

IN THE HIGH COURT OF NEW ZEALAND  
CHRISTCHURCH REGISTRY

I TE KŌTI MATUA O AOTEAROA  
ŌTAUTAHI ROHE

CIV 2019-409-544

Under Part 19 of the High Court Rules and Part 16 of the  
Companies Act 1993

In the matter of an application concerning **CRYPTOPIA LIMITED (IN  
LIQUIDATION)**, a company having its registered office at  
Level 15, Grant Thornton House, 215 Lambton Quay,  
Wellington, 6143 and carrying on business as a  
cryptocurrency exchange

And

In the matter of an application by **DAVID IAN RUSCOE** and **MALCOLM  
RUSSELL MOORE** of **GRANT THORNTON NEW  
ZEALAND LIMITED**, insolvency practitioners of Wellington  
and Auckland respectively

Applicants

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**AFFIDAVIT OF TIMOTHY JAMES STRAHAN BROCKET**

Dated: <sup>27</sup> November 2019

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**BUDDLE FINDLAY**  
NEW ZEALAND LAWYERS  
Barristers and Solicitors  
Wellington

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## AFFIDAVIT OF TIMOTHY JAMES STRAHAN BROCKET

I, Timothy James Strahan Brocket, Finance Director of Christchurch affirm:

1. I was the Director of Finance and Administration at Cryptopia Limited (now in liquidation), a position I held from 1 July 2018 until the date of Cryptopia's liquidation. I have continued to assist the liquidators since their appointment. Before 1 July 2018, and from January 2018, I was employed by Cryptopia as a Finance Manager with essentially the same finance and administration responsibilities.
2. As the Director of Finance and Administration, I had responsibility for the accounting, financial reporting, budgeting, tax compliance, investments, insurance, people and culture, and audit functions of the organisation.
3. I attach marked "**TJSB1**" a paginated exhibit bundle of documents to which I refer in my affidavit. References to page numbers throughout the affidavit are exhibit bundle references.

### Terms and conditions

4. Based upon my knowledge, there were only ever two sets of terms and conditions that applied to customers in the period from January 2018 until the date of liquidation. The terms and conditions that were in place when I started work at Cryptopia are attached at **TJSB1/1**. These terms were updated in August 2018 on advice from Minter Ellison, and a copy of those appears at **TJSB1/4**. Some further work was done again by Minter Ellison to update the terms and conditions in November 2018, but these changes were never implemented, to the best of my knowledge.
5. I was not involved in the work project to update the terms and conditions. From an operational perspective, there were no material changes to the way the business operated that resulted from the change to the terms and conditions in August 2018. An email was sent to all customers, of which there were approximately 2.3 million users, when the changes were effected. An example of the email sent to customers is at **TJSB1/20-21**.



## General explanation of how the Cryptopia exchange operated

6. Cryptopia provided a trading platform ("**Platform**") for account holders to trade pairs of cryptocurrencies. The Platform had stipulated five base currencies: (Bitcoin, Litecoin, Dogecoin, USDT or NZDT). The first four are commonly traded cryptocurrencies. Bitcoin is currently the most valuable per token and has the highest market capitalisation, at around USD200 billion. Bitcoin's value fluctuates constantly; for example in the past three months its price has been as high as NZD20,716 and as low as NZD8,640.
7. The NZDT and USDT are what are known as "stable coins". USDT (or Tether) is bigger than any other stable coin. USDT tokens are supposed to be backed 1:1 by the dollars that customers or investors put up when buying them, but its issuer acknowledged that it was only about 74 percent backed by fiat equivalents as of 30 April 2019. It does not have its own blockchain, but operates across 5 blockchains. Tether is widely used by traders to move money in and out of cryptocurrencies like bitcoin without needing to exchange back into dollars with each trade. I understand that Crypto exchanges also use the token to transfer funds between each other to avoid having to move lots of fiat currency through not always cooperative banks. An article explaining this is attached at **TJSB1/22-24**.
8. NZDT was a cryptocurrency set up by Cryptopia before I began working there. I understand it was established in or around May 2017. NZDT was pegged to the New Zealand dollar, and provided traders with the opportunity to make deposits and withdrawals in New Zealand dollars. At its peak, there were 11 million NZDT tokens in circulation. When a customer requested a transfer from NZDT into New Zealand dollars, the NZDT tokens associated with the value of New Zealand dollars paid out would be removed from circulation. In other words, the amount of money in Cryptopia's NZDT bank account should have matched with the number of NZDT tokens in circulation at any given time. Cryptopia had a New Zealand bank account with ASB Bank which enabled it to offer this function.
9. Cryptopia was required to stop offering this feature early 2018 because ASB Bank would no longer offer it banking services, due to AML/CFT concerns. On or around 31 January 2018 ASB Bank notified Cryptopia that it would close Cryptopia's bank account by 9 February 2018. Cryptopia notified traders on 31 January 2018 to give them the opportunity to make withdrawals before the cut-off date. After this Cryptopia started banking with Nelson



Building Society, and still allowed customers to receive New Zealand dollars by withdrawing NZDT, but it was not as common. Other than this Cryptopia's traders could not make deposits or withdrawals in fiat currency. Deposits and withdrawals were only able to be made in cryptocurrencies of an "enabled coin", which is a coin that is supported on the exchange. Traders were still able to convert fiat currency into cryptocurrency, or vice versa, on separate exchanges. Not all exchanges provide this function.

10. Any trade by an account holder had to be between a base currency and a non-base currency or between two base currencies. As discussed above, after 8 February 2018 it was not possible for an account holder to trade a fiat currency directly for a cryptocurrency, except for some withdrawals of NZDT into New Zealand dollars. Most non-base currencies are known as "alt-coins". Ethereum is an example of a non-base currency that is not an alt coin. Cryptopia hosted approximately 900 cryptocurrencies in total at its peak. Some are currencies that are only hosted on Cryptopia.
11. As discussed above account holders could make deposits and withdrawals of enabled coins. Any account holder could withdraw its cryptocurrency from the exchange into a privately held digital wallet, controlled by the account holder or alternatively transfer cryptocurrency to another exchange, if the currency in question was traded on that other exchange or the exchange agreed to host it.
12. Trades were carried out on the Cryptopia exchange through the use of order books that listed the available buy/sell orders. When the orders matched a trade would occur. If the orders did not match the order book would fill up with buy and sell orders. Real time pricing was available.

### **Exchange fees**

13. The fees charged by Cryptopia included:
  - (a) The fee for listing a new cryptocurrency.
  - (b) Trade fees.
  - (c) Recovery fees.
  - (d) Withdrawal fees.

14. In order to list a new currency on the Cryptopia exchange, an account holder was required to pay a listing fee. At the time that I worked at Cryptopia this was equivalent to approximately NZD50,000 and at the date of liquidation this equated to approximately NZD75,000. The customer was required to pay the listing fee using the Cryptopia created Dotcoin, although Bitcoin was accepted until , late 2018. The Bitcoin support was removed to boost the market volume for Dotcoin . Dotcoin is one of the currencies that was only traded on the Cryptopia exchange. Dotcoin could be purchased from Cryptopia using Bitcoin, or it could be purchased from a trader willing to sell. Cryptopia was the largest holder of Dotcoin and needed to put sell orders in to create liquidity in the market. Once a customer had purchased the Dotcoin, it would then pay the Dotcoin back to Cryptopia as payment for the listing fee for the customer's cryptocurrency through a feature on the exchange called "Paytopia". I refer to an archived page from the Cryptopia website that explains the coin listing options (**TJSB1/25**).
15. Each time a trade took place between customers, it had to be between one of Cryptopia's permissible trading pairs as discussed at paragraph 10, for example Bitcoin traded for Ethereum, or Ethereum traded for Litecoin. It wasn't possible to trade two alt coins directly. Cryptopia charged a trading fee on every trade of 0.2% of the value of the trade, this is set out at page 20 of the Customer Manual. The trading fee was charged to the buyer and the seller.
16. If a seller wanted to trade 1 Bitcoin, then she would have 1.002 BTC deducted from her account, of which 0.002 BTC would go to Cryptopia as the transaction fee on the sell side. The "purchaser" would receive 0.998 BTC, with the difference of 0.002 BTC being paid to Cryptopia as the fee on the buy side. If the seller of the Bitcoin was trading it for Ethereum then the same percentage fee was charged on that side of the trade as well. Fees were "charged" at the time of the trade, but were not reconciled and transferred into the Cryptopia fees account until the end of each month.
17. Cryptopia also charged fees for recovering cryptocurrency that had accidentally been transferred to the wrong party, providing that the transfer happened between users on the exchange. The fee for recovery was 10% of the total trade value. If the customer accidentally sent cryptocurrency to a user outside of the Cryptopia exchange, it could not be recovered by the Company.



18. Each cryptocurrency coin listed on Cryptopia has a different withdrawal fee. The withdrawal fee for each coin is a static amount rather than a percentage of the withdrawal (i.e. 0.0005BTC for a BTC withdrawal) and are based on the individual blockchain transaction cost for that coin. Page 20/21 of the Cryptopia Customer service manual explains this (TJSB1/49-50). This cost goes towards paying the data miners, and network running costs. Cryptopia periodically reviewed the withdrawal fees on coins, after assessing the average cost of a single transaction on the blockchain and considering transaction speed optimisation.

### **The January 2019 hack**

19. Following the identification of the hack in January 2019, I undertook an analysis to try to determine how much had been stolen from the Company wallets. Based upon my investigations, I determined that approximately 9% of the Company's Bitcoin holding had been taken.
20. The directors, however, considered that the amount taken was as much as 14%, and requested a reduction in the customer Bitcoin account balances by 14%, so that the Company holdings and the amounts showing in customer accounts were the same.
21. After the reduction had been applied to the customer accounts, there were approximately 600 Bitcoin remaining in the Company account in excess of customer holdings. This seemed to me to illustrate that the size of the reduction that had been applied to customer accounts was too great. However I was advised that the variance wasn't to do with the haircut but was uncompleted transfers and orphan transactions. The directors assured me that the 14% reduction was correct. The directors liquidated some of that Bitcoin to pay trade creditors, including large sums to Phoenix NAP in Arizona, which was hosting the Company's data.
22. I have not conducted a full reconciliation of how much of which currencies were stolen in the January 2019 hack. I understand the wallets are being rebuilt, and when this happens the variance between pre-hack holdings and post-hack holdings can be identified. I believe that the following currencies (at least) were stolen: Bitcoin, Ethereum, BCH, LTC and approximately 79 types of ERC20 tokens. More currencies could have been stolen. The reconciliation process should be able to uncover the amounts and types of currencies stolen in the hack.

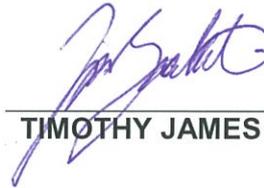


**Anti-Money Laundering (AML) advice**

23. We engaged Minter Ellison to provide advice to the company on AML risks for Cryptopia and draft advice was provided in November 2018. A copy of that draft advice appears at **TJSB1/135**. I am not aware whether a final version of this advice was provided. We also sought advice from an AML specialist advisory firm, Fiducia. This firm provided draft advice in relation to the NZDT issue in December 2018. A copy of that draft advice appears at **TJSB1/146**.

Affirmed at  
this 27<sup>th</sup> day of November 2019

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**TIMOTHY JAMES STRAHAN BROCKETT**

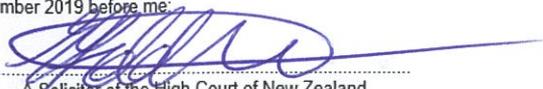
Before me



A Solicitor of the High Court of New Zealand

**Elyse Middleton**  
Solicitor  
CHRISTCHURCH

This is the exhibit marked "TJSB1" referred to in the affidavit of TIMOTHY JAMES STRAHAN BROCKET sworn at Christchurch this 27<sup>th</sup> day of November 2019 before me:

  
A Solicitor of the High Court of New Zealand

# Cryptopia terms and conditions up to August 2018

## Terms & Conditions

### Website Terms of Use

This website ("site") is operated by Cryptopia Limited (referred to on this site as "the Company, "Cryptopia", "Cryptopia Limited", "Cryptopia Ltd", "we", "us" or "our"). Your use of this site is governed by these terms of use. By accessing and browsing this site you agree to be bound by these terms of use. We make this site available to you to in order to provide information about our products and services and enable you to purchase these products and services from us online.

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### Your Information

Please ensure that any information that you provide when creating an account with us on this site is correct, complete and up-to-date and please advise us as soon as possible if any of this information changes or you become aware of any inaccuracy in the information you have provided. If you are providing information about a person other than yourself, you warrant that you are authorized by that person to provide that information. You are responsible for maintaining the confidentiality of your account and password and for preventing unauthorized access to your account. You agree to accept responsibility for all activities that occur under your account or password. You should take all necessary steps to ensure that your password is kept confidential and secure and should inform us immediately if you have any reason to believe that your password has become known to anyone else, or if the password is being, or is likely to be, used in an unauthorized manner.

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## Force Majeure

We will not be responsible for any delay or failure to comply with our obligations under these terms of sale if the delay or failure arises from any cause which was beyond our reasonable control. This does not affect any of your statutory rights.

## All Liability Excluded

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2. We will not be liable for any damages, losses or expenses, or indirect losses or consequential damages of any kind, suffered or incurred by you in connection with your access to or use of this site or the content on or accessed through it.

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We may amend these terms of use from time to time, so you should check and read these terms of use regularly. By continuing to use this site after any such amendment, you are deemed to have agreed to the amended terms of use.

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## 1. Introduction

- A. These terms and conditions of use (**Terms**) apply to the Cryptopia website and associated applications (the **Platform**) and the services (**Services**) operated and provided by Cryptopia Limited.
- B. These Terms, the Platform and the Services allow you to:
  - i. buy, sell and exchange supported Coins through the Platform;
  - ii. use Fiat Pegged Tokens, when available; and
  - iii. store supported Coins in our hosted Wallets.
- C. In these terms **Cryptopia, we, us or our** means Cryptopia Limited, and **you or your** means the person accessing or interacting with the Platform and/or the Services.
- D. Other capitalised words used in these Terms have the meaning set out in the Glossary.
- E. **Please read these Terms carefully.** By accessing our Platform and/or Services and/or creating an Account with us, you are agreeing to be bound by these Terms. If you do not agree to these

Terms, you must immediately stop using the Platform or any Service. In particular, by agreeing to these Terms you are confirming that:

- i. you have read, understood and acknowledge our Cryptopia Risk Statement (including the risks disclosed) and Privacy Policy;
- ii. you have legal capacity and all necessary authority to enter into these Terms; and
- iii. you have sufficient knowledge and experience, and understand the risks involved, in Coins, to enable you to evaluate the terms, value and risks associated with any Transactions you enter into through the Platform.

