



To attention of: European Securities and Markets Authority
From: TRADERNET LTD
Date: May 15, 2015
Subject: **Investment using virtual currency or distributed ledger technology.**

Responding to the Call for evidence regarding investment using virtual currency, we would like to report the following:

Trading and exchange of the bitcoins and other virtual currencies must be regulated by the government. Our firm is the first license brokerage company in Europe which is providing VC exchange and Asset Exchange service to its clients. We are ready to assist in questions of improving current legislation for future regulation this kind of activity and to become the first Bitcoin Exchange. Some explanations below.

TRADERNET LTD is a Cypriot Investment Firm incorporated in the Republic of Cyprus on May 30, 2012. Being regulated by the Cyprus Securities and Exchange Commission and based in Limassol, we offer investment services and perform investment activities within the EU, Russia, Ukraine and other third countries according to the authorization.

The Company has an advanced technological base and experienced IT-specialist. We've created one of the world's best web-trading platform including social network for traders and many other related services that make trading in stocks, bonds and futures user friendly and transparent.

In view of the expansion of virtual currency (further VC) and it's popularity all around the world, the Company developed its own matching technology (exchange core) – a mechanism for receiving, placing and execution of clients orders, which allows users to purchase and/or sale the VC. (Please see Annex II)

Because of our intention not to put the company's activities in contradiction with the current legislation, the Company sent a special request to CySEC and received a clear answer whereby the company is allowed to provide the trading with VC. (Please see Annex III)

The world's experience of creating and existing VC exchanges shows us that usually they are registered in jurisdictions that are not sufficiently regulated, have no physical presence and brokerage licenses to receipt, transmit and execute clients orders. The structure of VC exchanges is completely unclear and as a result different situation with the loss of client's money or reserved VC for trading occur.

With the desire to work exclusively in the legal framework and to guarantee to clients their rights on assets we are in fact the first licensed broker in Europe at the moment



who provides the ability to perform transactions with bitcoins or any other VC.

We are willing to cooperate with you on the development of market regulation for virtual currency and looking forward to obtain official status of VC exchange, like itBit exchange, which received the authorization from New York State Department of Financial Services. (Please see Annex IV)

We also providing you in Annex I the answers on questions stated in mentioned above Call for evidence.

Yours sincerely,

Evgeniy Tyapkin
Executive Director
For and on behalf of the Company

Annex I: Answers

Q 1: Do you have any further information about any other VC investment product or platform distributing VC investment products, their location or size outstanding/volume?

TRADERNET LTD is providing VC platform as well as the Asset Exchange mechanism.

Q 2: Do you have any information about the profile of investors investing in VC investment products?

From our point of view there are several groups of investors:

1. Retail investors. These clients are using different opportunities to buy virtual currencies. It could be direct access to the VC exchanges or investing through the CFD or binary option contracts. The profile of these people is exactly the same as retail clients of all Brokers and Forex Companies. They need to have a protection of their interests and that's why all VC exchanges providing reception, transmission and execution service must be licensed and regulated.
2. Venture investments in startups bitcoins. We suppose that this type of investors is not the object of current research.
3. Investors with a "virtual currency on a cold storage". A huge amounts of bitcoins now is on so called cold storage. This currency is not deposited for trading and we have no doubt that with the increasing of popularity of bitcoins these people will start use it and all existing services will growth.

Q 3: Do you have anything to add or suggest a change to the description (paragraphs 15-18) of how virtual currency distributed ledgers work? Please clearly state to which virtual currency you are referring in your answer or whether your answer refers to virtual currencies in general.

We believe that information in this paragraph is complete and correct.

