if such Bitcoin holdings are not actually sold, any indication that corresponding private keys are not lost (by any means, including but not limited to registering any transaction signed by needed keys, no matter how small and not even necessarily on the Bitcoin blockchain), market expectations with regard to total Bitcoin supply can change dramatically and it can negatively affect the price of Bitcoin, which will adversely affect an investment in the Bonds.

Actions by early Bitcoin adopters.

There is no registry showing which individuals or entities own Bitcoin or the quantity of Bitcoin owned by any particular person or entity. It is possible, and in fact, reasonably likely, that a small group of early Bitcoin adopters hold a significant portion of Bitcoin that have been created ("mined") so far. There are no regulations in place that would prevent a large holder of Bitcoin from selling his Bitcoin. Such a sale of Bitcoin may adversely affect the price of Bitcoin and an investment in the Bonds.

Potential decline in the adoption of Bitcoin.

As with all new assets and technological innovation, the crypto asset industry is subject to a high degree of uncertainty. Further adoption of Bitcoin will require (i) growth in its acceptance as currency for payments and/or (ii) growth in the use of blockchain applications based on Bitcoin. Adoption of crypto assets such as Bitcoin also requires an accommodating regulatory environment. The Issuer does not, and will not have any strategy related to the development of Bitcoin and any applications for the Bitcoin blockchain. Lack of expansion in the usage of Bitcoin and Bitcoin blockchain could adversely affect the price of Bitcoin and an investment in the Bonds.

In addition, there is no assurance that Bitcoin will maintain its value over the long term (see also "*Price Volatility of Bitcoin*" and "*Valuation of Bitcoin*"). The value of Bitcoin is subject to risks related to its usage. Even if growth in the usage and/or acceptance of crypto assets such as Bitcoin occurs in the near or medium-term, there is no assurance that crypto assets usage will continue to grow over the long-term. Contraction in the use of crypto assets may result in increased volatility or a reduction in the price of crypto assets, including Bitcoin, which would adversely impact the value of the Bonds.

Additionally, it is possible that crypto assets as an asset class are widely adopted and successful, but Bitcoin in particular becomes obsolete and is replaced by a new generation of crypto-assets, this could negatively affect the price of Bitcoin and consequently the price of the Bonds.

Transaction costs may vary depending on network load (unpredictable for Issuer and Bondholder).

Charges apply when transferring Bitcoin as part of the redemption of the Bonds in Bitcoin. The amount of fees required to maximise the chances of a reasonably fast confirmation of the transaction does not depend on the value of the Bitcoin transferred. The transferring participant can determine the transaction fees he is willing to pay himself. The higher this value is, the faster the transaction will be confirmed. When miners form new blocks, they are economically incentivised to select those transactions from the pool of unconfirmed transactions (known as the "**MemPool**") that have the highest transaction fee. Such selection is necessary because the number of transactions which can be included in any particular block is limited by the Bitcoin protocol specification. The transaction costs required to be paid in order to maximize the chances of timely processing of any transaction, are thus not constant over time, but depend on the size of the Mempools and on the proposed fees of transactions posted by other participants. Furthermore, miners may collude in an anticompetitive manner in order to reject low transaction fees, forcing users to pay higher transaction fees. Due to the reasons outlined above, the level of transaction fees required to maximise the chances of prompt transfer instruction processing, as well as the actual timing of any transaction is therefore unpredictable and Bondholders might receive Bitcoin later than anticipated, or in extreme cases, not receive at all.

3.2.4. Risks related to the admission of the Bonds to trading

The Bonds do not have an established trading market and an active trading market for the Bonds may not develop.

The Bonds represent a new issue of securities for which there is currently no established trading market. Although the Issuer intends to obtain admission of the Bonds to trading on the regulated market of the Frankfurt Stock Exchange, there can be no assurance that a market for the Bonds will develop or, if it does develop, continue or that it will be liquid, thereby enabling investors to sell their Bonds when desired, or at all, or at prices they find acceptable or at prices which are expected due to a particular price of Bitcoin.

The specific risk is that Bondholders may not be able to sell Bonds readily or at prices that will enable investors to realise their anticipated yield.

Products listed on the regulated market of the Frankfurt Stock Exchange may be suspended from trading.

The Frankfurt Stock Exchange provides for rules determining admissible securities. It cannot be excluded that during the lifetime of the Bonds, the Bonds are no longer admissible for reasons beyond the control of the Issuer. This may lead to the suspension or delisting of the Bonds.

The trading price of the Bonds could decrease if the creditworthiness of the Issuer worsens or is perceived to worsen (notwithstanding the fact that the Bonds are secured by actual holdings of Bitcoin).

Even though the Bonds are secured by the actual holdings of Bitcoin, the materialisation of any of the risks regarding the Issuer can still result in the Issuer becoming less likely to be in a position to fully perform all of its respective obligations under the Bonds when they fall due (e.g. due to operational constraints). As a result, the market value of the Bonds may suffer. In addition, even if the Issuer is not actually less likely to be in a position to fully perform all of the obligations under the Bonds when they fall due, market participants could nevertheless have a different perception.

The specific risk is that if any of these risks occur, third parties would only be willing to purchase Bonds at a substantial discount relative to the price of Bitcoin, which in turn may result in a Bondholder's loss of the investment in the Bonds.

3.2.5. Taxation risks relating to the Bonds

Tax treatment of investment in the Bonds may differ from tax treatment of investment in Bitcoin

It might be possible that tax treatment of investment in the Bonds is less favourable than investment in Bitcoin for wide range of investors. Investors considering investments in the Bonds shall seek independent legal, tax or investment advice in order to determine their potential tax liability (including but not limited to capital gains tax (*Kapitalertragsteuer*)).

Financial Transaction Tax.

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax (the "**FTT**"). According to the Commission's Proposal, the FTT shall be implemented in certain EU Member States, including Germany (the "**Participating Member States**").

Pursuant to the Commission's Proposal, the FTT shall be payable on financial transactions provided that at least one party to the financial transaction is established or deemed established in a Participating Member State and there is a financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. The FTT shall, however, not apply to (*inter alia*) primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue. Thus, the issuance of the Bonds should not be subject to the FTT.

The rates of the FTT shall be fixed by each Participating Member State but for transactions involving financial instruments other than derivatives shall amount to at least 0.1 percent of the taxable amount. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer. The FTT shall be payable by a financial institution

established or deemed established in a Participating Member State which is a party to the financial transaction, acting in the name of a party to the transaction or where the transaction has been carried out on its account. Where the FTT due has not been paid within the applicable time limits, each party to a financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT due.

According to the coalition agreement between the German Christian Democratic Party (*CDU*), the German Christian Social Party (*CSU*) and the German Social Democratic Party (*SPD*), the current German government still has the intention to introduce a financial transaction tax. In June 2018, Germany and France agreed to further pursue the implementation of a financial transaction tax in the EU for which the current French financial transaction tax (which is mainly focused on transactions regarding shares in listed companies with a market capitalisation of more than EUR 1 billion), could serve as a role model.

Nevertheless, the FTT remains subject to negotiation between the Participating Member States and was (and most probably will be) the subject of legal challenge. It may still be adopted and be altered prior to its adoption, the timing of which still remains unclear. Moreover, once any directive has been adopted (the "**Directive**"), it will need to be implemented into the respective domestic laws of the still Participating Member States and the domestic provisions implementing the Directive might deviate from the Directive itself. Finally, additional EU Member States may decide to participate.

The specific risk is that the FTT may result in a negative tax treatment applied to the Bonds which in turn may result in a Bondholder's loss of investment in the Bonds. Therefore, potential investors should consult with their tax advisors with regard to the tax treatment in this context if investing in the Bonds.

Tax Risk related to Bitcoin

The taxation of Bitcoin and associated companies can vary significantly by jurisdiction and is subject to significant revisions. The status of Bitcoin remains undefined. Accordingly, the way in which Bitcoin is taxed varies from country to country. Before making a decision to invest in the Bonds, investors should consult their local tax advisor on matters of taxation.

The Issuer may become exposed to significant tax risk. Any major burden may hinder Issuer's ability to maintain the listing of the Bonds and, in the event that such tax burden results in insolvency, to otherwise continue to operate as expected. Additionally, materialisation of certain tax risks may result in the Issuer giving a Mandatory Redemption Notice (such risks are further described under "*The Issuer is allowed at any time to perform a mandatory redemption in case certain events as specified in the Terms and Conditions materialise*" above).

4. GENERAL INFORMATION

The Bonds have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, (the "**Securities Act**"). The Bonds are being offered outside the United States of America (the "**United States**" or "**U.S.**") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

This Prospectus may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The validity of the Prospectus will expire at the end of 3 June 2021. There is no obligation to supplement a prospectus in the event of significant new factors, material mistakes or material inaccuracies if a prospectus is no longer valid.

MIFID II PRODUCT GOVERNANCE / RETAIL INVESTORS, PROFESSIONAL INVESTORS AND ECPS TARGET MARKET: Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Bonds to eligible counterparties, professional clients and retail clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

In this Prospectus all references to "**dollars**", "**USD**", "**US dollars**", "**U.S.\$**" "**United States dollars**" or "**\$**" are to the currency of the United States of America and all references to "**BTC**" are to Bitcoin, a cryptocurrency and worldwide payment system, released as an open-source software in 2009 and displayed on <https://bitcoin.org/en/>.

5. **RESPONSIBILITY STATEMENT**

ETC Issuance GmbH with its registered office at Holzhecke 13, 60528 Frankfurt am Main, Germany accepts responsibility for the information contained in this Prospectus and declares to the best of its knowledge that the information contained in the Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect its import.

By approving this Prospectus, BaFin assumes no responsibility as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer.

No other person mentioned in this Prospectus, other than the ETC Issuance GmbH with its registered office in Frankfurt am Main, Germany, is responsible for the information given in this Prospectus, and any supplement thereto.

6. DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

This Prospectus contains forward looking statements. Forward looking statements provide the Issuer's current expectations or forecasts of future events. Forward looking statements include statements about the Issuer's expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as "anticipate", "estimate", "expect", "intend", "plan", "potential", "predict", "project" or "will", or the negatives of those words or phrases, may identify forward looking statements, statements regarding the Issuer's disclosure concerning its operations, cash flows, capital expenditure and financial position.

Investors are cautioned that forward looking statements are not guarantees of future performance. Forward looking statements may, and often do, differ materially from actual results. All forward looking statements in this Prospectus speak only as of the date of this Prospectus, reflect the Issuer's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Issuer's operations, results of operations, growth strategy and liquidity. Investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ before making an investment decision. All of the forward looking statements made in this Prospectus are qualified by these cautionary statements. The Issuer undertakes no obligation to update or review any forward looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Issuer or individuals acting on behalf of the Issuer are expressly qualified in their entirety by this paragraph.

7. CONSENT TO THE USE OF THE PROSPECTUS

Each financial intermediary (including Authorised Participants) subsequently reselling or finally placing the Bonds is entitled to use the Prospectus in the United Kingdom, Germany, Austria and Italy for the subsequent resale or final placement of the Bonds during the period commencing on (and including) 5 June 2020 and ending on (and including) 3 June 2021 during which a subsequent resale or final placement of the Bonds can be made, provided however, that the Prospectus is still valid in accordance with the Prospectus Regulation. The Issuer accepts responsibility for the information given in this Prospectus also with respect to such subsequent resale or final placement of the Bonds.

The Prospectus may only be delivered to potential investors together with all supplements published before such delivery. Any supplement to the Prospectus will be available for viewing in electronic form on the website of the Issuer (<https://www.btc-etc.com>) and on the website of the European Securities and Markets Authority (<https://www.esma.europa.eu>).

When using the Prospectus, each financial intermediary must make certain that it complies with all applicable laws and regulations in force in the respective jurisdictions.

In the event of an offer being made by a financial intermediary, such financial intermediary shall provide information to investors on the terms and conditions of the Bonds at the time of that offer.

Any financial intermediary using the Prospectus shall state on its website that it uses the Prospectus in accordance with this consent and the conditions attached to this consent.

8. USE OF PROCEEDS

The Bonds are purchased from the Issuer exclusively with Bitcoin. Bitcoin received by the Issuer through the subscription of the Bonds will be transferred to the Depositary Wallet and secured by a security agreement for the benefit of the Bondholders, the Security Trustee and the Bondholders' Representative (if appointed). Based on the assumption that a total of 21,000,000,000 units of Bonds are sold and based on the Bitcoin value of EUR 8,340.76 (as of 27 May 2020), the net proceeds for each 10,000 units of Bonds are EUR 83,407.57.

9. GENERAL INFORMATION ABOUT THE ISSUER

9.1. GENERAL INFORMATION

The legal name of the company is ETC Issuance GmbH (the "**Issuer**").

The Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organised and existing under the laws of Germany, with its registered office in Holzhecke 13, 60528 Frankfurt am Main and registered with the commercial register of the local court (*Amtsgericht*) of Frankfurt am Main, Germany, under the registration number HRB 116604.

The Issuer was founded on 27 August 2019. As a special purpose vehicle which has been established primarily for the issuance of the Bonds, the Issuer does not conduct any operational business except for the activity as described below ("*9.3 Principal Activities of the Issuer*").

The Issuer has no employees except for the managing director and a non-executive director.

The Issuer's Legal Entity Identifier (LEI) is 875500BTZPKWM4X8R658.

The website of the Issuer is <https://www.btc-etc.com> and the phone number is +49 69 8088 3728.

The Issuer does not carry out crypto-custody-business within the meaning of section 1 (1a) sentence 2 no 6 of the German Banking Act ("**KWG**") and does therefore not require a banking license pursuant to section 32 KWG. While the Bonds are secured with Bitcoin, the Issuer itself does not safekeep, administrate and/or protect cryptographic values or private cryptographic keys for others. Such function is instead performed by the Depositary.

9.2. CORPORATE PURPOSE

Pursuant to Section 2 of the Issuer's articles of association, the objective of the Issuer is the administration of its own assets. The Issuer may conduct all transactions directly related to the object of its business. It may also hold shares in other companies with the same or similar objectives, acquire, establish or sell such companies and establish branches.