## 2. Understanding Your Risks

Trading in Coins is speculative and high risk. You may lose some or all of any money or Coins that you hold or transact using the Platform. You should not trade Coins unless you can afford to lose your investment without hardship. **Please read the Cryptopia Risk Statement carefully for a summary of some of the risks that you must understand before you use the Platform or Services.**

See [clause 12](#) below for an explanation of how our liability is limited in some cases.

## 3. Eligibility

You can use the Platform and our Services only if you meet, and continue to meet, the following criteria:

- a. you are legally entitled to do so under the law of the country you are in, or any other relevant jurisdiction;
- b. if you are an individual, you are 18 years or older;
- c. if you are an entity, you are correctly formed or incorporated and in good standing;
- d. you have the capacity and authority to agree to these Terms; and
- e. you provide all information (including identity information) required by us to open your Account or at any time afterwards that we need to meet our obligations under law or regulation.

If at any time you do not meet these criteria, you must stop using the Platform and the Services. We can close or suspend your Account at any time where you do not meet these criteria (see [clause 4](#) below).

## 4. Your Account

### 4.1 Opening an Account

- a. To use the Platform and our Services, you must open an Account by completing our process through the Platform. We can decline to open an Account or provide a Service, without notice and for any reason.
- b. We will require proof (satisfactory to us) of your identity when you open an account, to enable us to meet our obligations under Applicable Law (in particular any anti-money laundering or countering financing of terrorism requirements). In addition, we may ask for such other information as we consider is necessary or desirable for us to obtain before we open an Account, and by applying for an Account you agree to provide us with any such information and authorise us to use your personal information to make enquiries to verify your identity either directly or through third parties.

- c. We can change our Account opening process from time to time and without notice.
- d. You agree that you will provide accurate, complete and truthful information wherever we require you to provide information, including as part of the Account opening process.

#### 4.2 Using Your Account

- a. Your Account comprises your Coin Balances (see clause 5 below) including, where applicable, any Fiat Pegged Tokens that you hold (see clause 6), below), and includes a record of all of your Transactions.
- b. You agree to accept responsibility for all activities that occur under your account or password.
- c. You must maintain the confidentiality and security of any information that can be used to access your Account. For this purpose, you must:
  - i. not share your password, login information, or other security related information with any other person that may allow them to access your Account;
  - ii. not permit any other person to use or access your Account or login information;
  - iii. notify us if there has been, or you suspect there will be, any unauthorised use of your Account; and
  - iv. only create one Account, and not register as a user under multiple names (whether false or not).
- d. Third parties may masquerade as a legitimate Cryptopia site, social media account, telephone support number or App, in order to steal your credentials (phishing). We do not accept any liability, either directly or indirectly, for any loss resulting from accounts that have been compromised via phishing or any other scheme.
  - i. We recommend that all users enable dynamic two factor authentication to prevent unauthorised account use.
  - ii. Cryptopia site passwords should be unique to Cryptopia and should never be stored insecurely on any personal device.
  - iii. You must only access your Account through the official Cryptopia website ([www.cryptopia.co.nz](http://www.cryptopia.co.nz)).
- e. You understand that anyone accessing your Account will be able to enter into transactions using your Coin Balances and, where applicable, any Fiat Pegged Tokens and we have no obligation to verify or take any steps to verify any instruction received from you or appearing to be sent by you.

#### 4.3 We Can Suspend Your Account

- a. We may suspend, limit or restrict access to your Account, the Platform or any Service, at any time without notice, if:
  - i. you fail to pay any amounts owing under these Terms to us or any other person when they are due;
  - ii. we become aware of a dispute over either the ownership of any Assets in your Account or the operation of your Account;
  - iii. we consider it necessary or prudent to clarify the authority of any other person claiming to act on your behalf;

- iv. you have not provided all information needed for us to comply with any Applicable Law, or we have not been able to verify the information to our satisfaction;
  - v. we receive a serious complaint or multiple complaints about you from any other person;
  - vi. we discover that some or all of the information that you have previously provided to us in order to open or operate the Account is materially inaccurate, and as a result we reasonably consider suspension is necessary or prudent to protect our, or any other person's, legitimate interests;
  - vii. we are unable to reasonably provide the Account or any Services as a result of any resource constraint, technical failures or other difficulties in providing the Platform;
  - viii. we reasonably consider we are required to do so by, or your continued access may result in a breach of, any Applicable Law (including any investigation, litigation or any government or regulatory proceeding relating to any Applicable Law);
  - ix. in our sole discretion, your conduct may bring the Platform, us or any other person into disrepute; or
  - x. we suspect that you have breached, or your continued access might result in a breach, of these Terms.
- b. If we suspend your Account or access to any Service, without giving you notice beforehand, we will give you notice as soon as reasonably practicable afterwards, unless we are unable to do so because of any Applicable Law.
  - c. The suspension will come to an end only when we are reasonably satisfied that the reason for the suspension no longer applies.
  - d. During the suspension, our Terms will continue to apply.

#### 4.4 We Can Close Your Account

- a. In addition to our rights under clause 4.3, we can close your Account at any time and without notice if:
  - i. you have failed to pay any amounts owing under these Terms to us or any other person when they are due, and have failed upon request from us to rectify this failure within a reasonable time period;
  - ii. we are required to do so in order to comply with any Applicable Law, in New Zealand or any other jurisdiction;
  - iii. we reasonably believe that you have acted, or are acting, unlawfully;
  - iv. we reasonably believe that you have been aggressive or threatening to our staff or any other Users;
  - v. you are not eligible for the Account, or any Service, under these Terms;
  - vi. you have not provided all information needed for us to comply with all Applicable Laws, or we have not been able to verify the information to our reasonable satisfaction;
  - vii. some or all of the information that you have previously provided to us in order to open or operate the Account or any Service is materially inaccurate, and as

a result we reasonably consider closure or cancellation is necessary or prudent to protect the Platform or our or any other person's legitimate interests;

- viii. we have suspended your Account because we have been unable to reasonably provide the Account or any Services as a result of any resource constraint, technical failures or other difficulties in providing the Platform, and we are unable to recommence providing the Account or any Services within a reasonable period of time; or
  - ix. we reasonably suspect the Account or Service is being used or obtained to facilitate fraud, money laundering or other illegal activity.
- b. If we close your Account without giving you notice beforehand, we will give you notice as soon as reasonably practicable afterwards unless we are unable to do so because of any Applicable Law.
- c. Subject to any Applicable Law, if we close your Account:
- i. these Terms will continue to apply to any actions, including any Transactions entered into by you, before the date of cancellation;
  - ii. you remain liable to make payment of any amounts owing to us or any other person, in relation to the use of the Platform, your Account or any Services; and
  - iii. we may at our discretion provide you with access to the Platform solely to the extent necessary to access to your Account for a period of 90 days to allow you to transfer your Coins to a different digital wallet or to redeem any Fiat Pegged Tokens. For the avoidance of doubt, you will not be able to receive the Services or access any other component of the Platform during this period. You acknowledge that after this 90 day period, you may no longer have access to the Platform to access your Coins and we will not have any liability to you for any loss, cost, damage or expense that results from your failure to exercise your right of access during such 90 day period.

## 5. Your Coin Balances

- a. Your Coin Balances form part of your Account, and allow you to send, receive and store supported Coins (see [clause 9](#)), in accordance with instructions provided by you through the Platform.
- b. You must not attempt to send, receive or store unsupported Coins in your Account. Any such actions may result in the loss of the unsupported Coins, or.
- c. You must not send Coins to a wallet address for a different Coin than the currency you are sending. This is commonly known as cross-chain deposit. In recoverable instances, an appropriate recovery fee will be charged for Cryptopia executing a cross-chain recovery.
- d. Your Coin Balances are operated by us, and represent entries in your name on the general ledger of ownership of Coins maintained and held by us. This means the Coins in your deposit wallets may be pooled in our internal accounts with other Users' Coins at any time.
- e. Each User's entry in the general ledger of ownership of Coins is held by us, on trust, for that User.

## 6. Fiat Pegged Tokens

- a. Where we are able to do so (for example, where we can access appropriate banking facilities), we may offer Fiat Pegged Tokens to enable you to upload fiat dollars to your Account in exchange for the equivalent Fiat Pegged Tokens which are tradeable on our Platform.
- b. There will be an individual Fiat Pegged Token for each fiat currency we offer (for example, NZDT is a Fiat Pegged Token for New Zealand Dollars).
- c. Each Fiat Pegged Token is equivalent to one fiat dollar of the respective fiat currency.
- d. Fiat Pegged Tokens allow you to send, receive and store fiat currencies.
- e. Fiat Pegged Tokens are not financial products in themselves and do not give you any rights or carry any obligations. They are a digital representation of fiat dollars held on trust for you in the Custodial Account. Under these Terms, you hold the beneficial interest in those fiat dollars and can instruct us as trustee to deliver them to you at any time, subject to these Terms (including the risks set out in the [Cryptopia Risk Statement](#)). We do not promise to pay you any amount in relation to Fiat Pegged Tokens out of our own funds.
- f. In order to obtain Fiat Pegged Tokens from the equivalent fiat currency you must provide us with details of a Nominated Account held with a bank registered to the country of the fiat currency you wish to use. When we are able to offer Fiat Pegged Tokens supported by Cryptopia, you can transfer fiat dollars from your Nominated Account to our Custodial Account. We will hold an amount equal to your deposit in the Custodial Account on trust for you. For each fiat dollar we hold in the Custodial Account on your behalf we will issue and credit one equivalent Fiat Pegged Token to your Coin Wallet.
- g. If you transfer or trade a Fiat Pegged Token with another person through our Platform, you instruct us to hold one fiat dollar in the Custodial Account on a new trust for the transferee.
- h. You may request a withdrawal of Fiat Pegged Tokens supported by Cryptopia through the Platform and, subject to these Terms, we will pay the equivalent amount in the respective fiat currency from the Custodial Account to your Nominated Account held with a registered bank, subject to any minimum and maximum withdrawal amounts in place, and less any withdrawal fee and deductions required by Applicable Law.
- i. We will try to action any issue of new Fiat Pegged Tokens or your withdrawal request as soon as we are reasonably able to do so. However, there may be a delay as a result of events outside of our control, including as a result of a sudden increase in Transaction volumes, regulatory changes, blockchain issues, or as a result of a request coming through outside of normal banking hours.
- j. You will not receive any interest earned on fiat dollars stored in the Custodial Account. Any interest earned on the Custodial Account will be paid to Cryptopia as a fee.
- k. We will not use the fiat dollars held on trust in the Custodial Account for any purpose other than to meet our obligations to you in respect of your Fiat Pegged Tokens, nor can we charge or otherwise encumber them.
- l. Fiat Pegged Tokens are available at our discretion. For regulatory, commercial or other reasons we may give notice to Users that we have decided to suspend or to cease offering one or more of our Fiat Pegged Tokens. If we cease offering a Fiat Pegged Token we will, where possible, give affected Users notice of a timeframe within which they must withdraw, or exchange for Coins, the Fiat Pegged Tokens in their Wallets. Any remaining Fiat Pegged Tokens will, after this time, be withdrawn and the matching fiat dollar amount paid to the relevant User's Nominated Account. If this is unavailable or difficult Cryptopia may instead chose to remove the tokens from your account and

replace them with the equivalent value of BTC or another major currency at an appropriate market rate of exchange.

## 7. Trading on the Platform

### 7.1 Your Obligations and Acknowledgements in Relation to Transactions

- a. In respect of Transactions you submit into the Platform, you acknowledge and agree that:
  - i. we do not own or control any of the underlying blockchains, software protocols or networks in respect of Coins, and make no warranties or representations regarding their security, effectiveness or proper functioning;
  - ii. we may impose such restrictions as we reasonably think fit for the efficient processing of Transactions and in order to reduce the risk of theft and fraud. These restrictions may include maximum or minimum individual Transaction limits and maximum daily limits, in relation to a Coin, type or group of Coins, User or group of Users or type or types of Transactions;
  - iii. you will only use the Platform and the Services to undertake Transactions on your own behalf, and not on behalf of anyone else;
  - iv. while we will use reasonable endeavours to process Transactions as quickly as possible, Cryptopia gives no guarantee or warranty regarding the timing of completion of any Transaction. Transaction completion may be delayed for a significant period of time, or indefinitely, for a number of reasons including those set out in the **Cryptopia Risk Statement**;
  - v. we will act on the instructions sent from your Account and we have no obligation to verify any instruction received from, or appearing to be sent from, your Account.
- b. You agree only to use our Services for lawful and permitted purposes. This includes, but is not limited to, prohibiting the use of our Services for the purposes of:
  - i. illegal purchases;
  - ii. money laundering;
  - iii. financing of terrorism;
  - iv. trading with countries embargoed by your government;
  - v. engaging in deceptive, fraudulent or malicious activity;
  - vi. wire transfer money orders;
  - vii. as a means to transfer funds between bank accounts;
  - viii. to carry out any act that is illegal in New Zealand or in the jurisdiction where the person carrying out the activity is resident, domiciled or located; or
  - ix. commercial purposes which are competitive to the Platform or our business or which would otherwise be detrimental or prejudicial to our interests or the interests of any User, in any way.

### 7.2 Reversals, Cancellations

- a. You cannot cancel, reverse, or change any Transaction once it is submitted.

- b. We have the right to refuse to process, or to cancel or reverse, any submitted Transaction for any reason, including:
  - i. where in our opinion completing the Transaction could result in a breach or potential breach of any Applicable Law;
  - ii. if we reasonably consider the Transaction is erroneous; or
  - iii. where we reasonably consider the Transaction has the potential to bring into disrepute us, the Platform or any User.

### 7.3 Agent

You appoint Cryptopia, and Cryptopia accepts the appointment, as your agent for any Transaction in Coins that you have entered into through your Account on the Platform, in accordance with these Terms.