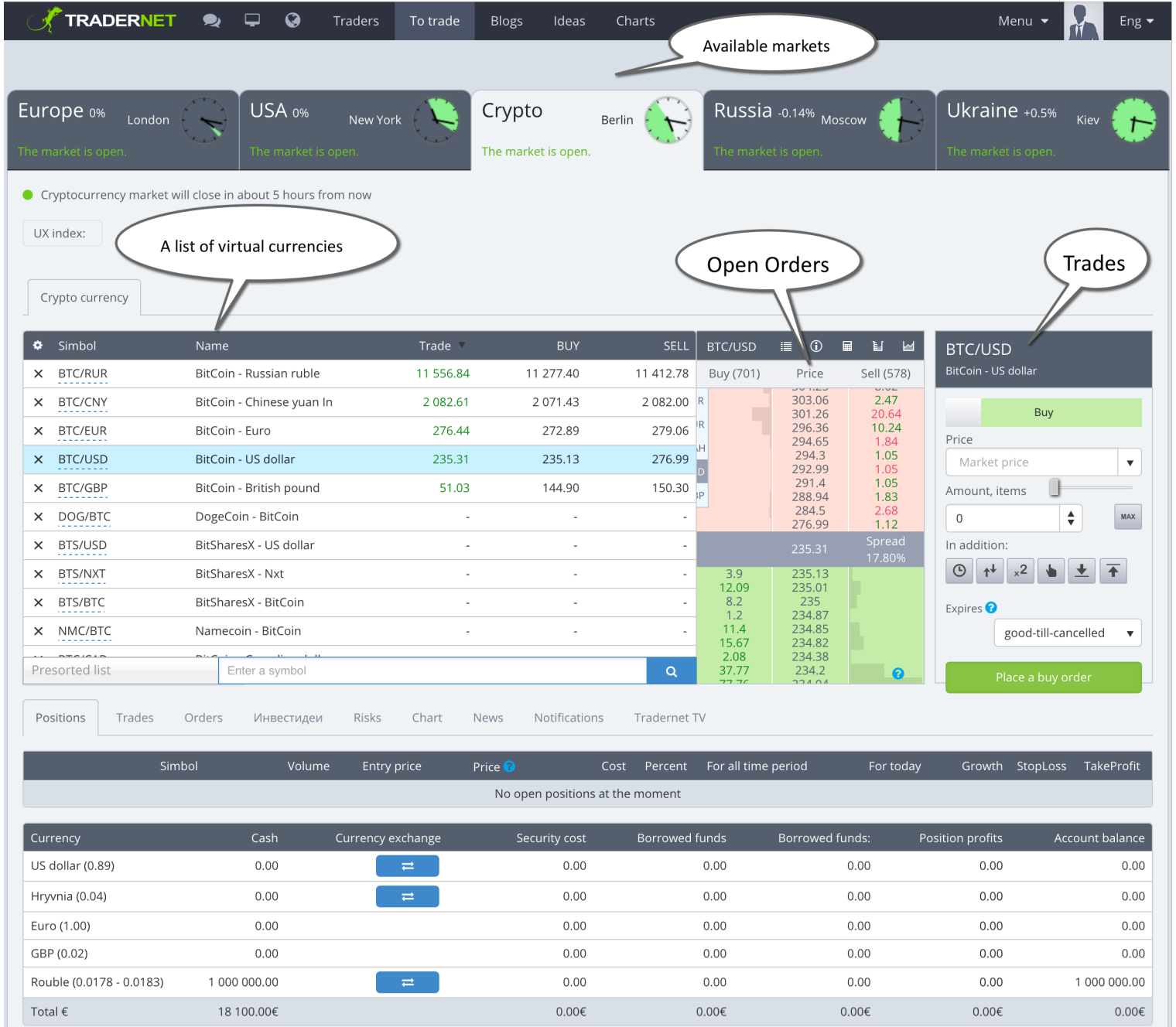
Q 4: Do you agree with the general investment process in VC based financial assets as described above (paragraphs 19-24)? Please explain where this process could differ for different virtual currencies.

Basically we agree with the described scheme except one thing. Many VC exchanges has their own wallets where clients are deposit virtual currencies for trading. It means that they are providing not only the reception, transmission and execution service, but even the custodian and safekeeping of financial instruments, which also must be regulated.

Q 6: Do you agree with the analogies to traditional regulated entities as outlined (paragraph 25-32)? Please explain where you have a different opinion, including where the analogies are different for different VCs.

We disagree that Wallet providers must be regulated as Payment service provider. From our point of view all wallets are using for safekeeping the virtual currencies. They producing custodian service and must be regulated the same way.

Annex II: Web Platform TRADERNET with direct access to the stock markets and VC exchange



The screenshot displays the TRADERNET web platform interface. At the top, there is a navigation bar with 'Traders', 'To trade', 'Blogs', 'Ideas', and 'Charts'. Below this, there are market status indicators for Europe (London), USA (New York), Crypto (Berlin), Russia (Moscow), and Ukraine (Kiev), all showing 'The market is open.' A callout 'Available markets' points to the top navigation area.