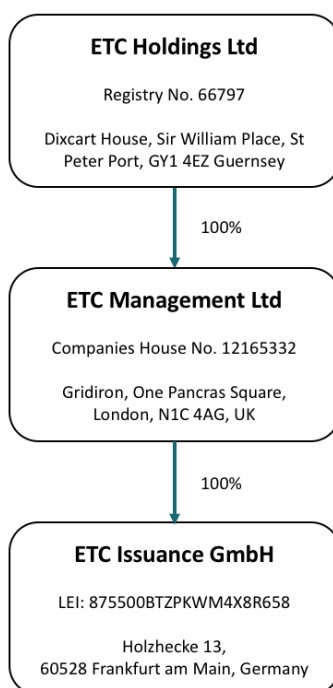
9.3. PRINCIPAL ACTIVITIES OF THE ISSUER

The only activity of the Issuer is the issue of bonds which are secured by cryptocurrencies and other digital assets. Through the issue of such bonds, the Issuer intends to satisfy investor demand for tradeable securities through which an investment in cryptocurrencies and other digital assets can be made.

9.4. ORGANISATIONAL STRUCTURE

The Issuer is a wholly-owned subsidiary of ETCM. The Issuer does not have any subsidiaries of its own. It is a special purpose vehicle that has been established primarily for the issuance of securities and is expected to be treated as tax resident of the United Kingdom.

The following chart provides an overview of the structure of the group of which the Issuer form part as of the date of this Prospectus:



The Issuer's sole shareholder is ETC Management Ltd ("**ETCM**") (see also "*Major Shareholders*" below). ETCM, with its registered office at Gridiron, One Pancras Square, London N1C 4AG, United Kingdom, has a management agreement in place with the Issuer to handle the general management of operations, relationships with partners and coordinating marketing activity.

ETC Holdings Ltd, Dixcart House, Sir William Place, St Peter Port, GY1 4EZ, Guernsey is the holding company which owns certain intellectual property rights related to the project and has been entrusted with the overall governance of the group (the "**Holding Company**").

The table below shows the major shareholders of the Holding Company with a stake of more than 10 percent as of the date of the Prospectus:

Shareholder	Shareholding percentage	Further Information
XTX Investments UK Ltd	22.5 percent	XTX Investments UK Ltd is the investment arm of the XTX Markets group. XTX Markets is one of the world's largest electronic market makers and its FCA regulated entity, XTX Markets Ltd is a participant on XETRA and will be a designated sponsor when the Bonds are admitted to trading.
BCS Prime Brokerage Ltd	11.25 percent	BCS Prime Brokerage Ltd is a broker based in London and regulated by the Financial Conduct Authority. Until recently the managing director of the Issuer, Bradley Duke, was co-CEO Of BCS Prime Brokerage Ltd. The current CEO of BCS Prime Brokerage Ltd, Tim Bevan, acts as a non-executive director for ETCM and the Issuer.

ITI Capital Ltd	11.25 percent	ITI Capital Ltd is a broker based in London and regulated by the Financial Conduct Authority. As a shareholder, they bring experience in structuring and selling exchange traded products and will also act as an Authorised Participant (as further described in the Terms and Conditions).
MLM Holdings Ltd	22.5 percent	MLM Holdings Ltd has been founded by Maximilian Monteleone who brings experience in managing complex projects, as well as knowledge about the relevant technology and operations to the venture. Maximilian has been running an IT development company, acted as a project manager on certain European Union initiatives, and holds a MSc. from NOVA School of Business and Economics and a CEMS MIM degree.

9.5. **MANAGEMENT BOARD**

Currently, the Issuer`s management board consists only of one managing director. The current managing director of the Issuer is:

Name	Occupation
Bradley Duke	Managing Director

Bradley Duke has spent most of his career in the regulated financial services industry. He worked at investment bank Jefferies at their offices in New York, Paris and London from 2000 until 2008 and at the equities broker KCG in London from 2008 until 2012 where he headed the team at Knight Direct Europe. Bradley co-founded the fin-tech and payments company Zapper and until recently was co-CEO of the UK branch of investment bank, BCS Global Markets.

Bradley Duke holds a bachelor degree in economics from the University of Cape Town, an MBA from Vrije Universiteit Brussels and completed the Blockchain Strategy Program at the University of Oxford – Saïd Business School in 2018. He is also a founding member of the London Blockchain Foundation.

The managing director can be contacted at ETC Management Ltd, Gridiron, One Pancras Square, London N1C 4AG, United Kingdom.

The managing director has declared that no potential conflicts of interest between any duties to the Issuer and its private interest or other duties exist.

9.6. **SHARE CAPITAL**

The registered share capital of the Issuer amounts to EUR 25,000. The share capital has been fully paid up. All shares carry the same rights and obligations. The shares were created under German law.

9.7. **FISCAL YEAR**

The Issuer`s first financial year runs from the date of incorporation of the Issuer up to and including 31 December 2019. The fiscal year of the Issuer is the calendar year.

9.8. AUDITORS

Ernst & Young S.A. with their registered office at 35e Avenue John F. Kennedy, Luxembourg, L-1855 Luxembourg Are the statutory auditors of the Issuer. Ernst & Young S.A. is a member of Luxembourg Institute of Auditors (*Institute Des Réviseurs D`entreprises*).

9.9. MAJOR SHAREHOLDERS

The Issuer's sole shareholder is ETCM, Gridiron, One Pancras Square, London N1C 4AG, United Kingdom. The sole shareholder of ETCM is the Holding Company, ETC Holdings Ltd, Dixcart House, Sir William Place, St. Peter Port, GY1 4EZ, Guernsey. The Holding Company as the ultimate parent company of the Issuer was capitalised with 0.7 million pound sterling ("**GBP**") in cash from its shareholders.

9.10. MATERIAL CONFLICTS OF INTEREST

ITI and XTX are shareholders of the Issuer and have also been appointed as Authorised Participants. As shareholders both ITI and XTX could gain an information advantage over the other Authorised Participants, especially as Authorised Participants act independently in setting fees and may therefore differ.

Other than the interests described above, there are no material interests, in particular no material conflicts of interest in relation to the public offering or the admission to trading.

9.11. MATERIAL CONTRACTS

The Issuer has entered into the following agreements which are material to the Issuer's ability to meet its obligations vis-à-vis the Bondholders:

- German Security and Security Trust Agreement entered into between the Issuer and Apex Corporate Trustees (UK) Limited in its function as the Security Trustee dated on or around the Issue Date. The German Security and Security Trust Agreement provides a security interest in favour of the Security Trustee for the benefit of the Bondholders and other secured parties relating to all of the Issuer's rights, title, interest and benefit, present and future, in, to and from the Issuance Account and Issuer-owned Bonds. The German Security and Security Trust Agreement is governed by the laws of the Federal Republic of Germany;
- BTC Security Agreement entered into between the Issuer and Apex Corporate Trustees (UK) Limited in its function as the Security Trustee dated on or around the Issue Date. Pursuant to the BTC Security Agreement, the Issuer grants a security interest in the Deposited BTC and any other assets held in the Depository Wallet and the associated account of the Issuer maintained by the Depository for the benefit of the Bondholders and other secured parties. The BTC Security Agreement is governed by laws of the United States;
- Depository Account (Wallet) Control Agreement entered into between the Issuer, BitGo Trust Company, Inc. in its function as the Depository and Apex Corporate Trustees (UK) Limited in its function as the Security Trustee dated on or around the Issue Date. The Depository Account (Wallet) Control Agreement is governed by laws of the United States and grants to the Security Trustee the right to take exclusive control of the Depository Wallet upon a certain Event of Default. The Depository Account (Wallet) Control Agreement thereby provides to the Security Trustee, upon such Event of Default, the means to repossess and foreclose upon the Deposited BTC and any other assets held in the Depository Wallet for the purpose of paying the Secured Obligations to the Bondholders. Additionally, the terms of the Depository Account (Wallet) Control Agreement prevent the Issuer from withdrawing any funds from the Depository Wallet without the consent of the Administrator even without an Event of Default having occurred;
- Issuance Account Control Agreement entered into between the Issuer, Baader Bank AG in its function as a financial intermediary maintaining the Issuance Account for the Issuer (the "Depo Bank") and Apex Corporate Trustees (UK) Limited in its function as the Security Trustee dated

on or around the Issue Date. The terms of the Issuance Account Control Agreement prevent the Issuer from transferring any Bonds from the Issuance Account without the consent of the Administrator even without an Event of Default having occurred;

- Custodial Services Agreement between the Issuer and BitGo Trust Company, Inc. in its function as the Depository dated on or around the Issue Date relating to the custody of BTC which are held on the Depository Wallet for repayment to the Bondholders;
- Account Bank Agreement entered into between the Issuer and Baader Bank AG dated before the Issue Date establishing the Issuance Account where the Issuer-owned Bonds are held which are pledged for the benefit of the Bondholders and other secured parties;
- Agreements with Authorised Participants relating to the initial purchase of Bonds and the marketing of the same;
- Administration Agreement entered into between the Issuer and Apex Corporate & Advisory Services Ltd dated on or around the Issue Date relating to the approvals required from the Administrator for any transfer of Issuer-owned Bonds or Deposited BTC, which have been pledged as security for the benefit of the Bondholders and other secured parties;
- Agency Agreement entered into between the Issuer and Baader Bank AG dated on or around the Issue Date relating to Baader Bank AG acting as paying, fiscal and listing agent for the Bonds; and
- Management and Marketing Agreement between the Issuer and ETCM dated on or around the Issue Date related to accounting, the general management and administration of the Issuer by ETCM, marketing of the Bonds, administrative assistance in processing subscriptions to and redemptions of the Bonds, and, in certain situations, IT support of the Issuer (which includes the support of the website of the Issuer).

9.12. **TREND INFORMATION**

There has been no material adverse change in the prospects of the Issuer since 31 December 2019, the date of its Annual Financial Statements.

9.13. **SIGNIFICANT CHANGES IN THE FINANCIAL OR TRADING POSITION**

There has been no significant change in the financial or trading position of the Issuer since 31 December 2019, the date of its Annual Financial Statements.

9.14. **LEGAL AND ARBITRATION PROCEEDINGS**

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had since its incorporation, a significant effect on the financial position or profitability of the Issuer.

10. HISTORICAL FINANCIAL INFORMATION

The Issuer was incorporated on 27 August 2019. The Issuer's audited financial information set forth in this Prospectus has, unless otherwise indicated, been derived from the Issuer's annual financial statements as of 31 December 2019 (the "**Financial Statements**").

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted in the European Union (the "**EU**"). The Financial Statements have been audited and an unqualified auditor's report has been issued.

The fiscal year of the Issuer commences on 1 January and ends on 31 December. The next financial statements of the Issuer will be prepared as of and for the year ended 31 December 2020. Unless required by applicable laws and regulations, the Issuer does not intend to prepare interim financial statements in the future.

The following selected financial information is based on and extracted from the Financial Statements.

<i>Income Statement</i>	31 December 2019
Operating profit/loss	EUR (6,457)

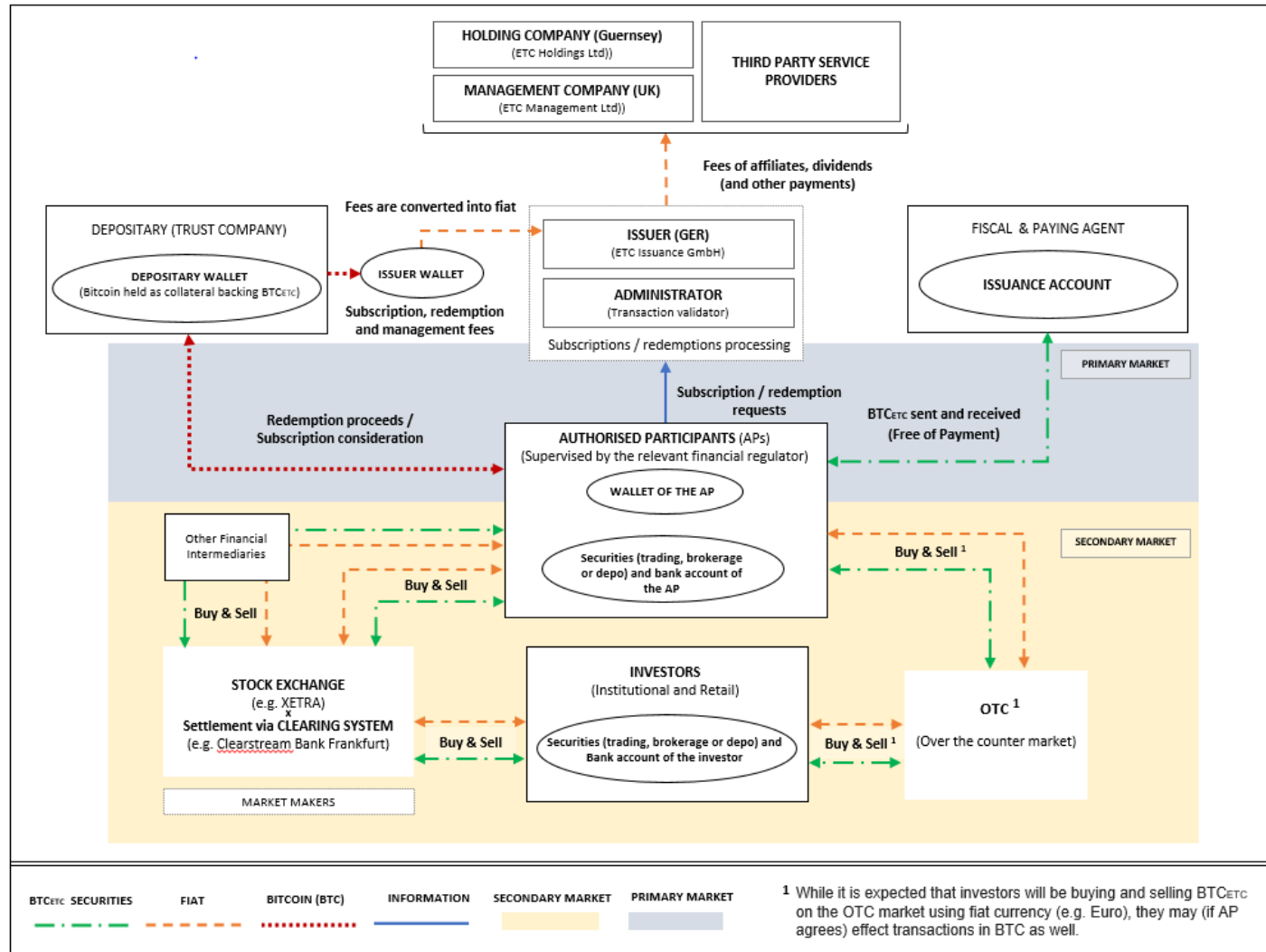
<i>Balance Sheet</i>	31 December 2019
Net financial debt	EUR 0

<i>Cash Flow Statement</i>	31 December 2019
Net Cash flows from operating activities	EUR (481)
Net Cash flows from financing activities	EUR 25,000
Net Cash flow from investing activities	EUR 0

11. GENERAL DESCRIPTION OF THE BONDS – REDEMPTION OF THE BONDS AND SECURITY

11.1. DIAGRAM ON SUBSCRIPTION, PURCHASE, SALE AND SECURITY

Diagram 1: BTC_{ETC} Subscription, Redemption, Purchase & Sale – PRIMARY and SECONDARY Market



11.2. DESCRIPTION OF THE BONDS

11.2.1. Form of Bonds

Bonds issued under this Prospectus are issued under German law, are debt securities (*Schuldverschreibungen*) within the meaning of § 793 of the German Civil Code (*Bürgerliches Gesetzbuch*) and are being issued in bearer form. The Bonds do not provide for periodic interest payments and do not have a fixed maturity date.