### 7.4 Location of Transactions

All Transactions through the Platform are deemed to take place in New Zealand. On completion of the Transaction, you are deemed to take possession of your Account, and the Assets in your Account, in New Zealand.

## 8. Platform Change and Business Disruptions

- a. We will use reasonable care in operating our Platform, so as to limit disruptions to the Platform, User Accounts and our Services. However, you accept that our Platform will not necessarily be available uninterrupted or error-free, and it may also be inaccessible from time to time while undergoing maintenance or upgrade work. If we are not able to provide advance notice of any interruption, we will give notice as soon as reasonably practicable afterwards.
- b. We may, in our discretion, make changes to the Platform with or without notice, and we make no representation that any Services will continue to be provided in the same manner as they are currently provided.

## 9. Supported Coins

### 9.1 Supported Coins

- a. We will from time to time publish a list of Coins supported on our Platform.
- b. It is your responsibility to determine whether you should acquire, exchange or sell any Coin, and you should seek professional advice before doing so. By supporting a Coin on our Platform, we make no representations, and give no warranties:
  - i. whether you should purchase, sell, or hold any Coin, or in relation to the performance, value of or benefits associated with that Coin;
  - ii. as to any rights or obligations you may have as a holder of that Coin;
  - iii. as to whether the terms of the Coin have been accurately represented by the issuer or any promoter of that Coin;
  - iv. the success of any business or project related to any Coin; or
  - v. that the issuer has complied with any or all Applicable Laws in relation to that Coin, or that it has received any required regulatory approvals, licences, or registrations to enable it to issue or offer the Coin.

- c. Cryptopia, its officers, employees, agents and contractors do not provide any advice in relation to Transactions. You must not rely on anything we say as intended to:
  - i. pass judgement on the merits of any particular Coin;
  - ii. endorse, sponsor or recommend any Coin supported on the Platform;
  - iii. make any recommendation regarding the advisability of investing in any Coin for any particular individual.
- d. The Coins supported on the Platform may change from time to time without notice to any User, for any reason, including as a result of any Applicable Laws, any change to the underlying rules of a Coin, or any technological issue outside of our reasonable control.
- e. It is your responsibility to confirm that any Coin is a supported Coin. You will be responsible for any loss incurred as a result of sending, depositing or returning any Coins that are not supported by us.

## 9.2 Coins in Maintenance

- a. From time to time, as part of the risks of trading in Coins, a Coin supported on the Platform may be placed in maintenance. During maintenance, you cannot deposit or withdraw the affected Coin.
- b. Circumstances in which we may put a Coin into maintenance include:
  - i. developer requests;
  - ii. the Coin is out of sync with its blockchain;
  - iii. routine maintenance;
  - iv. mandatory updates; and
  - v. other blockchain related issues.
- c. We do not accept any liability, either directly or indirectly, for any loss caused by placing a Coin into maintenance.

## 9.3 Delisting Coins

- a. From time to time, we may delist Coins from the Platform (meaning they can no longer be traded) for technical, legal or any other reason at our discretion.
- b. Generally, the procedure in which we will delist a specific Coin is as follows:
  - i. the market for the Coin is closed and from that point you will not be able to buy or sell the Coin; and
  - ii. we will give at least a 30 day notice on the removal of the Coin. At that time, the status of the Coin becomes "delisting".
- c. During the 30 day notice period, you must ensure that you withdraw the specific Coin from the Platform, to an external wallet, and cancel any outstanding Transactions. If you do not withdraw your balance of the Coin from the Platform you may lose the balance of the Coin at the time it is removed.
- d. After the notice period and once the Coin is delisted, the Coin will no longer be able to be deposited, withdrawn, bought or sold on the platform. If possible, any un-processed Transactions in respect of the Coin will not be processed and any related Coin or amount will be returned to the User.

- e. You acknowledge that we may immediately delist a Coin, without following the process set out above, where the removal is urgently required for compliance with any Applicable Law or where we consider the continued support of the Coin may result in a serious risk of harm or legal liability to us, the Platform, the Services or any User.
- f. You acknowledge that some Coins may be delisted without the option to withdraw the Coin from the Platform during the 30 day notice period. This will occur when the Coin is unable to be withdrawn due to technical, legal or any other reason at our discretion.
- g. Cryptopia does not accept any liability, either directly or indirectly, with any loss caused by delisting a Coin.

## 10. Payments

### 10.1 Mistaken Payments

If you make a payment from your Account in error, it may not be possible to stop or reverse the payment once it has been made. You may only be able to recover such a payment made in error through court action or with the consent of the Account holder who received it. If you ask us to recover a payment from your Account, we will use reasonable efforts to do so, and we may charge you our reasonable costs to do this.

### 10.2 We can Decline Payments

We can decline payments from your Account if:

- a. you have not provided all information needed for us to process the payment or comply with any Applicable Law, or we have not been able to verify the information to our reasonable satisfaction, or we reasonably consider that the information is materially inaccurate;
- b. we are required to do so by any Applicable Law;
- c. we reasonably suspect the payment is being used to facilitate fraud, money laundering or other illegal activity;
- d. we reasonably consider it necessary or prudent to protect one or all of the parties to the account, our legitimate interests, or the legitimate interest of a third party; or
- e. we reasonably suspect that the payment is unauthorised.

### 10.3 We Can Reverse Payments

We can reverse payment paid into your Account, without your consent and without giving notice, if:

- a. we have made an error;
- b. the person or organisation making the payment has made an error;
- c. we are required to do so by any Applicable Law;
- d. we reasonably suspect the payment is being used to facilitate fraud, money laundering, or other illegal activity; or
- e. we reasonably suspect the payment was unauthorised, or that you are not legally entitled to retain it.

## 11. Other Services and Content

### 11.1 Third Party Content

We may display Third-Party Content on the Platform or through our Services. We do not control or endorse any Third-Party Content and make no representations or warranties regarding such content, including (without limitation) regarding the accuracy or completeness of any content. Your interaction with Third-Party Content and the third-party services are governed by any agreement made between you and the third-party, and we do not accept liability for any loss, damage or expense incurred as a result of any interaction with Third-Party Content.

## 12. Liability, Indemnities and Force Majeure

### 12.1 Our Liability

- a. Subject to clause 12.1(c), to the maximum extent permitted by all Applicable Laws, we are not, under any circumstances, liable in any way for any loss or damage, whether direct, indirect, consequential or incidental, whether in tort, contract or otherwise arising out of use of our Platform or Services. This includes:
  - i. any losses arising as result of us acting in accordance with these Terms or any other applicable terms and conditions;
  - ii. losses caused by you, or anyone acting on your behalf (including any Anticipated Person), providing incorrect information;
  - iii. corruption or loss of data or any information;
  - iv. malware or any other damage that may be caused to your computer or system as a result of use of the Platform or transmission of any information from us or any other person to you;
  - v. interruptions, suspensions, delays or discontinuance of the Platform or any Services;
  - vi. the tax liability of you or any other User, nor for collecting, reporting, withholding or remitting any taxes arising from any use of our Services or Platform;
  - vii. losses caused by any User error by you or anyone acting on your behalf;
  - viii. losses arising out of unauthorised access or fraud in relation to your accounts or Services committed by you, your employee, officer or agent;
  - ix. losses caused by circumstances beyond our control, including any machine or system failure;
  - x. losses arising from your use or inability to access our platform at any time, inaccurate content or information in any service we provide; or
  - xi. losses arising from faults in, or malfunction of, any equipment (including telecommunication equipment) which supports our website; and
  - xii. any loss relating to the content or omission of content from our site.
- b. Subject to clause 12.1(c), we give no express warranties and disclaim and exclude all implied conditions or warranties, as to the Platform and the Services. Without limiting the foregoing, we do not:
  - i. guarantee that the content is reliable, accurate or complete; and

- ii. warrant that any of the functions in our site will be uninterrupted or error free.
- c. Nothing in these Terms is intended to limit any rights or remedies a User may have under the Fair Trading Act 1986 or the Consumer Guarantees Act 1993.
- d. Notwithstanding clause 12.1(a), (b), and (c), if we are found to be liable for any loss, cost, damage or expense, our maximum aggregate liability to you will be limited to \$5,000.

## 12.2 Indemnity

To the maximum extent permitted by law, you agree to indemnify us from, and hold us harmless from, and against all claims, damages, costs and expenses (including reasonable solicitor/client fees) that arise out of or relate to:

- a. your access and use of Platform and/or Services;
- b. your breach of the Terms or any other Platform policy; and
- c. any information you may provide.

## 12.3 Force Majeure

We do not accept liability, either directly or indirectly, for any loss, expense or cost incurred as result of any lack of performance, unavailability of the Platform and/or the Services, or a failure to comply with these Terms as a result of circumstances outside of our control including, but not limited to, changes of law or an event of force majeure.

# 13. Fees and Expenses

## 13.1 You Agree to Pay Our Fees

You agree to pay all fees and expenses associated with or incurred by you in relation to your use of our Services or Platform, which are published on our Platform.

## 13.2 Our Fees Can Change

- a. We may change, modify, or increase fees and expenses associated with our Services and Platform, from time to time.
- b. By using our Services or Platform following any update to our rates you accept and agree to pay the fees or expenses as published.

# 14. Taxes

By using our Platform, you accept that it is up to you to understand whether and to what extent, any taxes apply to any Transactions you conduct through our Services or Platform. We accept no responsibility for, nor make any representation in respect of, your tax liability.

# 15. Intellectual Property

- a. All logos, content, materials, information, software, graphics, text, copyrighted material, and trademarks on the Platform (**Intellectual Property**) are owned by us (and/or our Related Entities, suppliers or licensors), except where expressly stated.
- b. When using the Platform and the Services we grant you a limited, non-exclusive, non-transferable, revocable licence to access the Intellectual Property. You may download and print content from this Platform for your own personal use.

- c. Subject to clause 15(b), you are not authorised to reproduce, amend, store, publish adapt, or use any of the Intellectual Property, or otherwise infringe our intellectual property rights, without our prior written consent.

## 16. Your Privacy

Your privacy is important to us. Our detailed privacy policy is available here. We will only use or disclose your information in accordance with our privacy policy.

## 17. Notices and Communication

### 17.1 Communicating with You

- a. You consent to receive electronically all communications, agreements, documents and disclosures (**Communications**) that we may or must provide in connection with your Account, the Platform or any Services.
- b. You will be taken to have received any notice that we publish on the Platform, or that is sent to the most recent contact address (including email address) that we have on file for your Account.
- c. You are responsible for telling us if there are any changes to your contact details, including your email address. Failure to do so may impact your rights under these Terms and any other applicable terms and conditions.
- d. When we give notice under these Terms we can do so in one or more of the following ways:
  - i. by email;
  - ii. by other forms of direct communication; and
  - iii. by displaying a notice on the Platform.

### 17.2 Communicating with Us

- a. You can communicate with us by lodging a support ticket through your Account or by email. You can also communicate with us by Facebook or Twitter, but communications through these media will not constitute notice for the purpose of these Terms.
- b. We will typically process communications in the order we receive them. We will try to answer your concerns as soon as possible with the resources available to us. However, from time to time, and due to the fluctuations of demand, responses may be delayed. See the Cryptopia **Risk Statement** for more information.

### 17.3 Providing Information

You agree to provide all information to us which we require in order to manage our anti-money-laundering and countering the financing of terrorism obligations, to manage economic trade sanctions risks, or to comply with any Applicable Law in New Zealand or any other country. If you fail to provide this information, or provide incomplete, inaccurate, or false information, you agree that we may refuse to establish a business relationship with you, may be required to delay, defer, stop or refuse to process any Transaction, or may terminate our business relationship with you and close your Account at any time without notice.

## 18. General

### 18.1 Amendments to these Terms

We reserve the right to add, vary or withdraw any term of these Terms (including to increase, reduce or vary any fees or charges payable in respect of any Service or Platform) at any time. Examples of when we may exercise these rights include:

- a. if we are required to make legal or regulatory changes;
- b. if we are required to respond to market changes;
- c. if we are required to make improvements to our Services; or
- d. if we are required to make changes to counter and protect against cyber security threats.

#### 18.2 Assignment, Transfer and Subcontract

- a. We may assign, transfer and/or subcontract any of our rights and obligations under these Terms to any Related Entity.
- b. You may not assign, transfer and/or subcontract any of your rights or obligations under these Terms.

#### 18.3 Complaints and Dispute Resolution

- a. If you would like to make a complaint, you can contact us in accordance with clause 17.2.
- b. We are a member of the Financial Dispute Resolution Scheme, an independent approved dispute resolution scheme. This service is free of charge and can be accessed at:

**Online:** <https://fdrs.org.nz/>

**Free phone:** 0508 337 337

**Physical address:** Level 9, 109 Featherston Street  
Wellington 6011

#### 18.4 Governing Law

- a. You agree to use our service in accordance with the law in New Zealand and the applicable law in your jurisdiction. Where any of these Terms does not meet the minimum requirement of the law, those terms and conditions are deemed to be amended to the extent of compliance.
- b. The site can be accessed from countries other than New Zealand and may contain functions that are not promoted or permitted in those countries.
- c. We do not represent that information or the site is appropriate or available for use in other countries, use of the site is on the understanding and acceptance that doing so is on your own initiative and you are solely responsible for compliance with local laws.

#### 18.5 Severability

Any clause of these Terms, or part or any clause, declared invalid is deemed severable and does not affect the validity or enforceability of the remaining clauses.

#### 18.6 No Waiver

If we do not exercise or enforce any rights available to us under these Terms that does not constitute a waiver of those rights.

# Glossary and Interpretation

## 19. Glossary

In these Terms:

**Account** means an account established by a User, and operated, in accordance with these Terms.

**Applicable Law** means all Acts, regulations, rules, bylaws, orders in Council, proclamations, notices, warrants, instruments, orders of any court or tribunal, regulatory guidance or instructions and relevant industry codes of practice, including any common law and equity, that are applicable to these Terms, or our or your conduct in relation to these Terms, the Platform, and the Services.

**Business Day** means a day trading banks are open for business in Christchurch, New Zealand.

**Coin** means any blockchain-based, or digital representation of an, asset, token or digital currency, such as BitCoin, Ethereum, LiteCoin or any other digital, virtual or crypto currency.