Below the market indicators, there are tabs for 'UX index:' and 'Crypto currency:'. A callout 'A list of virtual currencies' points to the 'Crypto currency:' tab. The main content area features a table of virtual currencies with columns for Symbol, Name, Trade, BUY, and SELL. A callout 'Open Orders' points to the 'BTC/USD' section, which includes a detailed order book with columns for Price and Sell (578). A callout 'Trades' points to the 'Trades' tab in the bottom navigation bar.

Symbol	Name	Trade	BUY	SELL
BTC/RUR	BitCoin - Russian ruble	11 556.84	11 277.40	11 412.78
BTC/CNY	BitCoin - Chinese yuan In	2 082.61	2 071.43	2 082.00
BTC/EUR	BitCoin - Euro	276.44	272.89	279.06
BTC/USD	BitCoin - US dollar	235.31	235.13	276.99
BTC/GBP	BitCoin - British pound	51.03	144.90	150.30
DOG/BTC	DogeCoin - BitCoin	-	-	-
BTS/USD	BitSharesX - US dollar	-	-	-
BTS/NXT	BitSharesX - Nxt	-	-	-
BTS/BTC	BitSharesX - BitCoin	-	-	-
NMC/BTC	Namecoin - BitCoin	-	-	-

Currency	Cash	Currency exchange	Security cost	Borrowed funds	Borrowed funds:	Position profits	Account balance
US dollar (0.89)	0.00	<input type="button" value="⇄"/>	0.00	0.00	0.00	0.00	0.00
Hryvnia (0.04)	0.00	<input type="button" value="⇄"/>	0.00	0.00	0.00	0.00	0.00
Euro (1.00)	0.00	<input type="button" value="⇄"/>	0.00	0.00	0.00	0.00	0.00
GBP (0.02)	0.00	<input type="button" value="⇄"/>	0.00	0.00	0.00	0.00	0.00
Rouble (0.0178 - 0.0183)	1 000 000.00	<input type="button" value="⇄"/>	0.00	0.00	0.00	0.00	1 000 000.00
Total €	18 100.00€		0.00€	0.00€	0.00€	0.00€	0.00€

Annex III: The answer from CySEC concerning trading the bitcoins.

From: CySEC_Legal [<mailto:legal@cysec.gov.cy>]
Sent: Tuesday, December 17, 2013 11:29 AM
To: GP Global Ltd
Cc: CySEC_Info
Subject: RE: Question - Trading on Bitcoins

Dear George,

Your understanding is correct that it might be allowed to do so following an application to CySEC under 6(9)(b) of the EPEY Law.

Best regards

Eva Ioannou
Senior Officer - Head of Legal Department
Cyprus Securities and Exchange Commission

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CYPRUS. Tel. +357 22 506600 Fax. +357 22 506700 <http://cysec.gov.cy>
P Think before you print.

From: GP Global Ltd [<mailto:papanicgeor@cytanet.com.cy>]
Sent: Tuesday, December 17, 2013 8:22 AM
To: CySEC_Legal
Subject: Question - Trading on Bitcoins

A CIF authorised for the investment services of:

- Reception and Transmission of orders
- Execution of orders

The above CIF is allowed by CySec to execute orders between either 2 of its clients or between a client and another counterparty (one sells and the other buys) bitcoins?

I believe that the above might be allowed pursuant to section 6(9a) of the Law 144(I)/2007

Thanks in advance.

Best Regards,

George Papanicolaou
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Annex IV: Authorization Certificate issued by New York State Department of Financial Services to one of the VC exchange.



Authorization Certificate

ITBIT TRUST COMPANY, LLC

Whereas, the articles of organization of ITBIT TRUST COMPANY, LLC of New York, New York have heretofore been duly approved and said ITBIT TRUST COMPANY, LLC has complied with the provisions of Chapter 2 of the Consolidated Laws,

Now Therefore, I, Benjamin M. Lawsky, Superintendent, New York State Department of Financial Services, do hereby authorize the said ITBIT TRUST COMPANY, LLC to transact the business of a Trust Company at 140 East 45th Street, New York, New York County within this State.

In Witness whereof,

*I hereto set my hand and affix the seal of the
New York State Department of Financial Services
This 6th Day of May, 2015*


Benjamin M. Lawsky
Superintendent of Financial Services



Ben Lawsky
@BenLawsky



Читать

Big day. New York issues first charter to a virtual currency company: @itBit (a Bitcoin Exchange)

6:01 PM - 7 мая 2015



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