While Bonds can be purchased with any currency on the secondary market by investors, Bonds can only be subscribed for with Bitcoin if purchased directly from the Issuer on the primary market. Bitcoin received by the Issuer through such transactions will be transferred to a depositary wallet operated by BitGo Trust Company, Inc (the "**Depositary Wallet**") and is pledged as security in favour of the Bondholders and other secured parties (see below "*Description of the Security*"). The Issuer will procure that at any given time it holds such amount of Bitcoin on the Depositary Wallet which is equal to or exceeds the Secured Obligations Amount.

11.2.2. Description of the Underlying

Bitcoin is the first decentralised cryptocurrency and was released as an open-source software in 2009. Bitcoin was developed to secure payment transactions over a peer-to-peer network (blockchain). Bitcoin intends to bridge the need for a trusted third party, democratise the monetary system and ensure that transactions are anonymous. Besides Bitcoin there are other cryptocurrencies as, inter alia, Bitcoin Cash, Bitcoin Gold, Ethereum, Litecoin, Ripple, EOS, Stellar (XLM) and NEO. All these cryptocurrencies differ in their technical details. Therefore, each of these cryptocurrencies needs different software and hardware and an investor in Bitcoin, for example, cannot simply exchange it for another cryptocurrency.

According to the European Banking Authority's opinion on "virtual currencies" dated as of 4 July 2014, virtual currencies or cryptocurrencies like Bitcoin "are a digital representation of value that is neither issued by a central bank or public authority nor necessarily attached to a fiat currency, but is accepted by natural or legal persons as a means of exchange and can be transferred, stored or traded electronically". In addition, all cryptocurrencies are based on the idea of a limited money supply. Unlike the money that central banks can print money indefinitely and the book money that commercial banks create, new value units are created through a predetermined mathematical process within a computer network. This process is called "mining". BaFin has qualified Bitcoin as unit of account (*Rechnungseinheiten*) within the meaning of section 1 para. 11 sent. 1 of the German Banking Act (*Kreditwesengesetz* – "**KWG**") and Bitcoin is thus a financial instrument within the meaning of the KWG. Bitcoin is, however, not legal tender and so does neither qualify as currency nor foreign note or coin.

11.2.3. Description of the Depositary, BitGo Trust Company, Inc

The Issuer will procure that at any given time it holds such amount of Bitcoin equal to or exceeding the Secured Obligations Amount on the Depositary Wallet held with the Depositary, BitGo Trust Company, Inc., a qualified custodian, regulated by the South Dakota Division of Banking. Pursuant to information on its website (<https://www.bitgo.com/>), BitGo Trust Company, Inc., provides institutional investors with security, compliance, and custodial solutions for blockchain-based currencies. BitGo Trust Company, Inc. is currently the world's largest processor of on-chain bitcoin transactions, processing 15 percent of all global bitcoin transactions, and USD 15 billion per month across all cryptocurrencies. The company has a customer base that includes the world's largest cryptocurrency exchanges and spans more than 50 countries. BitGo Trust Company, Inc. is headquartered in Palo Alto, California, and has offices in London, Singapore, and Tokyo.

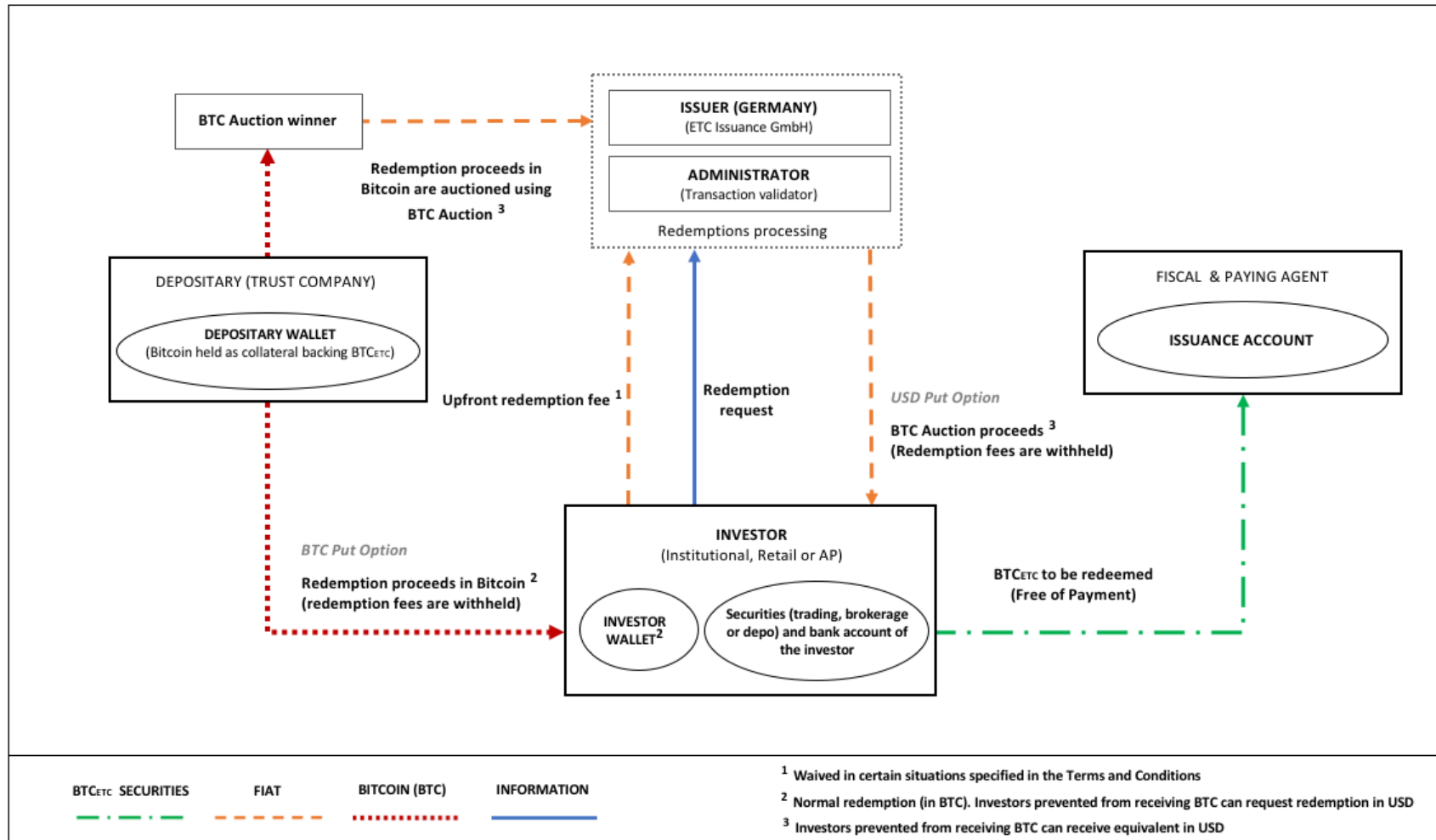
11.2.4. Redemption of the Bonds

Bonds will either be redeemed in Bitcoin or – if a Bondholder is unable to receive Bitcoin due to legal or regulatory reasons – Bitcoin will be sold using the BTC Auction Procedure, the USD proceeds of which will be made available to the respective Bondholders. Given that the Bonds will be redeemed in

Bitcoin, each Bondholder will require a Digital Wallet in order to receive Bitcoin. However, where a Bondholder is prevented from having a Digital Wallet or receiving Bitcoin due to regulatory reasons, Bonds may be redeemed in USD or the investor may choose to sell his Bonds on the stock exchange (see *11.2.6. Sale of Bonds in the Secondary Market*).

- (a) The Bonds will either be redeemed (a) at the Issuer's discretion upon the occurrence of a Mandatory Redemption Event at their Mandatory Redemption Price as further described below, or (b) upon exercise of a put option by a Bondholder at their Cryptocurrency Entitlement or – if a Bondholder is prevented from receiving BTC for legal reasons, in particular due to regulatory provisions applicable to him – in USD obtained via the BTC Auction Procedure as described below:

Diagram 2: BTC_{ETC} redemption at investor's request



Mandatory Redemption

The Bonds may be redeemed by the Issuer upon the occurrence of a Mandatory Redemption Event (as further described in the Terms and Conditions) at their Mandatory Redemption Price.

The exercise of the mandatory redemption right by the Issuer leads inevitably to a redemption of the Bonds for the Bondholders. The Mandatory Redemption Price per Bond will be (i) the Cryptocurrency Entitlement; or (ii) if a Bondholder is prevented from receiving Bitcoin for legal reasons, in particular due to regulatory provisions applicable to him, the BTC Sale Proceeds (as defined below) divided by the number of Outstanding Bonds redeemed in USD, minus any reasonable third-party fees related to the redemption of the Bonds.

"Cryptocurrency Entitlement" means, as at any Business Day, the Bondholder's claim against the Issuer in respect of each Bond, expressed as the amount of BTC per Bond, and calculated by the Issuer in its sole discretion in accordance with the following formula (as further described in the Terms and Conditions):

$$CE = ICE \times (1 - DER)^n$$

Where:

"CE" means Cryptocurrency Entitlement;

"ICE" means Initial Cryptocurrency Entitlement (as defined below);

"DER" means Diminishing Entitlement Rate (as defined below); and

"n" means Number of Days/365.

In order for a Bondholder to receive the Cryptocurrency Entitlement, such Bondholder needs to (i) submit a duly completed mandatory redemption form (obtainable from the website of the Issuer) (the **"Mandatory Redemption Form"**), and any documents requested in such form for verification of the Bondholder's identity and (ii) transfer his Bonds to the Issuance Account free of payment.

(b) Put Option

Each Bondholder may at any time in whole or in part redeem his Bonds against payment of (i) the Cryptocurrency Entitlement; or (ii) if a Bondholder is prevented from receiving Bitcoin for legal reasons, in particular due to regulatory provisions applicable to him, the BTC Sale Proceeds (as defined below).

In order to exercise the Put Option a Bondholder needs to (i) submit a duly completed put option exercise notice in the form obtainable from the website of the Issuer (the **"Put Option Exercise Form"**), and including any documents requested in such form for verification of the Bondholder's identity, (ii) pay the Upfront Redemption Fee (if any) to an account specified by the Issuer, and (iii) transfer the Bonds in relation to which the Put Option is exercised to the Issuance Account free of payment.

Such Put Option Exercise Form shall include (among other information) the number of Bonds being redeemed and information on the Bondholder's Digital Wallet.

(c) Auction

If a Bondholder is prevented from receiving Bitcoin for legal reasons, in particular due to regulatory provisions applicable to him, the Bonds may be redeemed in USD against payment of an amount equal to the BTC Sale Proceeds. **"BTC Sale Proceeds"** means the amount obtained from the sale of Bitcoin equating to the Cryptocurrency Entitlement multiplied by the number of Bonds being redeemed in USD from the Deposited BTC with BitGo Trust Company, Inc. by using one or several (as the case may be) BTC Auction Procedures.

If the Issuer is required to arrange for a BTC Auction Procedure, the Auctioneer shall – upon instruction from the Issuer (if applicable) – announce that it is auctioning the required amount of Bitcoin on the Issuer’s official website (<https://www.btc-etc.com>).

Bids submitted for less than 80 percent of the Reference Price (with the Reference Price being, as of the relevant determination date, the Bloomberg Cryptocurrency Fixing for Bitcoin as displayed by Bloomberg under Bloomberg ticker XBT CFIX Curncy between 16:00 and 16:15 (EST) on the Auction Price Determination Date) or bids for less or more than the full amount of Bitcoin being auctioned will be rejected.

In case the bid is accepted by the Auctioneer, the bidder shall arrange for the transfer of a Bid Guarantee Amount to the Issuer as a guarantee for its bid (being 10 percent of the Reference Price, calculated based on the Reference Price at the Business Day preceding the Announcement Date, multiplied by the amount of Bitcoin being auctioned). Bids, for which no bid guarantees have been received by the Issuer, will not be considered valid and legally binding. Bids for which the bidders have posted a Bid Guarantee Amount are irrevocable and may not be cancelled by the bidders, but may be improved on request by the bidder. Upon the Issuer receiving a Bid Guarantee Amount from the bidder, or upon receiving an amendment (increase) of the bid by the bidder, the Auctioneer will announce such received or updated bid on the Issuer’s official website (<https://www.btc-etc.com>) within 24 hours of receipt.