**Coin Balance(s)** means any record of Cryptopia holding funds on the Cryptopia Platform on your behalf.

**Cryptopia, us, we, our or ours** means Cryptopia Limited.

**Cryptopia Risk Statement** means the Cryptopia risk statement published from time to time on the Platform.

**Custodial Account** means the bank account held by Cryptopia on behalf of Users for the purpose of receiving and transmitting fiat dollar funds matched to Fiat Pegged Tokens.

**Fiat Pegged Tokens** are digital representations of a fiat currency. There will be an individual Fiat Pegged Token for each fiat currency we offer. Each Fiat Pegged Token is equivalent to one fiat dollar of the respective fiat currency.

**Nominated Account** means a User's account with a registered bank.

**Platform** means the Cryptopia website and trading platform accessible at [www.cryptopia.co.nz](http://www.cryptopia.co.nz) and any associated Accounts, applications, or websites.

**Related Entity** means an "associated person" of Cryptopia within the meaning of section 12 of the FMCA.

**Services** means any services provided by us to you or any other User, whether through the Platform or outside of it, including the purchase, sale and exchange of Coins, and the provision of the Platform, your Account (including any Fiat Pegged Tokens), and any Coin Wallet.

**Terms** means these Terms and Conditions, as updated from time to time.

**Third-Party Content** means content, advertisements, links, promotions, logos and other materials from a non-Related Entity.

**Transactions** means any Transaction undertaken through the Platform including any buy, sell or exchange transaction, or transfer of fiat dollars or Coin from an Account.

**User** means any person who is eligible to use the Platform and our Services and who holds an Account.

## 20. Interpretation

In these Terms, headings are for convenience only, and do not affect interpretation. The following rules also apply in interpreting these Terms, except where the context makes it clear that a rule is not intended to apply.

- a. A reference to:
  - i. a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
  - ii. a document (including these Terms) or agreement, or a provision of a document (including these Terms) or agreement, is to that document agreement or provision as amended, supplemented, replaced or novated;
  - iii. a party to these Terms or to any other document or agreement includes a successor in title, permitted substitute or a permitted assign of that party;
  - iv. a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
  - v. anything (including a right, obligation or concept) includes each part of it.
- b. A singular word includes the plural, and vice versa.
- c. A word which suggests one gender includes the other genders.
- d. If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.
- e. If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- f. The word **agreement** includes an undertaking or other, binding arrangement or understanding, whether or not in writing.
- g. A reference to something being **written** or in **writing** includes that thing being represented or reproduced in any mode in a visible form.
- h. A reference to **dollars** or **\$** is to an amount in a fiat currency.
- i. A power to do something includes a power, exercisable in like circumstances, to revoke or undo it.
- j. A reference to a **power** is also a reference to authority or discretion.
- k. A reference to a time of day is a reference to New Zealand time.

# LITIGATION PRIVILEGE

----- Forwarded message -----

From: <[noreply@cryptopia.co.nz](mailto:noreply@cryptopia.co.nz)>

Date: Wed, Aug 8, 2018 at 8:36 AM

Subject: Cryptopia Terms and Conditions Update

To: <[tdtaspin@gmail.com](mailto:tdtaspin@gmail.com)>



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Dear Taspin,

From time to time, **we need to update our Terms & Conditions** to ensure we maintain our commitment to operate as a regulated cryptocurrency exchange.

Please be advised that we have made a number of important changes to our Terms and Conditions – the full version can be found [here](#).

We take your security and personal information very seriously and these revised Terms and Conditions more clearly outline our policies and obligations to you.

We highly recommend that you read the revised Terms and Conditions. After reviewing, **it is important to note that by continuing to trade on the Exchange, you are accepting the revised Terms and Conditions.**

**Got questions?** Please feel free to lodge a support ticket via [our Help Centre](#) and someone from our friendly team will be happy to assist.

Thanks for being a valued part of our crypto community and happy trading (to the Moon)!

The Cryptopia Team

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**P.S.** We've got some other exciting changes coming soon including a new look, new API, and multiple language launches as detailed in Alan Booth's mid-year CEO video below.

**Watch CEO Update**



Usage of [Cryptopia.co.nz](#) indicates acceptance of the Cryptopia Ltd. [Terms & Conditions](#) and [Risk Statement](#). Cryptopia Ltd. is not responsible for losses caused by outages, network volatility, wallet forks/maintenance or market conditions.  
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# Tether Stablecoin to Launch on Algorand Blockchain



## **Tether Stablecoin to Launch on Algorand Blockchain fin**

The popular and sometimes controversial stablecoin tether (USDT) is to launch on a fifth blockchain.

Announced by the (mostly) U.S. dollar-backed token's issuer on its [website](#), the news means traders will have a USD stablecoin option on omni, ethereum, tron, EOS and, soon, algorand.

“Extending Tether into the Algorand ecosystem is a fantastic opportunity for us to further contribute to blockchain interoperability and collaboration. ... We are very excited about the potential this enables for other projects in the decentralised ecosystem and we eagerly await working closely with many of them in the future,” said Tether CTO Paolo Ardoio.

Tether is widely used by traders to move money in and out of cryptocurrencies like bitcoin without needing to exchange back into dollars with each trade. Crypto exchanges also use the token to transfer funds between each other to avoid having to move lots of bucks through not always cooperative banks.

Despite its widespread use in the crypto markets, the stablecoin has had its issues – including [accidentally minting](#) \$5 billion USDT during a chain swap process last weekend.

Long a concern to users and regulators, Tether has never released a full accounting audit to prove its coin is backed by USD, as it claimed for years. Its lawyer recently [acknowledged](#) that, in fact, USDT was only about 74 percent backed by fiat equivalents as of April 30.

Tether’s relationship with its sister firm, crypto exchange Bitfinex, has also come under the spotlight, with [claims](#) the token has been used to prop up the price of bitcoin.

New York’s Attorney General’s office has further [alleged](#) that Bitfinex lost \$850 million and subsequently used funds from Tether to secretly cover the shortfall,

and [said](#) that Bitfinex had operated in the state without a license.

[Chains](#) image via Shutterstock

*Tags*

[TetherNewsAlgorandStablecoinsMarkets News](#)

The information herein does not provide sufficient information for an investment decision. [Read More](#)

This article is intended as a news item to inform our readers of various events and developments that affect, or that might in the future affect, the value of the cryptocurrency described above. The information contained herein is not intended to provide, and it does not provide, sufficient information to form the basis for an investment decision, and you should not rely on this information for that purpose. The information presented herein is accurate only as of its date, and it was not prepared by a research analyst or other investment professional. You should seek additional information regarding the merits and risks of investing in any cryptocurrency before deciding to purchase or sell any such instruments.

(/web/20190405090457/https://www.cryptopia.co.nz/Home)

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## Coin Listing Services

If you would like to discuss or apply for a listing before making payment please contact: [listings@cryptopia.co.nz](mailto:listings@cryptopia.co.nz) (<mailto:listings@cryptopia.co.nz>)

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### Exchange Listing

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#### 4000000 DOT

Listing subject to developer review

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3 Base Markets

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High Performance Trade Engine

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Arbitrage Tools

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List your coin on the Cryptopia Exchange. Tradepairs for BTC, LTC and DOGE basemarkets, and arbitrage tracking against supported exchanges.

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[Buy Now \(/web/20190405090457/https://www.cryptopia.co.nz/\)](/web/20190405090457/https://www.cryptopia.co.nz/)

### ERC20 Listing

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#### 2500000 DOT

Listing subject to developer review

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3 Base Markets

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High Performance Trade Engine

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Arbitrage Tools

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List your ERC-20 token on the Cryptopia Exchange. Tradepairs for BTC, LTC and DOGE basemarkets, and arbitrage tracking against supported exchanges.

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[Buy Now \(/web/20190405090457/https://www.cryptopia.co.nz/\)](/web/20190405090457/https://www.cryptopia.co.nz/)

### Cryptopia Authenticator

([/web/20190405090457/https://www.cryptopia.co.nz/Home](https://www.cryptopia.co.nz/Home))

## 10000 DOT

The ultimate way to secure your account.

One Time Passwords

Worldwide Delivery

Advanced Security

Exclusive to Cryptopia

The Cryptopia Authentication Device is a custom made two factor option to secure your Cryptopia account.

[Buy Now \(/web/20190405090457/https://www.cryptopia.co.nz/\)](https://www.cryptopia.co.nz/)

### Featured Currency

## 100000 DOT/wk

Great advertising opportunity

5 Weekly Slots

High Traffic Visibility

Advertise your coin on the main Exchange landing page, this is a great way to promote your coin to the Cryptopia traders.

[Buy Now \(/web/20190405090457/https://www.cryptopia.co.nz/\)](https://www.cryptopia.co.nz/)

### Tip Slot

## 100000 DOT/mo

Fantastic distribution mechanism

API Support

Multiple Tipping Options

Add your currency to Cryptopia's trollbox tipping system. This is a great way to promote and distribute your coin to the Cryptopia community.

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[\(/web/20190405090457/https://www.cryptopia.co.nz/Home\)](https://www.cryptopia.co.nz/Home)  
Buy Now ([/web/20190405090457/https://www.cryptopia.co.nz/](https://www.cryptopia.co.nz/))

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### Information

Privacy Policy

([/web/20190405090457/https://www.cryptopia.co.nz/Home/Privacy](https://www.cryptopia.co.nz/Home/Privacy))

Terms & Conditions

([/web/20190405090457/https://www.cryptopia.co.nz/Home/Terms](https://www.cryptopia.co.nz/Home/Terms))

Risk Statement

([/web/20190405090457/https://www.cryptopia.co.nz/Home/RiskStatement](https://www.cryptopia.co.nz/Home/RiskStatement))

Fees

([http://web.archive.org/web/20190405090457/https://support.cryptopia.co.nz/id=kb\\_article&sys\\_id=b53f0f1ddb2d1f009990f6fcbf961920](http://web.archive.org/web/20190405090457/https://support.cryptopia.co.nz/id=kb_article&sys_id=b53f0f1ddb2d1f009990f6fcbf961920))

### Support

Create Ticket

(<http://web.archive.org/web/20190405090457/https://support.cryptopia.co.nz/>)

Contact Us

([/web/20190405090457/https://www.cryptopia.co.nz/Support](https://www.cryptopia.co.nz/Support))

Help Centre & FAQ

(<http://web.archive.org/web/20190405090457/https://support.cryptopia.co.nz/>)

News

([http://web.archive.org/web/20190405090457/https://support.cryptopia.co.nz/id=kb\\_category&kb\\_category=1b23f18bdbeddf009990f6fcbf961948](http://web.archive.org/web/20190405090457/https://support.cryptopia.co.nz/id=kb_category&kb_category=1b23f18bdbeddf009990f6fcbf961948))

### API

Public API

([http://web.archive.org/web/20190405090457/https://support.cryptopia.co.nz/id=kb\\_article&sys\\_id=40e9c310dbf9130084ed147a3a9619eb](http://web.archive.org/web/20190405090457/https://support.cryptopia.co.nz/id=kb_article&sys_id=40e9c310dbf9130084ed147a3a9619eb))

Private API

([http://web.archive.org/web/20190405090457/https://support.cryptopia.co.nz/id=kb\\_article&sys\\_id=a75703dcdbb9130084ed147a3a9619bc](http://web.archive.org/web/20190405090457/https://support.cryptopia.co.nz/id=kb_article&sys_id=a75703dcdbb9130084ed147a3a9619bc))

### Social

Twitter

([http://web.archive.org/web/20190405090457/https://twitter.com/Cryptopia\\_](https://twitter.com/Cryptopia_))

Facebook

([http://web.archive.org/web/20190405090457/https://www.facebook.com/cry](https://www.facebook.com/cry))

LinkedIn

([http://web.archive.org/web/20190405090457/https://www.linkedin.com/company/cryptopia-ltd](https://www.linkedin.com/company/cryptopia-ltd))

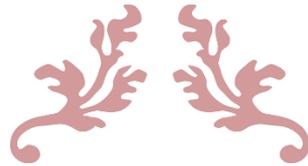
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Cryptopia Ltd. is not responsible for losses caused by outages, network volatility, wallet

forks/maintenance or market conditions.

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**(/web/20190405090457/https://www.cryptopia.co.nz/Home)**

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# CRYPTOPIA CUSTOMER SERVICE ANALYST MANUAL

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Version 2.0



OCTOBER 7, 2018  
CRYPTOPIA

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# Welcome to Cryptopia Customer Service Team!

## Introduction

Who are we?

Cryptopia Limited was started in 2014 by Rob Dawson and Adam Clark as a Cryptocurrency Exchange. Based in New Zealand, the Cryptopia Exchange has over 2 million global users and the world's largest range of cryptocurrencies. Our focus is our passionate community of users and we aim to offer them world class service including a fast, secure exchange experience.

Ethically run and compliant with New Zealand regulations, our users experience premier support and fast response times, plus early access to new and innovative coins that have passed our stringent ethical, legal and technical requirements. The Exchange is simple to use, fast and secure. Users can deposit, trade or withdraw all of our 584 listed coins. With access to dynamic charts, live coin information, world class service and the largest range of coins, Cryptopia offers users the best global transparent exchange platform to trade cryptocurrencies.

Cryptopia's ultimate mission is to enable the widespread adoption of cryptocurrencies to give people back control of their money through faster, cheaper and more efficient financial services. We aim to utilise Blockchain technology to open the Fintech sector to innovation and are working on a number of products and services to make this a reality.

History of Cryptopia

- ✓ Been around for 4-5 years
- ✓ Launched as an exchange in 2014
- ✓ Adam Clark and Rob Dawson are our founders.
- ✓ What started out as a hobby, quickly turned into a full-time job.
- ✓ At the start of 2017, we had ~12 staff (including contractors), now we are sitting at 100 full time staff.

Intranet relationship:

- Adam used to work at Intranet. When he decided to start Cryptopia, he was told to stay in the building and use the facilities while he was trying to get it off the ground.
- Andy, Dave and Adam (who are the founders of Intranet) also help out full time in Cryptopia.
- Most of Intranet Devs work full time for Cryptopia.



Cryptopia in the Crypto space:

- ✓ As an exchange, we are different from most other exchanges as our volumes are generated from crypto to crypto trades. While most other exchanges deal with fiat to crypto exchange.
- ✓ Majority of our listed coins are alt coins.
- ✓ We are globally recognised for listing many alt coins.

