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Cryptopia Limited (in Liquidation) – Important Notice of Court Proceedings

- 1 The liquidators of Cryptopia Limited (in liquidation) provide this notice to creditors of the Company about proceedings the liquidators have filed in the High Court in New Zealand.

What is the Court being asked to consider in this application?

- 2 On 1 October 2019 the liquidators filed an application with the High Court as to the legal status of the various cryptocurrencies in New Zealand (i.e. is cryptocurrency “property” within the meaning of the Companies Act 1993), and whether the cryptocurrencies are held on trust for account holders, or whether the cryptocurrencies are beneficially owned by the Company.
- 3 The liquidators also filed a supporting application seeking directions to appoint experienced Queen's Counsel to represent the affected groups of account holders and creditors (Representation Orders). This application was filed to facilitate the cost efficient and expedient determination of the substantive application, and to ensure that the two potential stakeholder groups receive representation from experienced legal counsel. Individual representation is not practicable because of the very large number of potential claimants, and would have resulted in lengthy delays, duplication of resources and unnecessary cost.

Why is a Court application required?

- 4 The liquidators require direction from the New Zealand High Court on several legal issues before they can make any distribution to creditors.
- 5 The purpose of the application is to receive direction from the Court on the status of cryptocurrencies to understand the liquidators' obligations with respect to cryptocurrencies. Ultimately this will enable the liquidators to propose a suitable mode for distribution of the cryptocurrencies and/or settlement of creditor claims.
- 6 Once the Court has provided directions on the status of cryptocurrency, the liquidators will seek directions from the Court to approve a method of distribution of Cryptopia's assets. The liquidators are continuing to reconcile the Company's coin holdings with the Customer Account balances, which reconciliation will need to be completed before the liquidators can propose a method of distribution to the Court for approval.

Representation orders

- 7 On 14 October 2019 the Court granted the Representation Orders sought, and appointed:

- a Jenny Cooper QC to represent the interests of those creditors who would benefit from the court finding that the cryptocurrencies are company property, with account holders qualifying for a distribution as general and unsecured creditors.
 - b Peter Watts QC to represent the interests of those who would benefit from the court finding that the cryptocurrencies are property that is held on trust for account holders.
- 8 Leave has been reserved for any affected individual to obtain separate representation and make an application to be joined to the proceedings.
- 9 The liquidators' counsel will present argument on the issues that are not in contest between appointed counsel, where there is a need for a contrary position to be argued.
- 10 If you wish to oppose the directions sought, and are concerned that your interests may not be adequately represented by the court appointed counsel, we recommend that you seek legal advice.
- 11 The reasonable costs of the court appointed counsel will be met from the assets held by Cryptopia Limited (in liquidation). If you obtain separate representation and apply to be joined to the proceeding, you will be responsible for your own legal costs.

David Ruscoe
Liquidator

Russell Moore
Liquidator