No later than 12 hours before 13:00 (CET) on the Auction Price Determination Date, the Auctioneer will notify the highest bidder, if any, that such bidder has won the auction. The bidder shall arrange for the payment of the balance between the value of its bid, expressed as a percentage of the Reference Price at the Auction Price Determination Date, multiplied by such Reference Price and the number of Bitcoin being auctioned, and the Bid Guarantee Amount credited to the Issuer. If such balance is negative, the Issuer shall transfer the balance to the bidder.

(d) Example Calculations

Initial investment amount at the Issue Date: Euro 10,000

Bitcoin cost at the Issue Date: EUR 5,000

Cryptocurrency Entitlement at the Issue Date: 0.001 per Bond

Initial investment ignoring without fees at the Issue Date: 2,000 Bonds

Years since Issue Date	CE (per 1000 Bonds) in BTC	BTC/EUR (for example only, not a forecast)	Scenario 1: Mandatory Redemption			Scenario 2: Redemption with the Issuer			Scenario 3: Redemption through an Authorised Participant		
			Upfront Redemption Fee (USD)	Exercise Fee ⁽¹⁾	Redemption proceeds (in EUR, valued at current BTC price)	Upfront Redemption Fee (USD) ⁽²⁾	Exercise Fee	Redemption proceeds (in EUR, valued at current BTC price)	Upfront Redemption Fee (USD) ⁽³⁾	Exercise Fee ⁽³⁾⁽⁴⁾	Redemption proceeds (in EUR, valued at current BTC price) ⁽⁵⁾
0	1.0000	5,000.00	-	-	10,000.00	2,500.00	1%	7,647.75	-	0.50%	9,950.00
1	0.9800	7,500.00	-	-	14,700.00	2,500.00	1%	12,300.75	-	0.50%	14,626.50
5	0.9039	4,000.00	-	-	7,231.37	2,500.00	1%	4,906.80	-	0.50%	7,195.21
10	0.8171	48,000.00	-	-	78,438.99	2,500.00	1%	75,402.35	-	0.50%	78,046.79

- (1) Pursuant to § 4.(2) of the Terms and Conditions the Issuer may withhold any reasonable third-party fees related to the redemption of the Bonds
- (2) Pursuant to § 4.(3) of the Terms and Conditions the Upfront Redemption Fee is waived if:
- (i) no Authorised Participants are appointed by the Issuer;
 - (ii) the Outstanding Amount multiplied by the Reference Price, in each case as of the date on which the Issuer receives the Put Option Exercise Form, is less than USD 10,000,000.00 (ten million USD);
 - (iii) the BTC Put Option is exercised in relation to a number of Bonds which, if multiplied by the Cryptocurrency Entitlement and then multiplied by the Reference Price, in each case as of the date on which the Issuer receives the Put Option Exercise Form, have a value of greater than USD 250,000.00 (two hundred fifty thousand USD);
- (3) Assuming the AP does not charge any fees (or charges negligible fees)
- (4) Exercise Fee might be lower in accordance with the particular Authorised Participant Agreement
- (5) The particular AP may choose not to accept redemption requests from certain Bondholders at their sole and absolute discretion and in line with their internal policies

11.2.5. Fees related to the redemption of the Bonds

(a) Redemption directly with the Issuer

A Bondholder may exercise its Put Option directly vis-à-vis the Issuer and request redemption directly from the Issuer. Bonds will be redeemed in Bitcoin to the Digital Wallet of the Bondholder unless a Bondholder is prevented from receiving Bitcoin for legal reasons, in particular due to regulatory provisions applicable to him. In such case, such Bondholder may demand redemption in USD.

If a Bondholder decides to demand redemption directly from the Issuer and, irrespective of whether the repayment is made in Bitcoin or USD, the Issuer will charge a fee which will be equal to 1.00 percent of the Cryptocurrency Entitlement for each Bond in relation to which the Put Option is exercised (lower fees apply for redemptions by the Bondholders who are Authorised Participants).

In addition, the Issuer may charge at its sole and absolute discretion a fee of USD 2,500 (the "**Upfront Redemption Fee**"). No such Upfront Redemption Fee shall be payable if: (i) the number of Bonds multiplied by the Cryptocurrency Entitlement and then multiplied by the Reference Price, in each case as of the date on which the Issuer receives the Put Option Exercise Form, is greater than or equal to USD 250,000.00 (two hundred fifty thousand USD); (ii) no Authorised Participants are appointed by the Issuer; or (iii) the Outstanding Amount multiplied by the Reference Price, in each case as of the date on which the Issuer receives the Put Option Exercise Form, is less than USD 10,000,000.00 (ten million USD); or (iv) the Put Option is exercised by an Authorised Participant.

(b) Redemption via an Authorised Participant

A Bondholder may exercise its Put Option through an Authorised Participant, if he qualifies in accordance with client acceptance policies of the respective Authorised Participant (which the Issuer has no influence over). In such case, the Bonds will be redeemed in Bitcoin to the Digital Wallet of the Bondholder unless a Bondholder is prevented from receiving Bitcoin for legal reasons, in particular due to regulatory provisions applicable to him. In this case, such Bondholder, acting through an Authorised Participant, may demand redemption in USD.

For every redemption through an Authorised Participant and irrespective of whether the repayment is made in Bitcoin or USD, the Issuer will charge a fee which shall not exceed an amount equal to 0.50 percent of the Cryptocurrency Entitlement for each Bond in relation to which the Put Option is exercised.

No Upfront Redemption Fee will incur.

The Issuer has no influence on whether and to what extent the respective Authorised Participant will charge additional fees. These fees may vary depending on the Authorised Participant.

Additionally, the Issuer has no influence over client acceptance policies of the respective Authorised Participants, prospective investors in the Bonds shall be aware that it might be not possible for them to redeem the Bonds through an Authorised Participant **at all** and the only way to realise the value of their investment in the Bonds will be to redeem directly with the Issuer or sell the Bonds on the secondary market and/or the stock exchange (provided that a liquid market exists). In case a Bondholder is forced to redeem its Bonds directly with the Issuer, see "*11.2.5 (c) Redemption if no Authorised Participant has been appointed by the Issuer*".

(c) Redemption if no Authorised Participant has been appointed by the Issuer

Where no Authorised Participant has been appointed by the Issuer or where a Bondholder does not qualify in accordance with client acceptance policies of any Authorised Participant, a Bondholder may either exercise its Put Option directly vis-à-vis the Issuer and request redemption directly from the Issuer or sell its Bonds in the secondary market. Where a

Bondholder exercises its Put Option directly vis-à-vis the Issuer Bonds will be redeemed in Bitcoin to the Digital Wallet of the Bondholder unless a Bondholder is prevented from receiving Bitcoin for legal reasons, in particular due to regulatory provisions applicable to him. In such case, such Bondholder may demand redemption in USD.

If a Bondholder decides to demand redemption directly from the Issuer and, irrespective of whether the repayment is made in Bitcoin or USD, the Issuer will charge a fee which will be equal to 1.00 percent of the Cryptocurrency Entitlement for each Bond in relation to which the Put Option is exercised (lower fees apply for redemptions by the Bondholders who are Authorised Participants).

In addition, the Issuer may charge at its sole and absolute discretion an Upfront Redemption Fee. However, no such Upfront Redemption Fee applies if no Authorised Participants are appointed by the Issuer but may apply where an Authorised Participant has been appointed by the Issuer but the Bondholder does not qualify in accordance with client acceptance policies of such Authorised Participant.

11.2.6. Sale of Bonds in the Secondary Market

A Bondholder may sell its Bonds on the stock exchange at any time (provided that a liquid market exists). The Issuer will not charge any fees. However, broker fees may be incurred.

11.3. DESCRIPTION OF THE SECURITY

The Issuer will grant the following security (the "**Security**") for the benefit of the Bondholders and other secured parties:

11.3.1. Security over Depositary Wallet

Pursuant to § 12 para. 3 of the Terms and Conditions the Issuer shall at any given time procure that it holds such amount of Bitcoin equal to or exceeding the Secured Obligations Amount on the Depositary Wallet held with the Depositary (the "**Deposited BTC**"). The Issuer and Apex Corporate Trustees (UK) Limited as Security Trustee and BitGo Trust Company, Inc as Depositary have entered or will enter into an account control agreement (the "**Depositary Account (Wallet) Control Agreement**") and the Issuer and the Security Trustee have entered or will enter into a BTC security agreement (the "**BTC Security Agreement**"), each governed by laws of the United States.

Pursuant to the BTC Security Agreement, the Issuer grants a security interest in the Deposited BTC and any other assets held in the Depositary Wallet and the associated account of the Issuer maintained by the Depositary (the "**Depositary Account**"), and certain proceeds of such assets, together referred to as the "**Collateral**". The security interest granted in the Collateral secures the Secured Obligations, as defined in the German Security and Security Trust Agreement.

The BTC Security Agreement grants to the Security Trustee the right to repossess and foreclose upon the Collateral upon a certain Event of Default for the purpose of paying the Secured Obligations. Event of Default is defined in the BTC Security Agreement to mean that (i) any one or more of the Issuer or the Bondholders' Representative shall deliver written notice to the Security Trustee of the occurrence of an Event of Default listed in sub-paragraph (1) of paragraph 1 of Section 12 of the Terms and Conditions or (ii) Issuer shall fail to duly perform any of certain specified covenants set forth in the BTC Security Agreement, and such failure, if capable of remedy, continues unremedied for more than 45 (forty-five) days after the Security Trustee or the Bondholders' Representative has delivered notice thereof to the Issuer.

The Depositary Account (Wallet) Control Agreement grants to the Security Trustee the right to take exclusive control of the Depositary Account upon a certain Event of Default, as defined in the BTC Security Agreement, by delivering to the Depositary a "Notice of Exclusive Control". Following delivery of a Notice of Exclusive Control by the Security Trustee to the Depositary, the Issuer no longer has a right to withdraw assets from the Depositary Account but has a period of 30 (thirty) days during which the Issuer may contest the existence of an Event of Default. Following such thirty-day period,

provided the Notice of Exclusive Control has not been rescinded by the Security Trustee upon direction by the Bondholders' Representative, the Security Trustee has the right to withdraw and dispose of the Deposited BTC and any other assets held in the Depository Wallet and the Depository Account for the purpose of paying the Secured Obligations.

To assist the Security Trustee, the Administrator, which is appointed (and replaced, if applicable) by the Issuer only with the consent of the Security Trustee, is legally required to verify compliance of the Issuer with (i) the covenant set out in § 12 (3) (*Deposited BTC*) of the Terms and Conditions and (ii) the obligation of the Issuer to transfer Bonds to a subscribing party once the appropriate subscription price was paid into the Depository Wallet. The terms of the Depository Account (Wallet) Control Agreement prevent the Issuer from transferring or disposing of any assets from the Depository Account and / or the Depository Wallet without consent of the Administrator, even absent Event of Default.

11.3.2. Security over Issuer-owned Bonds

Pursuant to the German Security and Security Trust Agreement described below, the Issuer has granted a pledge over the unsold or repurchased Bonds held now or in the future in the name of the Issuer on the Issuance Account, or any other account(s) replacing or substituting for this present Issuance Account for whatever reason, to which the pertinent co-ownership interests in the collective custody holdings (*Miteigentumsanteile am Girosammelbestand*) are being and shall exclusively be credited to.

In addition, the Issuer, the Security Trustee and the financial intermediary maintaining the Issuance Account for the Issuer (the "**Depo Bank**", currently Baader Bank AG) has entered or will enter into the Issuance Account Control Agreement, pursuant to which the Administrator has to approve to the Depo Bank any transfer of the Bonds out of the Issuance Account to ensure that appropriate amount of BTC was deposited to the Depository Wallet by the party subscribing to the Bonds and the Issuer is in continuous compliance with the covenant set out in § 12 (3) (*Deposited BTC*) of the Terms and Conditions.

11.3.3. German Security and Security Trust Agreement

The Issuer and the Security Trustee have entered into the German Security and Security Trust Agreement (as attached as Annex 1 to the Terms and Conditions), pursuant to which the Security Trustee will be appointed to act as security trustee of and for the benefit of the Bondholders and other secured parties in connection with the administration and the handling of the rights of the Bondholders against the Issuer as well as among themselves in relation to the Security. In particular, the Security Trustee shall (i) hold, administer and enforce such Security which is assigned or transferred to it by way of security (*Sicherungsabtretung/Sicherungsübereignung*) or otherwise granted under a non-accessory security right (*nicht akzessorische Sicherheit*) and exercise its rights and discharge its duties under this Agreement as trustee (*Treuhänder*) for the benefit of the Bondholders; (ii) administer and enforce such Security which has been created by way of pledge (*Verpfändung*) or otherwise transferred to it under an accessory security right (*akzessorische Sicherheit*); and (iii) act in relation to the Security in accordance with the terms and subject to the conditions of the German Security and Security Trust Agreement.

12. TERMS AND CONDITIONS

TERMS AND CONDITIONS OF THE BONDS

(the "Terms and Conditions")

§ 1

Currency, Denomination, Form, Certain Definitions

- (1) *Currency, Denomination.* ETC Issuance GmbH (the "**Issuer**") is issuing up to 21,000,000,000 bonds (the "**Bonds**") on 5 June 2020 (the "**Issue Date**"). Each Bond represents the right of the Bondholder to demand from the Issuer (a) delivery of BTC equal to the Cryptocurrency Entitlement in accordance with these Terms and Conditions or (b) payment of a cash amount determined in accordance with the conditions set out in § 4 (2) or § 4 (4) below.
- (2) *Form.* The Bonds are being issued in bearer form.
- (3) *Global Note.* The Bonds are represented by a global note (the "**Global Note**") without coupons. The Global Note shall be signed by or on behalf of the Issuer and shall be authenticated by or on behalf of the Fiscal Agent. Definitive certificates representing individual Bonds and coupons will not be issued and the right of the Bondholders to request the issue and delivery of definitive Bonds shall be excluded.
- (4) *Clearing System.* The Global Note will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Bonds have been satisfied. "**Clearing System**" means Clearstream Banking AG, Frankfurt, Mergenthalerallee 61, 65760 Eschborn, Germany and any successor in such capacity.