Our base markets

BTC, USDT, NZDT, LTC, and DOGE.

<https://www.cryptopia.co.nz/Exchange>

Our Customer Relationship Management Tools

<https://www.admintopia.co.nz/>

<https://supportcryptopia.service-now.com/login.do>

Our Customer Service Tool Kit

<https://cryptopia.atlassian.net/wiki/spaces/SUP/overview>

- **Templates:**  
<https://cryptopia.atlassian.net/wiki/spaces/SUP/pages/127172618/Support+Templates>
- **Renaming of Tickets for Triaging tickets into App Support:**  
<https://cryptopia.atlassian.net/wiki/spaces/SUP/pages/230817831/Triage>
- **Phishing Scams info:**  
<https://cryptopia.atlassian.net/wiki/spaces/SUP/pages/330563587/Phishing+Scams>
- **Jira:**  
<https://jira.cryptopia.co.nz/>
- **Promapp:**  
<https://go.promapp.com/cryptopia>

Help Centre for Users

<https://support.cryptopia.co.nz/csm>

# Our Values

## Communicative

We aim to understand the environment around users and proactively build an excellent experience for both users and staff. We do this by clearly addressing and discussing processes internally, hoping that this will reflect externally with our approach to customers.

*“Never assuming what others know.”*

## Comprehensive

Being comprehensive ensures that we take the time to see the whole story and intricacies that it entails. We aim to take the extra effort to learn the technology we use and apply that information to be as effective and helpful as possible.

*“If some pieces of the story are missing, we will endeavour to find the missing piece.”*

## Compassionate

We aim to be compassionate by going out of our way to understand where others are coming from – this includes co-workers and all users. We want to be empathetic and approach situations from multiple viewpoints.

*“We are all on the same boat sailing towards the same goal.”*

--

WE SHOULD NOT WORK WITHOUT COMPASSION,

WE MUST USE IT LIKE IT'S GOING OUT OF FASHION,

WE'RE ALL ON A BOAT,

WE MUST STAY AFLOAT,

WE ACHIEVE THIS WITH COMPUTERS AND PASSION.

~ CRYPTOPIA SUPPORT TEAM 2018



# Objectives and KPIs (WIP)

1. Cryptopia to consistently deliver World Class Service
2. Consistent messaging and Brand tone
3. Auto-responses in all channels to set customer expectations
4. First response within **24 hours**

# FAQs

Let's dive into it and get started!

## How does a user set up an account with Cryptopia?

BELOW ARE STEP BY STEP INSTRUCTIONS TO HELP USERS SET UP AN ACCOUNT WITH CRYPTOPIA.

#1. The user clicks on the **'Register'** button at the top right-hand corner.

#2. The user then creates a **Username** for the account and nominate an **Email Address**.

**Users should take the following into consideration when selecting their Email Address:**

- Use a **permanent email address** to which the user has reliable access
- Make sure it is **not connected** to any other Cryptopia account; and
- Is **unique** to Cryptopia and **not used** on any other cryptocurrency service, exchange or site. This email address will be used for account verification and registration completion, its security is very important.
- Make sure that the email account as well as information and credentials associated with it **have not been compromised**. We recommend using available online tools (e.g. <https://haveibeenpwned.com/>) and regularly checking it.

#3. The user creates a **'Password'** for their account (see figure 1).

The user should use a unique password which they do not use for anything else. Cryptopia has strict minimum password requirements for the security of user accounts and these are case sensitive.

**PLEASE NOTE:** For a password to meet Cryptopia minimum password requirements it must be a minimum of 8 characters long, and include at least one of each of the following:

- 1 Uppercase letter;
- 1 Lowercase letter;
- 1 Special character; and
- 1 number.



Figure 1 – Creating a Password

#4. The user clicks the 'I agree to the Terms & conditions' box and 'I'm not a robot' box and finally the 'Create Account' button.

I agree to the [Terms & conditions](#).

  
I'm not a robot

  
reCAPTCHA  
[Privacy - Terms](#)

[Create Account](#)

#5. After the user complete registration, a confirmation email will be sent to their nominated Email Address.

**Confirmation Email Sent.**

An email has been sent to \_\_\_\_\_, please click the activation link in the email to complete your registration process.

#6. After the user completes registration, a **confirmation email** (see figure 2) will be sent to their nominated **Email Address**.



Figure 2- Account Registration Confirmation Email

#7. The user must then open the email and click on the '**Verify My Email Address**' link in the email.



**PLEASE NOTE:** This link expires after several hours, users must check for the email and make sure they successfully activate their account soon after registering. These can sometimes go to 'junk', 'spam' or 'promotional' folders so the user must ensure they check all folders.

**#8.** The user's Email Address will now be verified, and they will be prompted to log in using their **Email Address** (see figure 3), their case sensitive **Password** and their **4-8 digit 2FA code**.

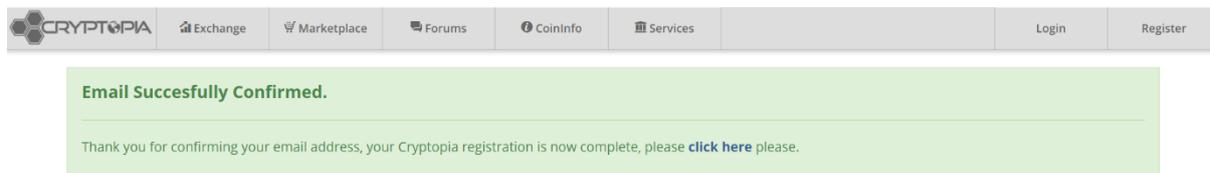


Figure 3 – Email Address verified

**#9.** The user's account **is now set up** and they are ready to begin trading!

## What should a user do if they are experiencing registration issues?

- If a user can't find the registration email, **it may have been filtered into a different alternative folder** within their inbox (i.e. junk, spam or promotional). These folders often do not sync with mobile apps or email clients. We suggest that users log onto their webmail if possible and perform a thorough search.
- We are aware that some ISP email providers and customized domains reject or defer some of our automated emails. This may either cause **delay**, or the user **may not receive** them at all. If the user has not received a Cryptopia email they are expecting, they should try and whitelist this email – [noreply@cryptopia.co.nz](mailto:noreply@cryptopia.co.nz) with their provider, in addition to contacting Cryptopia Support describing the issue so we can check and confirm if we can assist.
- If the link is not clickable, this is likely due to a compatibility issue with the browser or email client the user is using. If possible, they should try using a different browser or client to view the email, and if they still cannot get it to

work, they should contact Cryptopia Support and we can manually activate their account.

- If after clicking the link, the user gets a message on Cryptopia saying "You are not authorized to view this area", this indicates **the link has expired**. If this occurs, the user should contact Cryptopia Support and we can manually activate the account.

## Does a user need to be verified?

Following successful registration of the user's Cryptopia account, they automatically achieve **LEVEL 1 VERIFICATION**. This happens when they click on the activation email we send to them and they log into their account. For further information about setting up a Cryptopia account, see ['How does a user set up an account with Cryptopia'](#).

**LEVEL 1 VERIFICATION** gives a user access to all functions and features on Cryptopia.

The only restriction placed on **LEVEL 1 VERIFICATION** is the limit and type of withdrawals and transfers between Cryptopia accounts. This is currently **cryptocurrency only** with the equivalent value of \$5000 NZD every 24 hours\*.

**\*PLEASE NOTE:** A '24 hour period' means 24 hours from a user's first withdrawal or transfer, for example, if a user makes a withdrawal at 4pm on the 8th of Jan, their 24 hour period for that amount runs until 3.59 pm 9th of Jan. The next 24 hour period will commence with their next withdrawal or transfer.

Please go to ['How does a user increase their verification level?'](#) for step by step instructions on how to increase an account's verification level if necessary.

## How does a user increase their Verification level?

If a user wishes to increase the Level 1 Verification daily limit imposed on withdrawals and transfers between Cryptopia accounts, they will need to apply for Level 2 Verification.

**THE LEVEL 2 VERIFICATION LIMIT** is currently the equivalent of \$50,000 NZD per 24 hours\*.

**\*PLEASE NOTE:** A '24 hour period' means 24 hours from a user's first withdrawal or transfer, for example, if a user makes a withdrawal at 4pm on the 8th of Jan, their 24 hour period for that amount runs until 3.59 pm 9th of Jan. The next 24 hour period will commence with their next withdrawal or transfer.

Applications for Level 2 Verification must be made via our website and be compliant with International Anti-Money Laundering Law (AML) provisions. The applicant must be over 18 years of age at the time of application and ensure they hold necessary identification documentation.

*TO APPLY FOR AN INCREASED VERIFICATION LEVEL, USERS MUST FOLLOW THE STEPS OUTLINED BELOW:*

#1. Log into their Cryptopia account

#2. Go to 'Balances'

#3. Click on the 'Daily Limit' link above the balances of all their coins (see Highlight in Figure 4).



Figure 4 – Balances page. 'Daily Limit' link at top of page, above balances.

#4. Submit Verification for Level2 (As shown in Figure 5).

### User Verification

---

**Verification Level 1**

Users verified by email have a daily withdrawal limit of \$5,000.00 NZD

EMAIL

Complete

---

**Verification Level 2**

Users that have provided evidence of their identification have daily limit of \$50,000.00 NZD

COUNTRY

Incomplete

---

**Verification Level 3**

If you need to update any of the submitted details, please contact [Cryptopia Support](#).

- Personal Accounts with Verification Level 2 requiring a higher daily limit
- Businesses and Corporations

Incomplete

Figure 5 – Details to be filled in L2 Verification boxes

**PLEASE NOTE:** The user will see that their account is already **LEVEL 1 VERIFIED**

#5. Users must complete **all details** in the form including:

- First name** (same characters as ID, ex. 李四 is shown on ID, 李四 must also be entered in the registration form; Li Si is not sufficient);
- Last Name** (same character as ID);
- Birthday** (DD/MM/YYYY format) or select from calendar;
- Country**
- City**
- State**
- Postcode**
- Address** (PO Box or non-specific address is not acceptable).

#6. The user must upload their **Identification Documentation**. AML Law requires either a Government issued **current** Passport, or Driver's License, or Government issued Identity Card.

**PLEASE NOTE:** Documentation **must** display a photo, full name and date of birth - if this information is located on the back and front of the user's Identity Card or Driver's License the applicant must upload the documentation so that all information is displayed clearly in the **one** image.

**PLEASE NOTE:** The file size limit for uploads is 4MB. We will not accept any identification that has expired. Users must ensure the image is clear and features such as the Identification Documentation text are identifiable. These photos must not be edited in anyway.

#7. The user must upload a clear photo of themselves holding their uploaded Identification Documentation.

**PLEASE NOTE:** The user should make sure their camera is clean and they are entirely visible in the photo. We cannot accept photos where we cannot see the user's face. The user must hold their identification open to ensure the **photo, full name** and **date of birth** are visible.

#8. The user must tick the '**I accept the Terms and Conditions**' box.

#9. The user must click on '**Submit**'.

**PLEASE NOTE:** Applicant must be at least 18 years of age at the time of application.

### **What happens now?**

Once we have received the user's Application for Level 2 Verification, our team will review the application. If the application is approved, the user will be notified via **email**.

**If the application is rejected, the user will be notified by email with a reason for the rejection.** The user will need to address the issue outlined in the email (for example, identification documentation, quality of photo etc.) and resubmit their application by following the same process as the above.

## How does a user increase their Verification level to LEVEL 3?

If a user wishes to achieve Level 3 verification they have to provide the following to [verification@cryptopia.co.nz](mailto:verification@cryptopia.co.nz):

- Cryptopia username
- An additional photo of user holding the ID that was submitted for Level 2 with another piece of paper which has their handwritten Cryptopia username on it
- Proof of their address such as a utility bill, bank statement/letter, or other government communication
- A statement as to their "Source of Wealth", in other words how they have made enough money to be trading at this level
- If the account is intended as a company account, the user will also need to provide proof of a link between them and the company, such as a bank statement in the company name addressed to them, or a link to a public government register that shows them as a director of the company.
- If they are not the company director, we will also require a handwritten statement from the director approving them to trading on the company's behalf.

All of the above details need to be emailed to [verification@cryptopia.co.nz](mailto:verification@cryptopia.co.nz).

In addition, 2FA (Two Factor Authentication) must be enabled on their Cryptopia account for us to proceed, specifically we need some form of OTP (one time password) such as Authentication Application (e.g. Google Authenticator or Authy) or our Cryptopia Authenticator Device.

If their application is rejected, they will be notified by email with a reason for the rejection. They will need to address the issue outlined in the email and resubmit their application by following the same process as the above.

**PLEASE NOTE: LEVEL 3 VERIFICATION LIMIT** is currently the equivalent of \$500,000 NZD per 24 hour period

## What is ReCaptcha?

**reCAPTCHA** is a free service from Google that helps protect websites from spam and abuse. A "CAPTCHA" is a Turing test to tell human and bots apart (see figure 6). It is easy for humans to solve, but hard for "bots" and other malicious software to figure out.

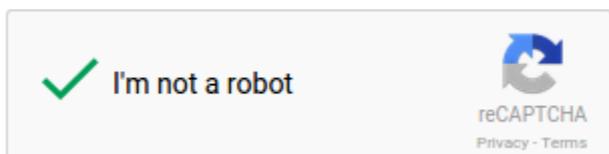


Figure 6 – ReCAPTCHA success

## **Why is reCAPTCHA not working on a user's computer?**

There may be some instances where certain browsers do not display reCAPTCHA properly. For further information and troubleshooting, users should refer to [Google's ReCaptcha support page](#).

## **Why is a user not receiving emails from Cryptopia (including verification)?**

There are several reasons why users may not be receiving, or cannot find, automated Cryptopia emails that they might be expecting.

**Users should use these troubleshooting tips to help:**

### **#1. Is their account activated?**

Following registration the user will be sent a 'Registration Confirmation' email sent to their nominated Email Address. To complete their registration, they will have to click on the account verification link. The user will not receive any further emails, including password resets, until their account is activated.

### **#2. Is the user checking the right email inbox?**

The user should check that they did not register with an alternative email address and have checked the right inbox.