Pursuant to the book-entry registration agreement between the Issuer and the Clearing System, the Issuer has appointed Clearstream Banking AG, Frankfurt ("**CBF**") as its book-entry registrar in respect of the Bonds, and CBF has agreed to maintain a register showing the aggregate number of the Bonds represented by the Global Note under its own name. CBF has agreed, as agent of the Issuer, to maintain records of the Bonds credited to the accounts of the accountholders of CBF for the benefit of the holders of the co-ownership interests in the Bonds represented by the Global Note, and the Issuer and CBF have agreed that the actual number of Bonds from time to time shall be evidenced by the records of CBF.

- (5) *Bondholder.* "**Bondholder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Bonds and shall include those persons who are the beneficiaries of Secured Put Option Obligations or Secured Settlement Obligations.
- (6) *United States.* For the purposes of these Terms and Conditions, "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).
- (7) *Definitions.*

"**Administrator**" means Apex Corporate & Advisory Services Ltd, Central North Business Centre Level 1 Sqaq il-Fawwara Sliema SLM1670, Malta, in its function as agent who shall approve any transfer of Issuer-owned Bonds or Deposited BTC, which have been pledged as security for the benefit of the Bondholders and other secured parties;

"**Affiliate**" means any company within the meaning of Section 15 of the German Stock Corporation Act (*Aktiengesetz*);

"**Announcement Date**" shall have the meaning ascribed to it in § 14 (1);

"**Auction Price Determination Date**" shall have the meaning ascribed to it in § 14 (1);

"**Auction Start Date**" shall have the meaning ascribed to it in § 14 (1);

"Auctioneer" means the Issuer or any entity appointed by the Issuer to carry out the BTC Auction Procedure;

"Authorised Participant" means any entity supervised by a financial supervisory authority in a member state of the European Economic Area, the United Kingdom (in the case of its withdrawal from the European Union), Canada, Australia, Singapore, New Zealand, Japan, Switzerland, Hong Kong (SAR) or the United States of America which has been appointed by the Issuer as an Authorised Participant;

"Authorised Participant Agreement" means an agreement entered into between the Issuer and an Authorised Participant, appointing the Authorised Participant and the fees, terms and conditions in respect of which it acts in such role;

"Bid Guarantee Amount" shall have the meaning ascribed to it in § 14 (3);

"Bondholders' Meeting" means a meeting of Bondholders held in accordance with § 17;

"Bondholders' Representative" shall have the meaning ascribed to it in § 17 (5);

"BTC" means Bitcoin, a cryptocurrency and worldwide payment system, released as an open-source software in 2009 and the specification of which can be found on <https://bitcoin.org/en/>;

"BTC Auction Procedure" shall have the meaning ascribed to it in § 14;

"BTC Put Option" shall have the meaning ascribed to it in § 4 (3);

"BTC Sale Proceeds" shall have the meaning ascribed to it in § 4 (2);

"Business Day" means a day (other than a Saturday, a Sunday or a public holiday) on which the banks in Frankfurt am Main, London and New York settle payments;

"Cryptocurrency Entitlement" means, as of any Business Day, the Bondholder's claim against the Issuer in respect of each Bond, expressed as the amount of BTC per Bond, and calculated by the Issuer in its sole discretion in accordance with the following formula:

$$CE = ICE \times (1 - DER)^n$$

Where:

"CE" means Cryptocurrency Entitlement;

"ICE" means Initial Cryptocurrency Entitlement (as defined below);

"DER" means Diminishing Entitlement Rate (as defined below); and

"n" means Number of Days/365.

In case the Diminishing Entitlement Rate is lowered by the Issuer, the Issuer may make in its sole and absolute discretion those changes to the above formula that are required in order to ensure that the new Diminishing Entitlement Rate only applies as of the date such change has been notified to the Bondholders in accordance with § 18 (including, but not limited to, adjusting the definition of the Initial Cryptocurrency Entitlement to mean the "Cryptocurrency Entitlement per Bond at the date on which the change to the relevant Diminishing Entitlement Rate has been notified to the Bondholders in accordance with § 18" and adjusting the definition of Number of Days to mean "the number of days that have passed since the date on which the change to the relevant Diminishing Entitlement Rate has been notified to the Bondholders in accordance with § 18 up until and including the date on which the Cryptocurrency Entitlement is calculated");

"Custodian" shall have the meaning ascribed to it in § 19 (4);

"Default Rate" shall have the meaning ascribed to it in § 4 (4);

"Depo Bank" means Baader Bank AG, Weihenstephaner Straße 4, 85716 Unterschleißheim, Germany, a financial intermediary maintaining the Issuance Account on behalf of the Issuer and any successor in such capacity;

"Depository" means BitGo Trust Company, Inc, an independent qualified cryptocurrency custodian under the laws of the United States of America, regulated by the South Dakota Division of Banking with the credential number of TC.128-2 or such other financial institution(s) that the Issuer, from time to time, has designated as the Depository for its holdings of BTC pledged as security for the Bonds;

"Depository Wallet" means a BTC blockchain wallet or wallets operated by the Depository on behalf of the Issuer, where the assets held in such wallet are (i) segregated from the assets of any other customers of the Depository and from any other assets of the Issuer; and (ii) are pledged as security in favour of the Bondholders pursuant to the Security Documents;

"Deposited BTC" means BTC held on the Depository Wallet with the Depository at any given time;

"Digital Wallet" means the relevant digital cryptocurrency wallet of each Bondholder required to receive and transfer BTC;

"Diminishing Entitlement Rate" means the rate at which the Cryptocurrency Entitlement decays over time. As of the Issue Date, the Diminishing Entitlement Rate is 2.00 percent. The Diminishing Entitlement Rate may be lowered by the Issuer at any time and the Issuer shall notify the Bondholders thereof in accordance with § 18;

"Event of Default" shall have the meaning ascribed to it in § 11 (1);

"Exercise Fee" means

- (i) in the case of Bondholders who are Authorised Participants an amount which is set out in the relevant Authorised Participant Agreement, which shall not exceed an amount equal to 0.50 percent of the Cryptocurrency Entitlement for each Bond in relation to which the Put Option is exercised; or
- (ii) in the case of other Bondholders an amount equal to 1.00 percent of the Cryptocurrency Entitlement for each Bond in relation to which the Put Option is exercised.

The Exercise Fee may be lowered by the Issuer at any time and the Issuer shall notify the Bondholders thereof in accordance with § 18;

"Failed Auction" shall have the meaning ascribed to it in § 14 (6);

"FATF" means The Financial Action Task Force (on Money Laundering), an intergovernmental organization founded in 1989 to develop policies to combat money laundering;

"Fiscal Agent" means Baader Bank AG, Weihenstephaner Straße 4, 85716 Unterschleißheim, Germany or any other fiscal agent appointed by the Issuer;

"Initial Cryptocurrency Entitlement" means BTC 0.001 per Bond, i.e. the Cryptocurrency Entitlement per Bond at the Issue Date;

"Issuance Account" means a securities account maintained by the Depo Bank on behalf of the Issuer where Bonds beneficially owned by the Issuer are held or registered;

"Issuer-owned Bonds" means the Bonds held in the Issuance Account, or any Bonds of which the Issuer itself is a Bondholder;

"Mandatory Redemption" shall mean the ability of the Issuer to redeem the Bonds at its option, as further described in § 4 (2);

"Mandatory Redemption Date" shall have the meaning ascribed to it in § 4 (2);

"Mandatory Redemption Event" shall have the meaning ascribed to it in § 4 (2);

"Mandatory Redemption Notice" shall have the meaning ascribed to it in § 4 (2);

"Mandatory Redemption Price" shall have the meaning ascribed to it in § 4 (2);

"Number of Days" means the number of days that have passed since the Issue Date (excluding) up until and including the date on which the Cryptocurrency Entitlement is calculated;

"Outstanding Amount" means, at any given time, the total number of Outstanding Bonds multiplied by the Cryptocurrency Entitlement;

"Outstanding Bonds" means Bonds issued and placed with investors that have not yet been repurchased or otherwise cancelled by the Issuer (excluding, for the avoidance of doubt, Issuer-owned Bonds);

"Paying Agent" means Baader Bank AG, Weißenstephaner Straße 4, 85716 Unterschleißheim, Germany or any other paying agent appointed by the Issuer;

"Permitted Indebtedness" shall have the meaning ascribed to it in § 12 (2);

"Put Option" means the USD Put Option and the BTC Put Option;

"Put Option Exercise Date" shall have the meaning ascribed to it in § 4 (3) and § 4 (4);

"Put Option Exercise Form" shall have the meaning ascribed to it in § 4 (3) and § 4 (4);

"Qualified Majority" shall have the meaning ascribed to it in § 17 (2);

"Reference Price" means, as of the relevant determination date, the Bloomberg Cryptocurrency Fixing for Bitcoin as displayed by Bloomberg under Bloomberg ticker XBT CFIX Currency between 16:00 and 16:15 (EST);

"Relevant Taxing Jurisdiction" shall have the meaning ascribed to it in § 9 (1);

"SchVG" shall have the meaning ascribed to it in § 17 (1);

"Secured Put Option Obligations" means obligations of the Issuer (i) to settle the Cryptocurrency Entitlement with respect of those Bonds which are redeemed at the discretion of the Issuer due to a Mandatory Redemption Event in BTC, as further described in § 4 (2) or (ii) to transfer the Cryptocurrency Entitlement to the Bondholder exercising the BTC Put Option, as further described in § 4 (3);

"Secured Put Option Obligations Amount" means amount in BTC of those Secured Put Option Obligations which are not yet fulfilled by the Issuer and remain outstanding;

"Secured Settlement Obligations" means obligations of the Issuer to transfer Bonds to the Authorised Participant subscribing to or purchasing Bonds from the Issuer, but only if such subscribing or purchasing Authorised Participant has transferred (or arranged to be transferred) at least the Cryptocurrency Entitlement (as of the date of the subscription or purchase) per Bond being subscribed or purchased to the Depository Wallet;

"Secured Settlement Obligations Amount" means amount in BTC (aggregate Cryptocurrency Entitlement of Bonds to be settled) of those Secured Settlement Obligations which are not yet fulfilled by the Issuer and remain outstanding;

"Secured Obligations Amount" means the sum of Secured Settlement Obligations Amount, Outstanding Amount and Secured Put Option Obligations Amount;

"Security" shall have the meaning ascribed to it in § 2 (2);

"Security Documents" means (a) the Trust Agreement; (b) the BTC Security Agreement entered into between the Issuer and the Security Trustee, (c) the Depository Account (Wallet) Control Agreement entered into between the Issuer, the Security Trustee and the Depository; (d) the Issuance Account Control Agreement entered into between the Issuer, the Depo Bank and the Security Trustee; (e) any

other agreement or document granting, acknowledging, perfecting or giving legal effect to Bondholder's security interest in the Depositary Wallet and/or the Deposited BTC; or (f) any other agreement or document granting, acknowledging, perfecting or giving legal effect to Bondholder's security interest in the Issuance Account and/or Issuer-owned Bonds;

"Security Trustee" means Apex Corporate Trustees (UK) Limited, 6th Floor, 125 Wood Street, London EC2V 7AN, United Kingdom, which holds security interest in (i) the Depositary Wallet and the Deposited BTC and (ii) the Issuance Account for the benefit of the Bondholders or any successor or replacement security trustee;

"Settlement Requirements" shall have the meaning ascribed to it in § 14 (5);

"Split" means a split, or fork, in the BTC blockchain, leading to a division of BTC into one or more separate cryptocurrencies;

"Split Notification Event" means any of the following: (i) Bondholders representing at least 20 percent of all Outstanding Bonds have notified the Issuer in writing about the occurrence of the Split; or (ii) the Issuer has notified the Bondholders about the occurrence of the Split in accordance with § 18;

"Substitute Debtor" shall have the meaning ascribed to it in § 15 (1);

"Termination Notice" shall have the meaning ascribed to it in § 11 (2);

"Trust Agreement" shall have the meaning ascribed to it in § 7 (1);

"Upfront Redemption Fee" shall mean an amount of USD 2,500.00 (USD two thousand five hundred) which the Issuer may charge at its sole and absolute discretion for the exercise of a Put Option by a Bondholder who is not an Authorised Participant, and where the Put Option is exercised in relation to a number of Bonds which, if multiplied by the Cryptocurrency Entitlement and then multiplied by the Reference Price, in each case as of the date on which the Issuer receives the Put Option Exercise Form, have a value of less than USD 250,000.00 (USD two hundred fifty thousand);

"USD" means U.S.\$, the lawful currency of the United States of America;

"USD Put Option" shall have the meaning ascribed to it in § 4 (4); and

"Website" means the Issuer's official website at <https://btc-etc.com>.

§ 2

Status, Security

- (1) *Status*. The obligations under the Bonds constitute direct, unsubordinated and secured obligations of the Issuer ranking *pari passu* among themselves, Secured Put Option Obligations and Secured Settlement Obligations.
- (2) *Security*. As continuing security for the payment and discharge of the obligations to the Bondholders under the Bonds the Issuer pledges in favour of the Bondholders and the other secured parties pursuant to the Security Documents (i) all of its rights, title, interest and benefit, present and future, in, to and under the Depositary Wallet and the Deposited BTC and (ii) all of its rights, title, interest and benefit, present and future, in, to and from the Issuance Account and Issuer-owned Bonds (the "**Security**"). Details of the accounts and the terms and conditions of the respective pledges shall be stipulated in the Security Documents between the Security Trustee and the Issuer. The Issuer shall make copies of the Security Documents available for inspection by the Bondholders at the Issuer's principal place of business (Gridiron, One Pancras Square, London, N1C 4 AG, United Kingdom). The Security will be held, administered and enforced by the Security Trustee in accordance with the Trust Agreement.
- (3) *Security Release and Proceeds*. The Security shall be released in accordance with the provisions of the Trust Agreement.

§ 3
Interest

There will be no payments of interest on the Bonds.

§ 4
Redemption

- (1) Redemption. The Bonds do not have a fixed maturity date.
- (2) *Mandatory Redemption*. Upon occurrence of a Mandatory Redemption Event (as defined below) the Issuer at its sole and absolute discretion may, (but is not obliged to) give notice to the Bondholders in accordance with § 18 (the "**Mandatory Redemption Notice**"), such notice stating the applicable Mandatory Redemption Event. Upon giving of a Mandatory Redemption Notice, the Bonds shall be redeemed on the Mandatory Redemption Date at their Mandatory Redemption Price. A Mandatory Redemption Event means each of the following events:
 - (a) for a continuous period of 90 (ninety) days the USD equivalent of the Outstanding Amount, calculated as the Outstanding Amount multiplied by the Reference Price, is less than USD 100,000,000.00 (USD one hundred million); or
 - (b) any new or existing law or regulation, or interpretation of any existing law or regulation, requires the Issuer to obtain any license, permission or approval, or to become regulated or supervised in any way in Germany or elsewhere, to continue fulfilling its obligations under these Terms and Conditions, but excluding requirements to publish an approved prospectus with respect to the Bonds; or
 - (c) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom, the Federal Republic of Germany or any other member state of the European Economic Area or any political subdivision or taxing authority thereto or therein affecting taxation, the tax treatment of BTC in general changes materially, such change was not reasonably foreseeable at the Issue Date, and such change is in the assessment of the Issuer materially disadvantageous to the business of the Issuer (regardless of whether this affects the issuance of the Bonds); or
 - (d) any third-party service provider, including the Issuer's auditors, legal advisers, the Clearing System, the Paying Agent, the Fiscal Agent, the Administrator and the Depository, stops providing services to the Issuer, and the Issuer fails to find a replacement within reasonable time; or
 - (e) if the Issuer was ordered by the competent court or otherwise became required by law to arrange for mandatory redemption.

The "**Mandatory Redemption Price**" per Bond shall be (i) the amount in BTC equal to the Cryptocurrency Entitlement; or (ii) if a Bondholder is prevented from receiving BTC for legal reasons, in particular due to regulatory provisions applicable to him, the amount in USD equal to the BTC Sale Proceeds, divided by the number of Bonds redeemed in USD, minus any reasonable third-party fees related to redemption of the Bonds.

In order for a Bondholder to receive the Cryptocurrency Entitlement, such Bondholder needs to (i) submit a duly completed Mandatory Redemption Form (obtainable from the website of the Issuer), and including any documents requested in such form for verification of the Bondholder's identity; and (ii) transfer his Bonds to the Issuance Account free of payment.

If a Bondholder fails to perform (i) or (ii) within the twenty-day period after the Mandatory Redemption Notice has been published, the Issuer may treat the relevant Bondholder as prevented from receiving BTC for legal or regulatory reasons and redeem the relevant Bonds in USD.

"**Mandatory Redemption Date**" shall mean (i) for those Bonds redeemed in BTC, the third Business Day after the expiry of a thirty-day period after the Mandatory Redemption Notice has been published; or (ii) for those Bonds redeemed in USD, the third Business Day after successful completion of the

BTC Auction Procedure or alternative sale arrangements in case of its failure. The BTC Auction Procedure shall begin (if required) upon expiry of a forty day period after the Mandatory Redemption Notice has been published.

"BTC Sale Proceeds" means the amount in USD obtained from the sale of BTC adding up to the Cryptocurrency Entitlement (as of the date of the Mandatory Redemption Notice), multiplied by the number of Bonds being redeemed in USD, from Deposited BTC using one or several BTC Auction Procedure(s). If the Auctioneer fails to complete the sale using the BTC Auction Procedure within 90 (ninety) days, the Auctioneer shall – following instructions from the Issuer (if applicable) – arrange for the sale of BTC using any other procedure aiming to achieve the best price within a reasonable amount of time.

In case the Issuer has given a Mandatory Redemption Notice, the Issuer shall no longer issue new Bonds or sell Issuer-owned Bonds and arrange for cancellation of all Issuer-owned Bonds.

- (3) *Redemption at the Option of the Bondholders with BTC Settlement.* Each Bondholder may terminate in whole or in part his Bonds against payment of the Cryptocurrency Entitlement for each of the Bonds held by the Bondholders in BTC (the **"BTC Put Option"**). In order to terminate his Bonds, the Bondholder needs to (i) submit a duly completed put option exercise notice in the form obtainable from the Website (the **"Put Option Exercise Form"**), specifying that BTC Settlement shall be applicable, and including any documents requested in such form for verification of the Bondholder's identity; (ii) pay the Upfront Redemption Fee (if any) to an account specified by the Issuer; and (iii) transfer the Bonds in relation to which the BTC Put Option is exercised to the Issuance Account free of payment. The date on which all of (i) to (iii) have been completed, shall be the **"Put Option Exercise Date"**.

No Upfront Redemption Fee shall be payable if: (i) no Authorised Participants are appointed by the Issuer; (ii) the Outstanding Amount multiplied by the Reference Price, in each case as of the date on which the Issuer receives the Put Option Exercise Form, is less than USD 10,000,000.00 (ten million USD); (iii) the BTC Put Option is exercised in relation to a number of Bonds which, if multiplied by the Cryptocurrency Entitlement and then multiplied by the Reference Price, in each case as of the date on which the Issuer receives the Put Option Exercise Form, have a value of greater than USD 250,000.00 (two hundred fifty thousand USD); or (iv) the BTC Put Option is exercised by an Authorised Participant.

On the Put Option Exercise Date, the Issuer shall transfer the Cryptocurrency Entitlement in BTC for each Bond in relation to which the BTC Put Option was exercised, calculated as at the Put Option Exercise Date, less the Exercise Fee (if any) to the relevant Bondholder's Digital Wallet as designated in the relevant Put Option Exercise Form,

- (i) in case of Bondholders who are Authorised Participants, as soon as practicable after the Put Option Exercise Date, but under all circumstances within the time-frame of a normal settlement/transfer cycle of BTC in the Bitcoin network (which may vary depending on the level of the network fees the Bondholder agrees to pay pursuant to the Put Option Exercise Form) plus 3 (three) Business Days; and
- (ii) in case of Bondholders who are not Authorised Participants, as soon as practicable after the Put Option Exercise Date, but under all circumstances within the time-frame of a normal settlement/transfer cycle of BTC in the Bitcoin network (which may vary depending on the level of the network fees the Bondholder agrees to pay pursuant to the Put Option Exercise Form) plus 30 (thirty) days.

If the Issuer fails to transfer BTC when due, the Issuer shall pay to the Bondholder the Default Rate. Such Default Rate does not apply if the Issuer fails to deliver BTC for reasons beyond its control, which should include circumstances where the Issuer is required to comply with any provision of applicable law relating to the funding of terrorist activities or money laundering.

- (4) *Redemption at the Option of the Bondholders with USD Settlement.* If a Bondholder is prevented from receiving BTC for legal reasons, in particular due to regulatory provisions applicable to him, such Bondholder may terminate in whole or in part his Bonds against payment of USD for each of the Bonds

held by such Bondholder in an amount equal to the proceeds of sale of the Cryptocurrency Entitlement using the BTC Auction Procedure (the "**USD Put Option**"). In order to terminate his Bonds, the Bondholder needs to (i) submit a duly completed put option exercise notice in the form obtainable from the Website (the "**Put Option Exercise Form**"), specifying that USD settlement shall be applicable, and including any documents requested in such form for verification of the Bondholder's identity and inability to receive BTC; (ii) pay the Upfront Redemption Fee (if any) to an account specified by the Issuer; and (iii) transfer the Bonds in relation to which the USD Put Option is exercised to the Issuance Account free of payment. The date on which all of (i) to (iii) have been completed, shall be the "**Put Option Exercise Date**".

No Upfront Redemption Fee shall be payable if: (i) no Authorised Participants are appointed by the Issuer; (ii) the Outstanding Amount multiplied by the Reference Price, in each case as of the date on which the Issuer receives the Put Option Exercise Form, is less than USD 10,000,000.00 (ten million USD); (iii) the USD Put Option is exercised in relation to a number of Bonds which, if multiplied by the Cryptocurrency Entitlement and then multiplied by the Reference Price, in each case as of the date on which the Issuer receives the Put Option Exercise Form, have a value of greater than USD 250,000.00 (two hundred fifty thousand USD); or (iv) the USD Put Option is exercised by an Authorised Participant.

On the Put Option Exercise Date, the Auctioneer shall auction such number of BTC as corresponds to the Cryptocurrency Entitlement for the Bonds in relation to which the USD Put Option is exercised, calculated as at the Put Option Exercise Date, in accordance with the BTC Auction Procedure, described in § 14.

After successful completion of the BTC Auction Procedure, the Issuer shall transfer the proceeds of the BTC sale less the Exercise Fee (if any) to the respective Bondholder's account, as specified in the Put Option Exercise Form, within 7 (seven) Business Days from the receipt of the relevant BTC Auction Procedure proceeds. If the Issuer fails to transfer the proceeds of the BTC sale when due, the Issuer shall pay to the Bondholder 0.01 percent of the Cryptocurrency Entitlement multiplied by the number of Bonds in relation to which the Put Option was exercised for each day of delay (the "**Default Rate**"). Such Default Rate does not apply if the Issuer fails to deliver USD for reasons beyond its control, which includes (but is not limited to) circumstances where the Issuer is required to comply with any provision of applicable law relating to funding of terrorist activities or money laundering.

Without prejudice to other provisions of this same paragraph, in case of a Failed Auction, the Issuer shall return all Bonds in relation to which the USD Put Option was exercised, to the Bondholder within 7 (seven) Business Days. The Issuer may choose to charge any Exercise Fee to the respective Bondholder in case of a Failed Auction. In this case, the Issuer shall forfeit such number of Bonds for its own benefit to become Issuer-owned Bonds from the Bonds to be returned to the Bondholder, so that Cryptocurrency Entitlement, as of the Put Option Exercise Date, multiplied by the number of Bonds forfeited does not exceed the Exercise Fee.

For the avoidance of doubt: The Bondholder shall be entitled to exercise any Put Option with respect to the returned Bonds at any time.

§ 5 Payments

- (1) *Payment of Mandatory Redemption Price.* In the case of a Mandatory Redemption pursuant to § 4 (2) and in case the Bonds are to be redeemed in USD, payment of the Mandatory Redemption Price in respect of those Bonds shall be made to the Paying Agent for forwarding to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System.
- (2) *Discharge.* The Issuer shall be discharged by payment to, or to the order of, the Clearing System.

§ 6

Paying Agent, Fiscal Agent and Depositary

- (1) *Appointment; Specified Offices.* The initial Paying Agent, the Fiscal Agent, the Depositary and their initial specified offices shall be:

Paying Agent and Fiscal Agent:

Baader Bank AG
Weihenstephaner Straße 48
85716 Unterschleißheim
Germany

Depositary:

BitGo Trust Company, Inc
6216 Pinnacle Place
Suite 101
Sioux Falls, SD 57108
United States of America

The Paying Agent, the Fiscal Agent and the Depositary reserve the right at any time to change its specified offices to some other office in the same country.

- (2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent and/or the Depositary and to appoint: (i) a replacement Paying Agent or additional paying agents; and/or (ii) a replacement or additional Depositary. The Issuer shall at all times maintain a Paying Agent and a Depositary. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 (thirty) nor more than 45 (forty-five) days' prior notice to the Bondholders in accordance with § 18.
- (3) *Agent of the Issuer.* The Paying Agent, the Depositary and any additional or replacement paying agent or Depositary appointed pursuant to paragraph (2) act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust with any Bondholder.

§ 7

Security Trustee

- (1) *Appointment.* Apex Corporate Trustees (UK) Limited is appointed as Security Trustee for the Security. Any Security hereunder shall be held and managed by the Security Trustee on behalf of all present and future Bondholders. The Security Trustee shall, in relation to third parties, act as the holder of the Security and manage the same on behalf of the Bondholders. The detailed duties of the Security Trustee shall solely be governed by the trust agreement entered into between the Issuer and the Security Trustee (the "**Trust Agreement**") as set out in Annex 1.
- (2) *Authorisation.* Each Bondholder instructs and authorises the Security Trustee (with the right of sub-delegation) to act as its security trustee (*Treuhänder*) and in particular (without limitation) to enter into and amend any documents evidencing Security, and to make and accept all declarations and take all actions it considers necessary or useful in connection with any Security on behalf of that Bondholder. The Security Trustee shall further be entitled to enforce or release any Security, to perform any rights and obligations under any documents evidencing Security and to execute new and different documents evidencing or relating to the Security.
- (3) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Security Trustee and to appoint another Security Trustee. The Issuer shall at all times maintain a Security Trustee.

§ 8
Information Duties

Bondholders will obtain copies of the relevant transaction documents in connection with the Bonds pursuant to the Trust Agreement as soon as reasonably practicable after the Issue Date.

§ 9
Taxation

- (1) *Payments Free of Taxes.* All amounts payable in respect of the Bonds shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied at source by way of withholding or deduction by or on behalf of the Federal Republic of Germany (the "**Relevant Taxing Jurisdiction**") or any respective political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law.
- (2) *Other Tax Jurisdiction.* If at any time the Issuer becomes subject to any taxing jurisdiction other than, or in addition to, the Relevant Taxing Jurisdiction references in this § 9 to the Federal Republic of Germany shall be read and construed as references to the jurisdiction of the Issuer, and/or to such other jurisdiction(s).

§ 10
Presentation Period, Prescription

The presentation period provided for in section 801 paragraph 1, sentence 1 German Civil Code is reduced to ten years for the Bonds. The period of limitation for claims under the Bonds presented during the period for presentation will be two years calculated from the expiration of the relevant presentation period.

§ 11
Events of Default

- (1) *Events of Default.* If an Event of Default occurs and is continuing, each Bondholder shall be entitled to declare all but not some of his Bonds due and payable by submitting a Termination Notice pursuant to sub-paragraph (2) below to the Issuer for its entire claim arising from the Bonds and demand (subject to sub-paragraph (3)) immediate payment of the Cryptocurrency Entitlement per Bond. Each of the following is an "**Event of Default**":
 - (a) the Issuer fails to pay out Cryptocurrency Entitlement or any other amount in respect of the Bonds within 15 (fifteen) days from the relevant due date, except if the Issuer fails to pay out Cryptocurrency Entitlement or any other amount in respect of the Bonds for reasons beyond its control, which should include circumstances where the Issuer is required to comply with any provision of applicable law relating to the funding of terrorist activities or money laundering.