### **#3. Has the user checked the junk, spam or promotional folders in their inbox?**

It is possible that emails from Cryptopia get filtered into a different folder within the user's inbox, which may cause issues with synchronisation between mobile apps or email clients. Users should log into their email via a web browser if possible, and perform a thorough search for it.

**PLEASE NOTE:** There are sometimes issues with automated emails sent to email accounts provided by some internet service providers (ISP's). In these cases, our automated emails are often delayed, but should eventually be received in the user's mailbox.

A small number of ISP providers may completely reject our automated emails as spam. If a user is having a consistent issue receiving Cryptopia's automated emails, they should investigate whether they can whitelist our [cryptopia.co.nz](https://cryptopia.co.nz) domain from their email account, or request their provider to remove the block on [cryptopia.co.nz](https://cryptopia.co.nz).

If the user's email provider is not able to help by whitelisting our domain, we recommend using an alternative email service provider and setting up a new account. Users can change their registered email by raising a support ticket and letting our Support team know what email they would like to change to.

## Are there any account limits for trading, deposits or withdrawals?

There are currently **no account limits** for trading or deposits to Cryptopia. Limits for withdrawals and transfers between Cryptopia accounts depend on the user's verification level.

**PLEASE NOTE:** Due to Anti Money Laundering (AML) regulations, accounts must have a **Level 2 Verification Level** for us to accept deposits or withdrawals of fiat New Zealand Dollars (NZD). **(This service is currently not available)**

### **Level 1 Verification – Withdrawal and Transfer Limit**

Level 1 verification is achieved during the registration process once the user clicks the link on the Registration Confirmation email sent to their registered email address. Every Cryptopia account has access to all functions and features on Cryptopia once the account is activated at Level 1.

Level 1 verified accounts have **a withdrawal and transfer limit of \$5,000 NZD** equivalent of value per 24-hour period\*.

### **Level 2 Verification – Withdrawal and Transfer Limit**

Users can increase the withdrawal and transfer limit on their account by upgrading it to Level 2 verification. See our article on increasing account verification to Level 2 or 3 ['How does a user increase their verification level?'](#) .

Level 2 verified accounts have **a withdrawal and transfer limit of \$50,000 NZD** equivalent of value per 24-hour period\*.

### **Level 3 Verification - Withdrawal and Transfer Limit**

Users can request a further increase on the withdrawal and transfer limit on their account by upgrading it to Level 3 verification. See our article on increasing account verification to Level 2 or 3 ['How does a user increase their verification level?'](#).

Level 3 verified accounts have **a withdrawal and transfer limit of \$500,000 NZD** equivalent of value per 24-hour period\*.

**PLEASE NOTE:** \*A '24-hour period' means 24 hours from the user's first withdrawal or transfer. For example, if a user makes a withdrawal at 4pm on the 8th of Jan, their 24-hour period runs until 3.59pm 9th of Jan for that amount. The next 24-hour period will commence with their next withdrawal or transfer.

## Are there any specific requirements for ID documents?

The only time a user needs to provide ID documentation is if they choose to apply for **Level Two Verification**. Users will be required to upload identification documentation when they apply. See the articles [Does a user need to be Verified?](#) and [How does a user increase their verification level?](#) for more information.

Cryptopia's ID requirements are outlined below:

#1. Users must **upload a photo** of their identification document.

#2. **Law requires** user's identification document to be either **a government issued current** passport, Driver's License or Identity Card.

#3. This document must display a **clear picture of the user**, and include the user's **full name** and **date of birth** (If this information is found on two sides of the user's ID, the user must upload both sides into one document).

#4. The **file size limit** for uploads is 4MB.

#5. We **will not accept** any identification that has **expired**.

#6. The user must **upload** a photo of themselves holding their identification documentation.

#7. The user should make sure their **camera lens is clean** and their face is **entirely visible** in the photo.

#8. We cannot accept photos where we cannot see the user's face. The user must hold their identification open to ensure their **photo, full name** and **date of birth** are visible.

#9. Please note that **we cannot accept edited photos**.

**PLEASE NOTE:** We cross check user's submitted information with their uploaded ID. This means whatever characters are used on the user's full name on their ID need to be the same characters that the user submits in the form.

## What fees does Cryptopia charge and how does a user see them?

Cryptopia charges **fees** on Trades and Withdrawals on our Exchange.

### Trading Fees

- Cryptopia charges a **0.2% fee for every trade** on our Exchange.
- The fee is automatically calculated and displayed in the '**Fee**' field after a user has entered an 'Amount' and 'Price' (see figure 7).

➖ Sell DOT
AVAILABLE: 0.00000000 DOT

|        |   |     |
|--------|---|-----|
| AMOUNT | <input type="text" value="0.00000000"/> | DOT |
| PRICE  | <input type="text" value="0.00000000"/> | BTC |
| SUM    | <input type="text" value="0.00000000"/> | BTC |
| FEE    | <input type="text" value="0.00000000"/> | BTC |
| TOTAL  | <input type="text" value="0.00000000"/> | BTC |

Sell DOT

Minimum trade: 0.00050000 BTC

Figure 7 – Trade Table showing 0.2% trade fee

- The 'Total' field **includes the fee** which is shown before a user confirms the order (see figure 8).

➕ Buy DOT
AVAILABLE: 0.00000000 BTC

|        |   |     |
|--------|---|-----|
| AMOUNT | <input type="text" value="0.00000000"/> | DOT |
| PRICE  | <input type="text" value="0.00000000"/> | BTC |
| SUM    | <input type="text" value="0.00000000"/> | BTC |
| FEE    | <input type="text" value="0.00000000"/> | BTC |
| TOTAL  | <input type="text" value="0.00000000"/> | BTC |

Buy DOT

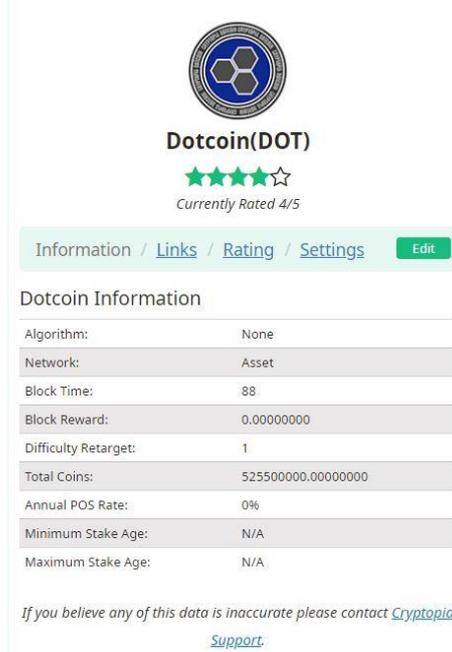
Minimum trade: 0.00050000 BTC

Figure 8 – Trade Table showing 'Total'

**PLEASE NOTE:** Further information on how to trade on Cryptopia can be found in our article '**How do I trade? (for beginners)**'

## Withdrawal Fees

- Each cryptocurrency coin listed on Cryptopia has **different fee** for Withdrawals.
- These fees **are static** amounts for each transaction, not percentages of the value of a user's withdrawal, e.g. a user will pay the same withdrawal fee whether they are withdrawing .01 BTC or 1 BTC in a single transaction.
- Users can view our Withdrawal Fees on the [Coininfo page](#), under '**Settings**' for each cryptocurrency coin (see figure 9).



**Dotcoin(DOT)**  
 ★★★★★  
 Currently Rated 4/5

Information / [Links](#) / [Rating](#) / [Settings](#) Edit

**Dotcoin Information**

|                      |                    |
|----------------------|--------------------|
| Algorithm:           | None               |
| Network:             | Asset              |
| Block Time:          | 88                 |
| Block Reward:        | 0.00000000         |
| Difficulty Retarget: | 1                  |
| Total Coins:         | 525500000.00000000 |
| Annual POS Rate:     | 0%                 |
| Minimum Stake Age:   | N/A                |
| Maximum Stake Age:   | N/A                |

If you believe any of this data is inaccurate please contact [Cryptopia Support](#).

Figure 9 – Settings Tab for DOT in the Coin Info Page

- Withdrawal fees are based on the **individual Blockchain transaction** cost for that coin. This blockchain transaction cost goes towards paying the miners undertaking confirmations and network running costs.
- Cryptopia reviews the 'Withdrawal Fees' on coins periodically, after assessing the average cost of a single transaction on the Blockchain and considering transaction speed optimisation.

**PLEASE NOTE:** For detailed information on how to withdraw their coins users can refer to our article **How do I make a withdrawal?**. For further information on Blockchain Confirmations, users can refer to our article **What are Blockchain Confirmations?**

## How does a user reset their password?

There are two options if a user wishes to reset the Password on their account. Below is a step by step guide.

**For the safety of a user's account we confirm that Cryptopia staff can never view a user's Password so should not ask us or tell us what their Password is.**

Cryptopia has strict Minimum Password Requirements for the security of user accounts and these are case sensitive.

**PLEASE NOTE: For a user's Password to meet Cryptopia Minimum Password Requirements it must be a minimum of 8 characters long, and include at least one of each of the following:**

- 1 Uppercase letter;
- 1 Lowercase letter;
- 1 Special character; and
- 1 number.

### OPTION 1 - CAN'T LOG IN

#1. The user must go to <https://www.cryptopia.co.nz/Login/>

#2. The user must click on the '**Forgot your Password**' at the bottom of the screen.

#3. The user must enter THEIR Email Address and tick the '**I am not a robot**' box. (Note that the reset function does not check to see if an email belongs to a registered user. A user can make a typo or enter the wrong Email Address by mistake. If there is a trailing space, or it does not match the format of name@email.tld, they will see the message "Please enter a valid email address.")

#4. The user must click '**Send Password Reset**' button (see figure 10).

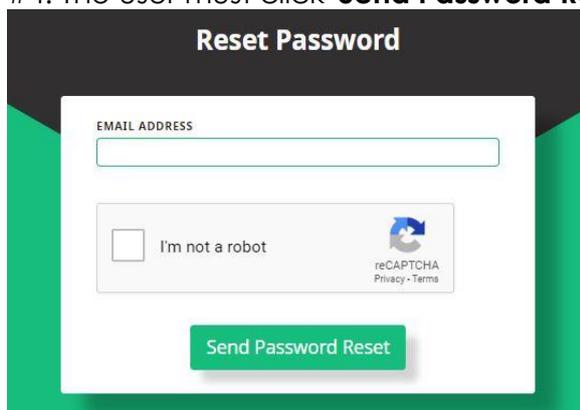


Figure 10 – Reset password view

#5. The user will be sent an email with a link to reset their Password (see figure 11).



Figure 11 – Reset Password email

#6. The user must click on the 'Reset My Password' button in that email.

#7. The user must enter THEIR Email address and THEIR new Password when prompted. The user will be asked to confirm that new Password. Please note our Minimum Password Requirements detailed above.

#8. The user must press 'Click Here' and they will be redirected to login using their new Password.

#9. The user's Password is reset!

**PLEASE NOTE:** The '**Reset My Password**' link in the email expires within 15 minutes so the user should click on the link in the email as soon as they receive it.

## OPTION 2 - ALREADY LOGGED IN

Users can also reset their Password from their Account Security page if they are already logged in. Below is a step by step guide.

#1. The user must go to '**Security**' page.

#2. Under **Account Security**, the user must go to **Change Password**.

#3. The user must enter their current Password.

#4. The user must enter their new Password, noting our Minimum Password Requirements detailed above.

#5. The user must confirm their new Password.

#6. The user must click on 'Change Password' button.

#7. The user's Password is now changed!

#8. The user will be logged out, and they will need this Password to log back in.

## **What is a cryptocurrency wallet?**

**A Cryptocurrency Wallet** is software or service used for representing cryptocurrency transactions and securing ownership of them.

Each Wallet is associated with a **Public Key**, which is used as an address for managing and assigning cryptocurrency transactions sent over a blockchain. This Public Key is commonly the address you will specify whenever you send a cryptocurrency transaction from one place to another.

Each Wallet also securely stores a **Private Key**, which is a key that secures ownership of the cryptocurrency balance associated with the Public Key address.

There are various types of cryptocurrency wallets which are used and managed in different ways. Exchange services like Cryptopia manage and maintain Wallets, and provide users with the functionality to send and receive transactions as well as securely hold the balances assigned to their accounts.

**We manage and maintain a Wallet for each cryptocurrency coin**, and using this Wallet allow users to generate an address which is associated to each respective account on our database. Users can only generate one address per coin and this address will usually never change.

### Types of Cryptocurrency Wallets

Each cryptocurrency coin requires its own specific Wallet as each operates on its own specific blockchain. To view the software available to set up your own Personal Wallet for a specific cryptocurrency coin, head to the [Coin Info](#) page and **select** the 'Links' heading. The first link will be the website for that coin and there you will find the types of wallets that are on offer for different platforms. Outlined below are the common types of Wallets.

#### **#1. Hardware Wallets**

Hardware Wallets are recommended for your **own storage of cryptocurrency coins**, as this gives you complete control over the wallet and the Public and Private keys associated with it. These are hardware dongles specifically designed for secure, long-term storage of a cryptocurrency, and are generally one of the most secure ways to keep your Cryptocurrency holdings safe.

## #2. Online web-based Wallets

Online wallets are typically hosted online and accessed from a web browser. These are generally simple to access and use but may be limited in functionality.

Due to being hosted and managed by a third party, and always being online, they are not necessarily as secure as other wallet types and may be targets for exploiting your cryptocurrency coins.

## #3. Desktop Wallets

Desktop Wallets are accessed on a desktop/laptop computer and utilise its operating system, e.g. desktop computer using a Windows operating system.

They are generally **easy to use**, but require some setup and maintenance, and can be kept online or offline depending on your needs.

Desktop Wallets have the **benefit of storing your Private Key on a local platform**, instead of online as a Web Wallet. The security of your cryptocurrency is dependent on the security of the device running them, as well as your general online security practices.

## #4. Mobile Wallets

Mobile wallets have some similarities to both Desktop and Web/Online wallets. They are designed to be run specifically from a mobile device, with easy access and convenience in mind.

**PLEASE NOTE:** phones and other devices often have their own security flaws, such as being easily stolen or accessed by unauthorised parties.

## #5. Paper Wallets

Paper Wallets are physical printouts containing the Public and Private keys associated with your cryptocurrency holdings. They require a little more effort and knowledge to manage, but can provide higher levels of security against online attacks as the Private Key is not stored or accessible anywhere online.