For the avoidance of doubt: Failure to exercise the Put Option in USD due to an unsuccessful BTC Auction Procedure shall not amount to such failure; or
 - (b) the Issuer fails to duly perform any other obligation arising from the Bonds and such failure, if capable of remedy, continues unremedied for more than 45 (forty five) days after the Issuer has received notice thereof from a Bondholder; or
 - (c) the Issuer is unable or admits its inability to pay its debts as they fall due; or
 - (d) insolvency proceedings against the Issuer are instituted and have not been discharged or stayed within 90 (ninety) days, or the Issuer applies for or institutes such proceedings; or
 - (e) the Issuer enters into liquidation unless this is done in connection with a merger or other form of combination with another company and such company assumes all obligations of the Issuer in connection with the Bonds.

- (2) *Termination Notices.* Any notice by a Bondholder to terminate its Bonds in accordance with this § 11 (a "**Termination Notice**") shall be made by means of a declaration in text form to the Paying Agent in the German or English language together with evidence by means of a certificate of the Custodian (as defined in § 19 (4)) that such Bondholder, at the time of such Termination Notice, is a Bondholder with respect of the relevant Bonds.
- (3) *Cure.* For the avoidance of doubt, the right to declare Bonds due in accordance with this § 11 shall terminate if the situation giving rise to it has been cured before the right is exercised.

§ 12 Covenants

- (1) *Undertaking regarding Security.* So long as any Bond remains outstanding, the Issuer will not (except where explicitly permitted under the Terms and Conditions):
- (a) create or permit to subsist any mortgage, pledge, lien, security interest, charge or encumbrance securing any obligation of any person (or any arrangement having a like or similar effect) upon all or any of the Security; or
 - (b) transfer, sell, lend, part with or otherwise dispose of, or grant any option or present or future right to acquire, any of the Security.
- (2) *Limitation on Incurrence of Indebtedness.* The Issuer shall not after the Issue Date, incur any indebtedness for financing purposes with the exception of Permitted Indebtedness.

"**Permitted Indebtedness**" means

- (i) any costs incurred by the Issuer in its ordinary course of business; or
- (ii) any bonds issued which are backed by BTC, other cryptocurrencies, cryptographic or digital assets;

provided, however, that such costs or debt incurred by the Issuer shall have no impact on the Bondholders' Security.

- (3) *Deposited BTC.* The Issuer shall at any given time procure that it holds such amount of BTC equal to or exceeding the Secured Obligations Amount on the Depositary Wallet held with the Depositary (the "**Deposited BTC**").

§ 13 Split

- (1) *Split of BTC.* If a Split occurs and leads to the creation of two or more cryptocurrencies, each Bond shall represent a claim on a basket of cryptocurrencies that corresponds to such Cryptocurrency Entitlement as each Bond represented before the Split. The weight of each cryptocurrency (the "**Relevant Cryptocurrency**") in such basket shall be (i) the Relevant Cryptocurrency balance held on the Depositary Wallet at the moment of a Split Notification Event; divided by (ii) the Outstanding Amount at the moment of the Split Notification Event. All weights are subject to a maximum of 1.0.
- (2) *Split of Bonds at the Discretion of the Issuer.* Following a Split, the Issuer may, at its sole discretion, resolve to split the Bonds into two, or more, separate Bonds, each such new Bond representing a claim on the Issuer for a separate cryptocurrency in the basket of cryptocurrencies that each Bond represented immediately following the Split.
- (3) *Suspension of Put Option Exercises.* The Issuer may in its sole and absolute discretion suspend Put Option exercises, sales and/or issuances of Bonds for a reasonable period of time, not exceeding 90 (ninety) days, in order to allow for an arrangement described in the preceding paragraph.

§ 14
BTC Auction Procedure

- (1) *BTC Auction Announcement.* If the Issuer is required, pursuant to these Terms and Conditions, to arrange for a BTC Auction Procedure, the Auctioneer shall – upon instruction from the Issuer (if applicable) – within (i) 30 (thirty) days from the Put Option Exercise Date; or (ii) 40 (forty) days from the date of the Mandatory Redemption Notice, as the case may be, announce that it is auctioning the required amount of BTC on the Website, starting on a date, which is a Business Day and no later than 14 (fourteen) Business Days, and not earlier than 7 (seven) Business Days from the date of such announcement (the "**Announcement Date**" and such date when the BTC Auction Procedure starts, the "**Auction Start Date**") and ending on a date specified in such announcement being no earlier than 7 (seven) Business Days and no later than 14 (fourteen) Business Days from the Auction Start Date (the "**Auction Price Determination Date**").
- (2) *Bidding Process.*
 - (a) Any legal entity incorporated in a FATF member state or any natural person resident in such state (except where the participation of such bidder would result, in the opinion of the Auctioneer, in violation of the laws of any jurisdiction and/or would require the Auctioneer to obtain any license, permission, authorization, and/or would require the Auctioneer to become regulated or supervised in any way, or publish a prospectus within the meaning of Regulation (EU) 2017/1129) may submit written (including by email) bids to the Auctioneer for the full amount of BTC being auctioned, expressed in the percentage of the Reference Price on the Auction Price Determination Date per BTC in the future;
 - (b) bids submitted at less than 80 percent of the relevant Reference Price or bids for less or more than the full amount of BTC being auctioned shall be rejected;
 - (c) bids submitted later than 48 hours before 13:00 (CET) on the Auction Price Determination Date, may, or may not be accepted by the Auctioneer, at its sole and absolute discretion;
 - (d) bids submitted for the same amount as another bid received by the Auctioneer earlier (which has not been rejected by the Auctioneer or declared cancelled, null and void due to failure by the bidder to transmit a bid guarantee amount as provided by sub-paragraph (3) below) shall be rejected;
 - (e) the Auctioneer reserves the right to reject otherwise qualifying bids if it has reasonable grounds to suspect that a bidder's funds are proceeds of activity which is criminal in Germany or the United Kingdom or would be criminal if occurred in Germany or the United Kingdom;
 - (f) the Auctioneer shall either accept or reject a bid within 24 hours of receiving it, and notify the bidder of its decision.
- (3) *Acceptance of Bids.* In case the bid is accepted by the Auctioneer, the bidder shall arrange for the transfer of 10 percent of the Reference Price, calculated based on the Reference Price at the Business Day preceding the Announcement Date, multiplied by the amount of BTC being auctioned, to the Issuer as a guarantee for its bid (the "**Bid Guarantee Amount**"). Bids, for which no bid guarantees have yet been received by the Auctioneer, are not considered valid and legally binding on either the Auctioneer or the bidder. Bids for which the bidders have posted a Bid Guarantee Amount are irrevocable and may not be cancelled by the bidders, but may be improved on request by the bidder submitted no later than 24 hours before 13:00 (CET) on the Auction Price Determination Date. Upon receiving a Bid Guarantee Amount from the bidder, or upon receiving an amendment (increase) of the bid by the bidder, the Auctioneer shall announce such received or updated bid on the Website within 24 hours of receipt.
- (4) *Notification of BTC Auction Results.* No later than 12 hours before 13:00 (CET) on the Auction Price Determination Date, the Auctioneer shall notify the highest bidder (among those who fulfilled the obligations to transfer the bid guarantee), if any, that such bidder has won the auction. The bidder shall arrange for the payment of the balance between the value of its bid, expressed as a percentage of the Reference Price at the Auction Price Determination Date, multiplied by such Reference Price and the

number of BTC being auctioned, and the Bid Guarantee Amount credited to the Issuer pursuant to sub-paragraph (3) above, within 7 (seven) Business Days from the Auction Price Determination Date. If such balance is negative, the Issuer shall transfer the balance to the bidder within 7 (seven) Business Days from the Auction Price Determination Date.

- (5) *Settlement of BTC Auction.* The winning bidder shall (i) provide the Issuer with details of its digital cryptocurrency wallet to which the auctioned BTC shall be credited, in the form agreed between the Issuer and the winning bidder and (ii) notify the Issuer of the level of Bitcoin network fees it agrees to bear for the processing of the transfer (the "**Settlement Requirements**"). After (i) completion of the Settlement Requirements; and (ii) receipt of funds from the winning bidder pursuant to sub-paragraph (4) above (if any have to be transferred), the Issuer shall transfer BTC (less the fees that the winning bidder has agreed to bear) to the designated digital cryptocurrency wallet of the winning bidder within the time-frame of a normal settlement/transfer cycle of BTC in the BTC network (which may vary depending on the level of the network fees the winning bidder agreed to bear) plus 7 (seven) Business Days. Unless the BTC Auction Procedure is performed as part of the Mandatory Redemption process, the winning bidder and the Issuer have the right to agree that instead of transferring BTC to the winning bidder's digital cryptocurrency wallet, the Issuer will transfer such number of Issuer-owned Bonds as agreed between the winning bidder and the Issuer, provided however, that the Cryptocurrency Entitlement, as of the Auction Price Determination Date, per Bond multiplied by the number of Issuer-owned Bonds to be so transferred shall not exceed the amount of BTC being auctioned.
- (6) *Failed Auction.* The BTC Auction Procedure shall be deemed unsuccessful if
- (a) the Reference Price is not available, or expected not to be available on the dates when it is required for the purposes of the procedure described in this § 14;
 - (b) the winning bidder fails to transfer to the Issuer the balances pursuant to sub-paragraph (4) above within the prescribed timeframe or the Issuer is unable to accept the balances due to applicable legislation;
 - (c) there is no winning bidder in the auction, i.e. if either no bids were submitted or all bids were rejected or all bidders who submitted a qualifying bid failed to deposit a bid guarantee amount in accordance with sub-paragraph (2) above, or for any other reason (each, a "**Failed Auction**").

§ 15 Substitution

- (1) *Substitution.* The Issuer may, without the consent of the Bondholders, if payment of principal of the Bonds is not in default, at any time substitute for the Issuer any Affiliate of the Issuer as principal debtor in respect of all obligations arising from or in connection with this issue (the "**Substitute Debtor**") provided that:
- (a) the Substitute Debtor, in a manner legally effective, assumes all obligations of the Issuer in respect of the Bonds;
 - (b) the Security will be legally effective at all times;
 - (c) the Substitute Debtor and the Issuer have obtained all necessary governmental and regulatory approvals and consents for such substitution and that all such approvals and consents are in full force and effect and that the obligations assumed by the Substitute Debtor in respect of the Bonds are valid and binding in accordance with their respective terms enforceable by each Bondholder;
 - (d) the Substitute Debtor is licensed (or exempt from the requirement to be licensed) to execute transactions in BTC;
 - (e) the Substitute Debtor can transfer to the Paying Agent in the currency required and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor or the Issuer has its domicile or tax residence, all amounts required for the fulfilment of the payment obligations arising under the Bonds;

- (f) the Substitute Debtor has agreed to indemnify and hold harmless each Bondholder against any tax, duty, assessment or governmental charge imposed on such Bondholder in respect of such substitution; and
 - (g) there shall have been delivered to the Paying Agent, at cost to the Issuer, an opinion or opinions by lawyers of recognised standing to the effect that subparagraphs (a) to (f) above have been satisfied.
- (2) *Notice.* Any substitution of the Issuer pursuant to this paragraph and the date of effectiveness of such substitution shall be published in accordance with § 18.
 - (3) *Change of References.* Upon effectiveness of the substitution any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substitute Debtor and any reference to the Relevant Taxing Jurisdiction with respect to the Issuer shall from then on be deemed to refer to the Relevant Taxing Jurisdiction with respect to the Substitute Debtor. Furthermore, in the event of such substitution and if the Relevant Taxing Jurisdiction of the Substitute Debtor does not include the Federal Republic of Germany, an alternative reference to the Federal Republic of Germany shall be deemed to have been included in addition to the reference according to the preceding sentence to the Relevant Taxing Jurisdiction of the Substitute Debtor.
 - (4) *Release from Obligations.* Upon effective substitution of the Issuer as set forth in this paragraph, the Issuer shall be released from any obligation arising from or in connection with the Bonds.

§ 16
Further Issues, Purchases
and Cancellation

- (1) *Further Issues.* Without prejudice to § 12 (3), the Issuer may from time to time, without the consent of the Bondholders, sell Issuer-owned Bonds or issue further Bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the relevant issue date and/or issue price) so as to form a single series with the Bonds.
- (2) *Purchases.* Without prejudice to § 12 (3), the Issuer may at any time purchase Bonds in the open market or otherwise and at any price. Bonds purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Paying Agent for cancellation.

§ 17
Amendments of the Terms and Conditions by Resolutions of Bondholders,
Bondholders' Representative

- (1) *Amendment of the Terms and Conditions.* The Terms and Conditions may be amended with consent of the Issuer by virtue of a majority resolution of the Bondholders pursuant to sections 5 et seqq. of the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen – "SchVG"*), as amended from time to time. In particular, the Bondholders may consent to amendments which materially change the substance of the Terms and Conditions, including such measures as provided for under section 5 paragraph 3 of the SchVG by resolutions passed by such majority of the votes of the Bondholders as stated under paragraph (2) below. A duly passed majority resolution shall be binding equally upon all Bondholders.
- (2) *Majority.* Except as provided by the following sentence and *provided that* the quorum requirements are being met, the Bondholders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of section 5 paragraph 3 numbers 1 through 9 of the SchVG, may only be passed by a majority of at least 75 percent of the voting rights participating in the vote (a "**Qualified Majority**").
- (3) *Vote without a meeting.* Subject to paragraph (4), resolutions of the Bondholders shall exclusively be made by means of a vote without a meeting in accordance with section 18 of the SchVG. The request for voting will provide for further details relating to the resolutions and the voting procedure. The

subject matter of the vote as well as the proposed resolutions shall be notified to the Bondholders together with the request for voting. The exercise of voting rights is subject to the Bondholders' registration. The registration must be received at the address stated in the request for voting no later than the third day preceding the beginning of the voting period. As part of the registration, Bondholders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian in accordance with § 19 (4) (i) (a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Bonds are not transferable from (and including) the day such registration has been sent to (and including) the day the voting period ends.