## Is Cryptopia safe?

Cryptopia actively strives to ensure the **security, integrity** and **privacy** of personal information submitted to us, including regular review and compliance of our security measures in line with current technology. Unfortunately, no data transmission over the internet can be guaranteed to be totally secure.

**We will take all reasonable steps** to protect the personal information users may transmit to us or we collect from our online products and services. Once submitted, we take all reasonable steps to maintaining its security on our systems.

Additionally, our employees and contractors who provide services related to our information systems, are also obliged to maintain **confidentiality** and **security** of any personal information held by us.

**We recommend** users regularly review our [Terms & Conditions](#) and our [Privacy Policy](#) to ensure that you are familiar with these policies. We reserve the right to change these policies from time to time.

**PLEASE NOTE:** There are additional measures that you can take to ensure your personal details and accounts are kept safe such as [Two Factor Authentication](#) and being aware of the common scam tactics used in the industry, six of which are detailed below.

## Common scam tactics

### #1. Phishing websites

**Phishing** is a common technique for acquiring a user's personal or account data. Scammers set up fake websites that resemble reputable business sites in order to get you to enter your account or personal information.

The site may look very legitimate (and often look almost identical to official websites) but they will always have a slightly different domain name/URL. Before entering any of your personal details into the website, ensure you have reviewed the below:

What should I look out for?

Every time you log into your account, we recommend double checking that you are visiting the **correct URL**, which you can find below.

<https://www.cryptopia.co.nz>

**PLEASE NOTE:** Be aware of URLs that end in **.com**, **.ws**, **.cx**

- Check that the URL address starts with **https://**
- Check the **Site Certificate** to see whether a website is safe to visit (see figure 12). If you are using Google Chrome, you can check the security status to the left of the web address (a green lock is an indicator that the website is secure). If you are using a different browser, please look how to view the Site Certificate in the settings of your browser.



Figure 12 – Secure website icon

- When typing **Cryptopia** into a search engine (i.e. Google) or any link sent to you from an external source or website, please double check the **URL is legitimate** (see figure 12).
- When clicking on **Google Ads**, ensure that you check the **URL is legitimate** as phishing sites have been known to place fake advertisements (see figure 13).

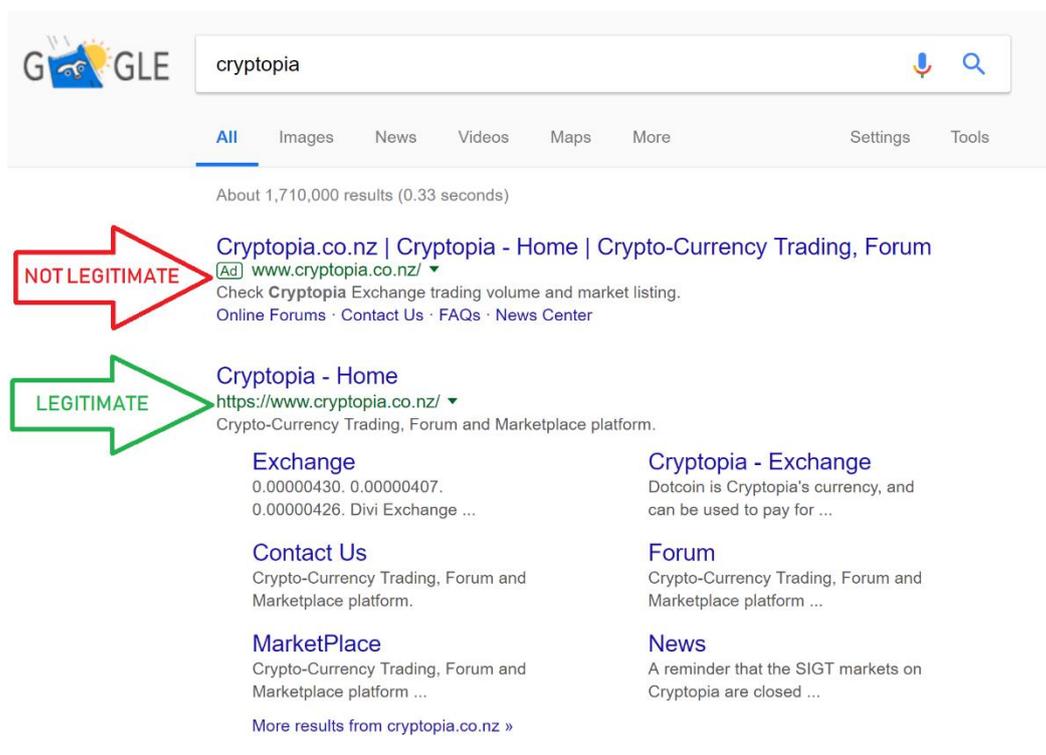


Figure 13 – Google Ads showing phishing websites

- When clicking on any email that looks like it has been legitimately sent from Cryptopia, check the **sent address**. Scammers often send emails with links that look real but actually redirect you to a fake site. Further information on spoof emails is detailed in point **#5** below.

## #2. Fake Applications (Apps) on Google Play and Apple Store

Currently Cryptopia **DOES NOT** have a mobile app. **NEVER DOWNLOAD** any app from any App store. Any release of a Cryptopia App will be announced from official sources such as our [News Page](#) and [Twitter](#).

### What should I look out for?

- Never download any Application from either Google Play or Apple that claims to be an official Cryptopia Application (app).

**WARNING:** some apps seem extremely convincing and professional but **please do not download or input any personal information** into any third-party application.

### #3. Fake support numbers

#### What should I look out for?

Some sites have been known to list a 'support' number for Cryptopia. These numbers are not legitimate support numbers as **WE DO NOT CURRENTLY OFFER SUPPORT VIA PHONE**. Scammers regularly set up these numbers and when users phone, they are hoping to obtain your personal account details to access your account.

- **Never phone** any number that claims to offer Cryptopia support.
- **Never disclose** any of your personal information to a support person over the phone who claims to be a member of the Cryptopia support team.

### #4. Fake phone call from 'Cryptopia'

Be aware that no Cryptopia support staff will ever contact you via the phone. If you receive a call from someone claiming to work for Cryptopia support, we recommend you **hang up straight away** and **block** the caller from your device.

#### What should I look out for?

- **Never give your personal details** to anyone (especially if they have phoned you and claim to be from Cryptopia support).
- Cryptopia support will only ever send emails from addresses ending with **@cryptopia.co.nz** (watch out for slight typographical changes like cryptopja.co.nz).
- Cryptopia support **will never ask** for your password or your two-factor authentication code.
- Cryptopia **will never request** that you grant us remote access to your computer.

### #5. Spoof emails

Please be aware that we have had reports of **fake emails** being sent out to users.

#### What should I look out for?

- Cryptopia **will never ask** for a payment that does **not** go through [Coin listings](#).
- Cryptopia **will never ask** you to send payment to a specific address.
- Cryptopia staff **will never ask** you for your password or two factor authentication details

## #6. Fake Twitter accounts

It is always a great idea to keep up to date with Cryptopia via Twitter. However, always be sure you are on the official Cryptopia twitter account. Fake accounts will duplicate everything they can to seem like the real deal, however always double check the Twitter handle is **@Cryptopia\_NZ**.

### What should I look out for?

- It is a good idea to bookmark our official Twitter page, or access it through our website.
- We have **only one Twitter account**, anything else is a spoof.
- Always check the Twitter handle is **@Cryptopia\_NZ**.

### How do I know if I am communicating with a real Cryptopia staff member?

- Through support tickets lodged via <https://support.cryptopia.co.nz/>
- Through **@cryptopia.co.nz** email addresses (although beware scammers may send spoof emails that look like they come from **@cryptopia.co.nz**).
- **Never** via phone.
- We **do** have official **Facebook** and **Twitter** accounts. We **do not have** a Telegram account currently.

### Additional security tips

- We recommend you **change** your Cryptopia **password regularly** and use a password you do not use anywhere else. See article '[How do I reset my password?](#)'
- **Activate** or **upgrade** your 2FA to a dynamic code, for example **Google Authenticator** or a **Cryptopia Two Factor Authentication Device**. See article '[What is Two Factor Authentication \(2FA\) and how do I set it up?](#)'.
- **Regularly check** to see if your email has been compromised. Go to: <https://haveibeenpwned.com/> or [https://hacked-emails.com/verified\\_leaks](https://hacked-emails.com/verified_leaks).
- **Enable 2FA** on your email account.
- **Regularly change** your email account **password**.
- **Ensure** your Cryptopia account **password** is **different** from your email account password.
- **Create a new email address** with an email provider that offers 2FA for login, which is used **ONLY** for Cryptopia for maximum security.

**BE CAREFUL** when clicking on third party links from any (and our) website. We provide links to websites outside of our own. These linked sites are not under our control, and we cannot accept responsibility for the conduct of companies linked to our website. Before disclosing your personal information on any other website, we advise you to examine their terms and conditions, privacy statement and Site Certificate.

# ServiceNow

Our Customer Relationship and IT Management Tool

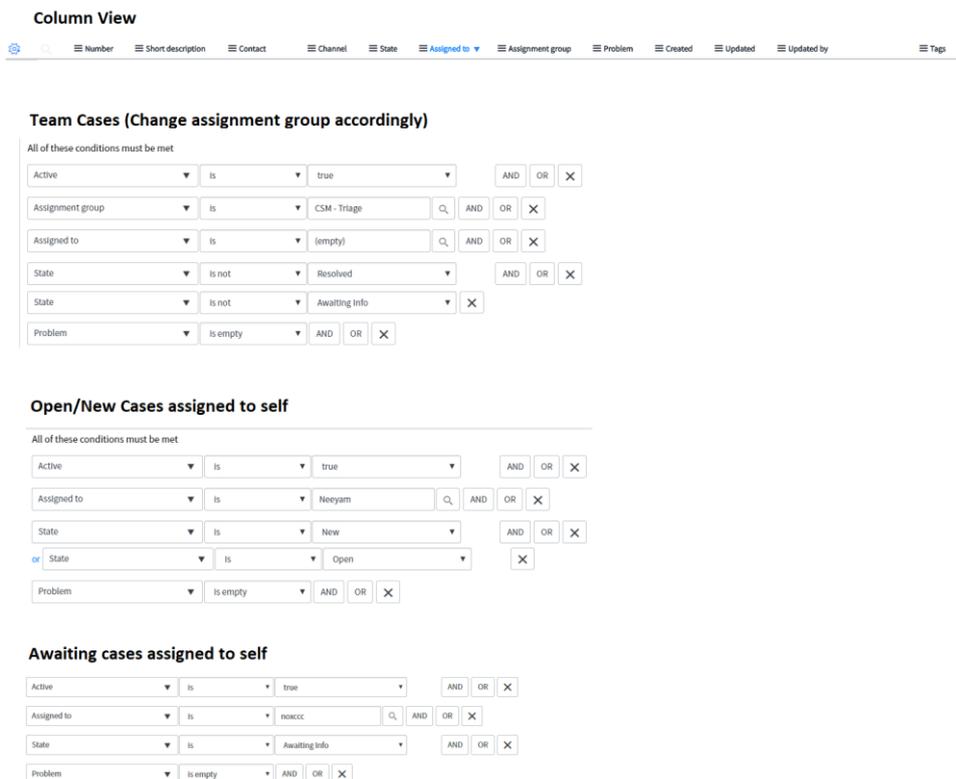
## 8 standard views

1. My Cases: These are of all cases that need to be followed up (Open or New state);
2. Awaiting Info cases: These are all cases that are awaiting a response from a user;
3. Accounts Team Cases;
4. Compromised Accounts Team Cases;
5. Email Team Cases;
6. Trades Team Cases;
7. Transactions Team Cases;
8. Triage Cases

You will also need to have the following columns (in order):

Case no., Short Description, Contact, Channel, State, Assigned to, Assignment Group, Problem, Created, Updated, Updated By, Tags, follow up.

See the confluence page [to set up your filters and columns](#)



The screenshot shows the 'Column View' interface in ServiceNow. At the top, there is a navigation bar with various filters like 'Number', 'Short description', 'Contact', 'Channel', 'State', 'Assigned to', 'Assignment group', 'Problem', 'Created', 'Updated', 'Updated by', and 'Tags'. Below this, there are three filter sections:

- Team Cases (Change assignment group accordingly)**: This section contains six filter conditions:
  - Active is true
  - Assignment group is CSM - Triage
  - Assigned to is (empty)
  - State is not Resolved
  - State is not Awaiting info
  - Problem is empty
- Open/New Cases assigned to self**: This section contains four filter conditions:
  - Active is true
  - Assigned to is Neeyam
  - State is New
  - or State is Open
  - Problem is empty
- Awaiting cases assigned to self**: This section contains three filter conditions:
  - Active is true
  - Assigned to is noacc
  - State is Awaiting info
  - Problem is empty

Figure 14 – Column view and filters for case views

## Rules

- Always sort ticket queues by oldest 'Created' date.
- Assign the ticket to yourself as soon as you open it.
- Always accept assignment of ticket to change state from New to Open.
- Do not bulk assign a queue of tickets to yourself.
- **Always check for multiple tickets.**
- If a ticket is related to a coin, ensure the 'Coin Name' box has the correct coin entered.
- If you have a case that is time sensitive and is awaiting info from a user, please assign this to someone that is working in the next shift for them to ensure someone has eyes on it, and send them a note on Teams.
- Please un-assign all tickets by the end of work week (or if you're not showing up the next day), unless you have a ticket that requires extended care by yourself. Mark these cases as 'Complex'.
- 2FA reset and email change tickets should be marked for "Follow Up" in 24 hours.
- Tickets enquiring about coin listings should be emailed to [listings@cryptopia.co.nz](mailto:listings@cryptopia.co.nz)
- Tickets from coin developers should be emailed to [coinwallets@cryptopia.co.nz](mailto:coinwallets@cryptopia.co.nz)
- Tickets related to marketing should be emailed to [marketingteam@cryptopia.co.nz](mailto:marketingteam@cryptopia.co.nz)
- Please ensure you have filled in 'Categories', 'Subcategories' and 'Transaction Details' correctly before assigning to App Support, and changed the title to match the format on the 'Triage' page.
- Always propose solution unless it's not a real customer interaction/spam, or is a duplicate ticket. Duplicates and spam tickets can be closed instead of resolved.
- Please resolve all 'Awaiting info' tickets after 48 hours - Please notify the user that their tickets will be resolved as we have not heard from them (they have 2 weeks to reject the resolution and provide us more info).
- Always respond to a ticket before attaching to a problem.
- If an email ticket is sent from an address not registered to Cryptopia, you won't be able to assign a ServiceNow contact, and none of the user's replies to your emails will attach to the ticket. Do not leave these tickets in awaiting info unless you are checking the Support Outlook inbox daily for their reply.
- Reply to email tickets using the email function if the user cannot log in to their account.
- Check each ticket for any attachments from the user.