- (4) *Second Bondholders' Meeting.* If it is ascertained that no quorum exists for the vote without meeting pursuant to paragraph (3), the scrutineer may convene a noteholders' meeting, which shall be deemed to be a second noteholders' meeting within the meaning of section 15 paragraph 3 sentence 3 of the SchVG. Attendance at the second noteholders' meeting and exercise of voting rights is subject to the Bondholders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the second noteholders' meeting. As part of the registration, Bondholders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian in accordance with § 19 (4) (i) (a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Bonds are not transferable from (and including) the day such registration has been sent to (and including) the stated end of the noteholders' meeting.
- (5) *Bondholders' Representative.* The Bondholders may by majority resolution provide for the appointment or dismissal of a joint representative (the "**Bondholders' Representative**"), the duties and responsibilities and the powers of such Bondholders' Representative, the transfer of the rights of the Bondholders to the Bondholders' Representative and a limitation of liability of the Bondholders' Representative. Appointment of a Bondholders' Representative may only be passed by a Qualified Majority if such Bondholders' Representative is to be authorised to consent, in accordance with paragraph (2) hereof, to a material change in the substance of the Terms and Conditions.
- (6) *Publication.* Any notices concerning this § 17 shall be made exclusively pursuant to the provisions of the SchVG.

§ 18 Notices

- (1) *Notices.*
 - (a) All notices regarding the Bonds, other than any notices stipulated in § 17 (6) which shall be made exclusively pursuant to the provisions of the SchVG, will be published in the German Federal Gazette (*Bundesanzeiger*) and on the Website.
 - (b) The Issuer will be entitled to deliver all notices concerning the Bonds to the Clearing System for communication by the Clearing System to the Bondholders to the extent that the rules of the stock exchange on which the Bonds are listed or admitted to trading so permit.
- (2) *Effectiveness of notices.* Any notice will be deemed to have been validly given on the date of the first publication (or, if required to be published in a newspaper, on the first date on which publication shall have been made in the required newspaper) or, as the case may be, on the fourth Business Day after the date of such delivery to the Clearing System.

§ 19 Governing Law, Place of Performance and Place of Jurisdiction, Enforcement

- (1) *Governing Law.* The Bonds, as to form and content, and all rights and obligations of the Bondholders and the Issuer, shall be governed by German law. The Security Documents, as to form and content, and all rights and obligations of the Bondholders and the Issuer, shall be governed by German law and the laws of the United States.

- (2) *Place of Jurisdiction.* To the extent legally permissible, the courts of Frankfurt am Main, Federal Republic of Germany, shall have jurisdiction for any actions or other legal proceedings arising out of or in connection with the Bonds. The local court (*Amtsgericht*) of Frankfurt am Main shall have jurisdiction for all judgments in accordance with section 9 paragraph 2, section 13 paragraph 3 and section 18 paragraph 2 SchVG in accordance with section 9 paragraph 3 SchVG. The regional court (*Landgericht*) in the district of Frankfurt am Main shall have exclusive jurisdiction for all judgments over contested resolutions by Bondholders in accordance with section 20 paragraph 3 SchVG. Should the Issuer change its registered seat, the statutory jurisdiction pursuant to the SchVG shall apply.
- (3) *Calculations and Determinations Binding.* All calculations and determinations required to be made by these Terms and Conditions shall be made by the Issuer, or any party appointed by the Issuer, in its sole and absolute discretion.
- (4) *Enforcement.* Any Bondholder may in any proceedings against the Issuer, or to which such Bondholder and the Issuer are parties, protect and enforce in his own name his rights arising under the relevant Bonds on the basis of (i) a statement issued by the Custodian with whom such Bondholder maintains a securities account in respect of the Bonds (a) stating the full name and address of the Bondholder, (b) specifying the aggregate principal amount of Bonds credited to such securities account on the date of such statement and/or specifying the aggregate principal amount of Bonds transferred from such Bondholder's securities account to the Issuance Account (including effective dates of such transfer(s)) and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Global Note representing the relevant Bonds certified as being a true copy of the original Global Note by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the Global Note representing the Bonds. For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Bondholder maintains a securities account in respect of the Bonds, including the Clearing System. Each Bondholder may, without prejudice to the foregoing, protect and enforce his rights under these Bonds also in any other way which is admitted in the country of the proceedings.

§ 20 Language

These Terms and Conditions are written in the English language and provided with a German language translation. The English version shall be the only legally binding version. The German translation is for convenience only.

13. TAXATION WARNING

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF BONDS, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES, UNDER THE TAX LAWS OF GERMANY AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS. THE RESPECTIVE RELEVANT TAX LEGISLATION MAY HAVE AN IMPACT ON THE INCOME RECEIVED FROM THE BONDS.

14. SUBSCRIPTION, SALE AND OFFER OF THE BONDS

14.1. OFFER OF THE BONDS

14.1.1. Offer to the public

The Bonds will be offered by financial intermediaries (including Authorised Participants) to institutional and retail investors in compliance with applicable selling restrictions. The offer period is expected to commence on 5 June 2020 and will be open until 3 June 2021 (the expiration date of the Prospectus) subject to shortening the period. An offer to the public will be made in the countries specified under "*Consent to the Use of the Prospectus*".

As of the date of the Prospectus the Issuer has entered into agreements with three Authorised Participants.

The following Authorised Participants have been appointed as of the date of the Prospectus*:

XTX Markets Ltd (FCA Regulated)	R7 14-18 Handyside St London, N1C 4DN United Kingdom	XTX Markets Ltd will register with Deutsche Börse to perform the role of designated sponsor (https://deutsche-boerse.com/dbg-en/our-company/know-how/glossary/glossary-article/Designated-Sponsor-242854). XTX Markets Ltd will not face investors but will only subscribe for and redeem the Bonds for their own purposes.
ITI Capital Ltd (FCA Regulated)	Level 33 Tower 42 25 Old Broad Street, London, EC2N 1HQ United Kingdom	Will face investors to subscribe for and redeem the Bonds.
Bank Frick & Co. AG (FMA Regulated)	Landstrasse 14 9496 Balzers Liechtenstein	Will face their own clients who are professional investors to subscribe for and redeem the Bonds.

* Any changes to the list of Authorised Participants will be detailed at <https://www.btc-etc.com>

14.1.2. Conditions and technical details of the offer

The offer is not subject to any conditions or time limits other than the time limit resulting from the validity of the Prospectus as specified under "*Offer to the Public*". There is no possibility to reduce subscriptions. No minimum or maximum subscription amounts have been specified.

The Issuer will sell Bonds only to Authorised Participants and such Bonds may only be purchased with Bitcoin. Any investors who are not Authorised Participants can purchase the Bonds either from an Authorised Participant or purchase them on the secondary market through their broker for fiat (e.g. Euro). Where Bonds are purchased from an Authorised Participant, such Bonds can be purchased either with Bitcoin or with USD or any other fiat currency or cryptocurrency as will be determined by each Authorised Participant offering the Bonds.

The Bonds will be delivered via book-entry through the Clearing System and its account holding banks.

14.1.3. Charges and costs relating to the offer

The estimated total expenses of the issue and/or offer are EUR 475,000.00.

The Issuer will charge a subscription fee up to 0.50 percent of the Cryptocurrency Entitlement from the Authorised Participants. Authorised Participants may charge additional fees vis-à-vis investors who are purchasing Bonds from them. These fees may vary and the Issuer has no influence on whether and to what extent the Authorised Participant is charging fees.

14.1.4. Method of determination of the Issue Price

The issue price for Authorised Participants is equal to the Cryptocurrency Entitlement plus a subscription fee. The Cryptocurrency Entitlement will be determined pursuant to the following formula:

$$CE = ICE \times (1 - DER)^n$$

Where:

"CE" means Cryptocurrency Entitlement;

"ICE" means Bitcoin 0.001 per Bond;

"DER" means 2.00 percent (subject to reduction by the Issuer); and

"n" means number of days/365.

The issue price for investors who are not Authorised Participants will be determined on an ongoing basis.

As of the Issue Date, the Cryptocurrency Entitlement would be Bitcoin 0.001 per Bond, i.e. Authorised Participants purchasing Bonds from the Issuer would receive one Bond for each 0.001 Bitcoin. In addition, the Issuer will charge a subscription fee of up to 0.50 percent of 0.001 Bitcoin from the Authorised Participant.

Where an investor purchases a Bond from an Authorised Participant with Euro, the Euro equivalent of the Cryptocurrency Entitlement as of 27 May 2020, based on a Bitcoin value of Euro 8,340.76⁵ would be Euro 8.34. However, given that each Authorised Participant may charge a subscription fee from the investor who he is selling the Bonds at his own discretion, the purchase price for a Bond may be higher than Euro 8.34.

For a determination of the issue price see also *Section 11.2 – Description of the Bonds*.

14.1.5. Interest of natural and legal persons involved in the issue or offer of the Bonds

There are no interests of natural and legal persons other than the Issuer involved in the issue, including conflicting ones that are material to the issue or offer of the Bonds.

14.2. SELLING RESTRICTIONS

14.2.1. General

Any person subsequently offering, selling or recommending the Bonds shall comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses, distributes or publishes this Prospectus or any other offering material relating to the Bonds.

Persons into whose hands this Prospectus comes are required by the Issuer to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or possess, distribute or publish this Prospectus or any other offering material relating to the Bonds, in all cases at their own expense.

⁵ Value of Bitcoin as of 27 May 2020.

14.2.2. United Kingdom

Any person subsequently offering, selling or recommending the Bonds has to ensure that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

14.2.3. United States

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered, sold or delivered within the United States of America (the "**United States**") to or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered and sold only (1) to "accredited investors" (as defined in Rule 501 of Regulation D under the Securities Act) in compliance with Rule 506(c) of Regulation D under the Securities Act and (2) in "offshore transactions" (as defined in Regulation S under the Securities Act) in reliance upon Regulation S under the Securities Act. Any person acting as a distributor of the Bonds outside the United States has represented and agreed that neither it nor any persons acting on its behalf has offered, sold or delivered or will offer, sell or deliver any Bonds within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each such distributor has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Bonds. Terms used in this subparagraph have the meaning given to them by Regulation S.

15. GENERAL INFORMATION / INCORPORATION BY REFERENCE

15.1. LISTING AND ADMISSION TO TRADING

Application has been made to the Frankfurt Stock Exchange for the Bonds to be admitted to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange. The total expenses in connection with admission to trading of the Bonds are expected to amount to EUR 3,500.

15.2. NOTIFICATION

The Issuer has requested BaFin to provide the competent authority in the United Kingdom, Austria and Italy with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Regulation.

15.3. AUTHORISATION AND ISSUE DATE

The creation and issue of the Bonds has been authorised by a resolution of ETC Issuance GmbH dated 20 April 2020. The Issue Date of the Bonds is expected to be 5 June 2020.

15.4. CLEARING AND SETTLEMENT

Payments and transfers of the Bonds will be settled through Clearstream Banking AG, Frankfurt am Main, Mergenthalerallee 61, 65760 Eschborn, Germany.

The Bonds have been assigned the following securities codes:

ISIN DE000A27Z304, Common Code 211382520, WKN A27Z30.

The Issuer's Legal Entity Identifier (LEI) is 875500BTZPKWM4X8R658.

15.5. SIGNIFICANT CHANGE IN THE FINANCIAL OR TRADING POSITION

There has been no significant change in the financial or trading position of the Issuer since 31 December 2019, the date of its Annual Financial Statements.

15.6. TREND INFORMATION

There has been no material adverse change in the prospects of the Issuer since 31 December 2019, the date of its Annual Financial Statements.

15.7. INCORPORATION BY REFERENCE

The following documents are incorporated by reference into this Prospectus:

- The audited annual Financial Statements of the Issuer (*Jahresabschluss*) dated 31 December 2019 together with an unqualified auditor's report

The audited annual Financial Statements can be found on the following website:

https://etcm.ltd/resources/annual_financial_statements_2019.pdf

All of these pages shall be deemed to be incorporated in by reference, and to form part of, this Prospectus.

The non-incorporated parts of such documents, i.e. the pages not listed in the table above, are either not relevant for the investor or covered elsewhere in the Prospectus.

The documents containing the information incorporated by reference have been filed with BaFin. They are available free of charge by the Issuer and are published in electronic form on the Issuer's website <https://www.btc-etc.com>.

15.8. **DOCUMENTS ON DISPLAY**

For so long as any Bond is outstanding, copies of the following documents may be inspected during normal business hours at the specified office of the Paying Agent and as long as the Bonds are listed on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange the documents set out under (a) to (d) below will be available on the website of the Issuer (<https://www.btc-etc.com>):

- (a) the Prospectus and any supplement thereto;
- (b) the constitutional documents of the Issuer;
- (c) the Terms and Conditions; and
- (d) the documents incorporated by reference.

15.9. **RATING**

Neither the Issuer nor the Bonds are rated.

16. **NAMES AND ADDRESSES**

ISSUER

ETC Issuance GmbH
Holzhecke 13
60528 Frankfurt am Main
Germany

SECURITY TRUSTEE

Apex Corporate Trustees (UK) Limited
6th Floor, 125 Wood Street
London EC2V 7AN
United Kingdom

DEPOSITARY

BitGo Trust Company, Inc
6216 Pinnacle Place
Suite 101
Sioux Falls, SD 57108
United States of America

FISCAL AGENT, PAYING AGENT AND LISTING AGENT

Baader Bank AG
Weihenstephaner Straße 4
85716 Unterschleißheim
Germany

AUDITORS

Ernst & Young S.A.
35E avenue John F. Kennedy
1855 Luxembourg
Luxembourg

ADMINISTRATOR

Apex Corporate & Advisory Services Ltd
Central North Business Centre, Level 1
Sqaq il-Fawwara
Sliema SLM1670
Malta