# Transactions

Cryptopia users are able to Deposit, Withdraw and Transfer in and/or within Cryptopia.

## Deposits

When depositing into Cryptopia, you need to generate an address for the coin you would like deposit. This address is a unique set of numbers for funds to be allocated to you from Cryptopia's wallets.

At Cryptopia for each coin you generate an address once, and this then always remains the same. You can generate an address from your 'Balances' page of your 'Deposits' page (see figure 15).



Figure 15 – Address creation from 'Balances' page.

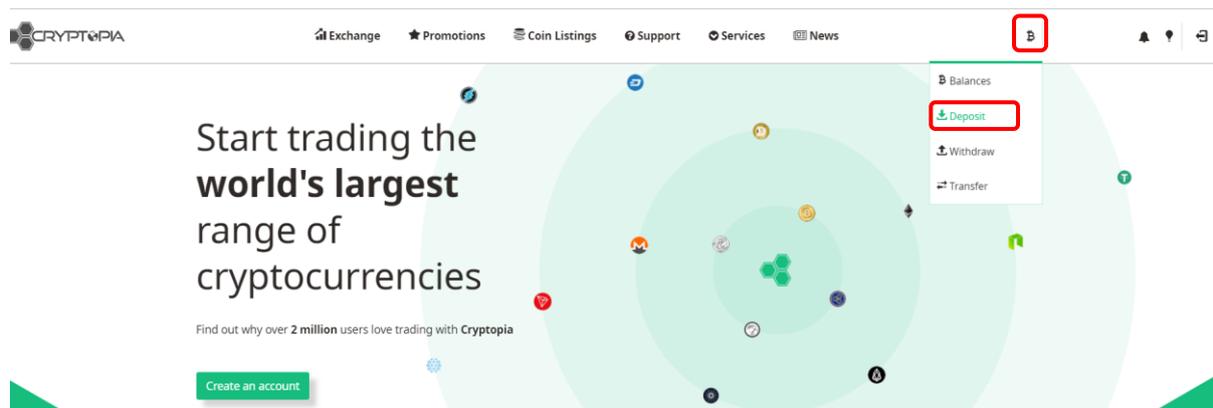


Figure 16 – Addresses can be created when selecting 'Deposit' in dropdown bar

## CryptoNights

Cryptonights and other privacy coins require an additional 'Payment ID' (CryptoNight coins) or Message (XEM, BIS), in addition to your 'Deposit Address', in order to be received and deposited to your Cryptopia account. If an extra field is required for a particular coin, it will be shown on your Deposit page for that coin, together with your 'Deposit Address'. <https://www.cryptopia.co.nz/DepositHistory>

Monero (XMR)  
Please use the address below to deposit new funds.

Make sure you use your Paymentid when depositing or your deposit will be lost.

QR CODE

PAYMENTID (required)  
cd8ee7cc1cd0d931d935b6df0fb53a2e82722b1e4a050b92d7bae800385bb884

CRYPTOPIA XMR ADDRESS  
4ALcw9nTAStZSshoWVUJjakZ6tLwTDhixhQUQNJkCn4t3fG3MMK19WZM44HnQRvjgmz4LkKA8t565v7iBwQXx2r34HNroSAZ

Back Done

WARNING! Please do not mine to your Cryptopia addresses. We do not support transactions from pools like P2Pool etc.

[View Deposit History](#)



Figure 17 – Examples of CryptoNight coins

We do not accept encrypted payment IDs, as we cannot see which user's account to allocate the funds to.

Tx hash: 484bc20a759d480b54cd942c25c80c0c8461688a2859851ae8339d624ca4aa34  
Tx public key: cdcab1fa7175a1d3501eca48fa874ce979db9a860b739636b6a41f93cc35a0da  
Payment id (encrypted): d314fc2bcda3b898

---

*Why would a deposit not show in a customer's account?*

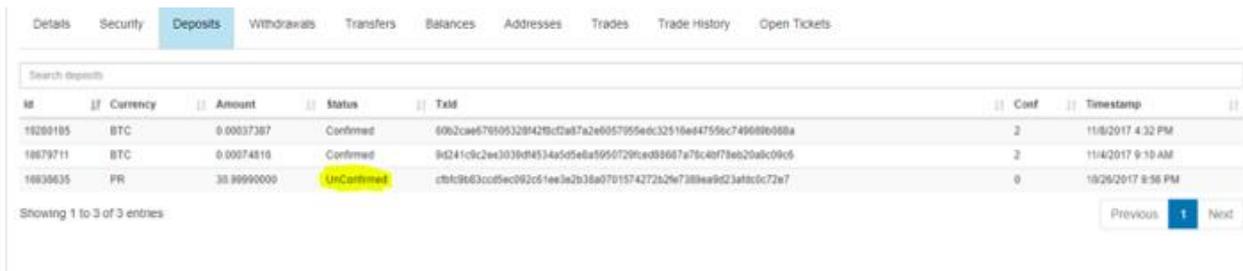
---

- Unconfirmed Deposits
- Wallet is in maintenance/delisting
- Wallet may have crashed
- The wallet may have no connections
- Cross-chain deposits
- No Payment/Message ID/Encrypted
- Smart Contracts
- Multisig
- Multi-Output
- Others

## Unconfirmed Deposits

Deposits that do not have the required amount of confirmations on the blockchain (set by Cryptopia) remain unconfirmed. They need to reach the required number of block confirmations before the transaction is completed, allowing the funds to be credited to the user's account. This number can be as low as 2 (Bitcoin) or as high as 1440 (CoffeeCoin). The number is dependent on the speed and security of the network.

Sometimes the deposit remains unconfirmed if we have had technical difficulties (i.e. our Deposit tracker stops working), the wallet does not have connections, or the wallet is behind in block height (see figure 18).



| ID       | Currency | Amount      | Status      | Txid  | Conf | Timestamp          |
|----------|----------|-------------|-------------|---|------|--------------------|
| 18289185 | BTC      | 0.00037387  | Confirmed   | 6092cae676955328f428cd2a87a2e6957955edc32516ad4755ec749688e088a | 2    | 11/8/2017 4:32 PM  |
| 18679711 | BTC      | 0.00074816  | Confirmed   | 9d241dc2ee3039d4534a5d5e8a5950720fa098687a78c4b78eb20a9c09c6    | 2    | 11/4/2017 9:10 AM  |
| 18835635 | PR       | 38.99990000 | UnConfirmed | cb8c9e63c0d5ec092c61ee3e3b38a070157427262e7388a9d23af8c0c72e7   | 0    | 10/26/2017 8:56 PM |

Showing 1 to 3 of 3 entries

Figure 18 – Unconfirmed deposit as shown in user's deposits page in Admintopia



## Wallet may have no connections

The lack of connections is due to the lack of nodes required from the community (see figure 21). These connections are randomly formed by nodes. Nodes are generated by wallets and exists as an IP addresses that power the Peer-to-peer network, allowing transactions to be posted to the network. When there are no connections, Cryptopia will not be able to verify incoming deposits. The status of a wallet has to be set to 'No Connections' for addresses to not be created.

|                    |       |           |       |                |        |         |        |             |
|--------------------|-------|-----------|-------|----------------|--------|---------|--------|-------------|
| NZed (NZDT)        | ★★★★★ | None      | Asset | Connections: 0 | 0      | Offline | Active |             |
| ContractNet (CNET) | ★★★★☆ | Ethash    | POW   | Connections: 0 | 236498 | OK      | Active | Geth/v5.0.0 |
| Feathercoin (FTC)  | ★★★★★ | NeoScript | POW   | Connections: 0 | 0      | OK      | Active |             |

Figure 21 – Wallet showing 0 connections.

A coin can lose connections for 2 reasons:

- The Proxtopia for that coin has crashed (most likely when the coin is still active)
- The coin has been slowly dying and nodes are getting switched off and people have stopped mining.

## Cross-chain Deposits

When depositing into Cryptopia, the user's address needs to be correct. If somebody sends their coins to the wrong coin's address, they lose their coins 99% of the time. Sometimes they send their coins to a valid Cryptopia address that they own, but they use an address for the incorrect currency. This is a cross-chain deposit. These transactions can usually be recovered, however we charge a 10% recovery fee as it takes up time and resources.

These often happen when there has been a coin swap and the user has made a deposit of the new currency into the old coin address. The transaction goes through because technically, the transaction is running off the same network.

## No/Encrypted Payment/Message ID

Payment/Message ID is a transaction attachment that consists of 32 bytes (64 hexadecimal characters) or 8 bytes (in the case of integrated addresses). They are required for CryptoNight transactions, and deposits where the currency has a shared address.

The Payment/Message ID is usually used to identify transactions to merchants and exchanges: Given the intrinsic privacy features built into Cryptonights, where a single public address is usually used for incoming transactions, the Payment/Message ID is especially useful to link incoming payments to user accounts.

From time-to-time users forget to add their Payment/Message ID to their transaction, and this requires App Support to recover these coins. As this process can be time consuming, with a significant resource cost to Cryptopia, we charge 10% of the amount recovered.

When a Message/Payment ID is encrypted, we cannot read it and we will not know who the intended recipient of the funds is. Again, the process for recovering coins with an encrypted Message/Payment ID can be time consuming and the resource cost to Cryptopia can be significant resource cost to Cryptopia, therefore we charge 10% of the amount recovered.

*Note: the amount deposited will be shown in full in the history of the user, and the 10% charge will show up in transfers.*





## Multi-output

A multiple output transaction is exactly what it sounds like - several outputs take place within the same transaction (see figure 26). Our system does not support more than one deposit from a single transaction ID (hash), which is why a multiple output transaction is likely to fail.

If there are multiple deposits attached to one hash, our system can only recognize the first deposit. This is common when sending directly from a pool or third party. This is often done to avoid having to pay fees across multiple transactions.

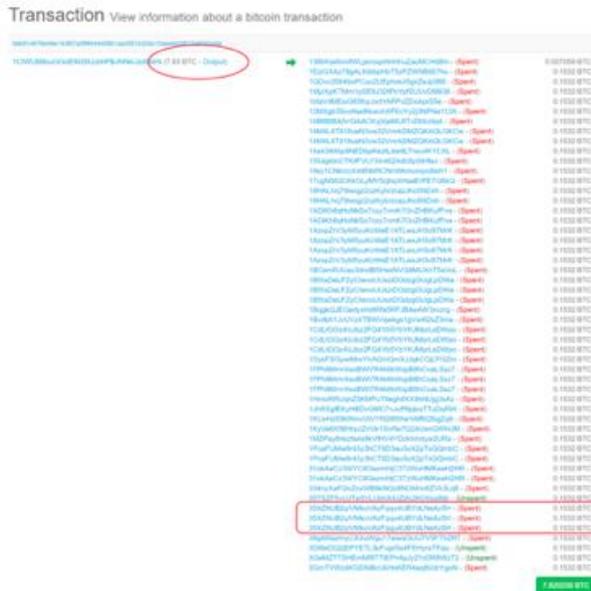


Figure 26 – Multi-output transaction

## Others

### Invalid Deposits

At the time of writing, invalid deposits only occur in XEM deposits, due to a monitoring service checking all transactions after 534 million USD worth of XEM were stolen due to a hack attack on Coincheck, one of Japan's largest cryptocurrency exchanges.

The XEM stolen funds monitor is now disabled – As XEM couldn't keep up with the speed of payments to make checking viable.

---

|          |     |               |         |  |   |
|----------|-----|---------------|---------|--|---|
| 35820113 | XEM | 1000.00000000 | Invalid | 86b7c708ba3e3bad2ca6cc8f10997626835c0b5e55cb613cc5e44f3b8e83bdbd | 9 |
|----------|-----|---------------|---------|--|---|

### ERC20 Tokens

ERC stands for Ethereum Request for Comments. This is an official protocol for proposing improvements to the Ethereum network. '20' is the unique proposal ID number.

ERC20 defines a set of rules which need to be met in order for a token to be accepted and called an 'ERC20 Token'. The standard rules apply to all ERC20 Tokens since these rules are required to interact with each other on the Ethereum network. These tokens are blockchain assets that can have value and can be sent and received, like Bitcoin, Litecoin, Ethereum, or any other cryptocurrency.

The difference between these tokens and a standalone currency like Litecoin is that ERC20 tokens piggyback on the Ethereum network, hosted by Ethereum addresses and sent using Ethereum transactions.

Users often think that Cryptopia accepts all ERC20 tokens but this is not true. We only accept ERC20 tokens that have been listed. In many cases we can recover tokens that have been mistakenly sent to our ERC20 based wallet as a result of user error. As this process can be time consuming with a significant resource cost to Cryptopia, we charge a flat fee of 0.3 ETH which must be paid in advance.

### Valid Transaction IDs

Users must provide us with a valid transaction ID for us to investigate any missing deposits. If we do not have a valid transaction ID or if it is not showing on the block explorer, the sending wallet/exchange may not have successfully broadcast the transaction id on the network. Customers will have to update their sending wallet or contact the other exchange for more information.

## Orphaned Deposit

When a new block is found, and it contains a deposit, X, we write it into our database as Unconfirmed. As new blocks are found that build on top of this block, the number of confirmations rises.

However, the chain can go in multiple directions at any one time: maybe the network becomes split apart and each half doesn't know what the other is working on. Let's say our new deposit was in chain A and it became 3 blocks longer. The other half of the network was faster at finding blocks, so a different set of transactions are confirmed and that head of the chain (B) has 5 blocks on top of the common ancestor block. When the network joins together again, consensus is sought so there is only one chain; usually longest wins, so every transaction in Chain A (including the deposit we saw) is erased from public memory; all transactions in chain A never happened (hence they're "returned" to their wallets- they never left)

This chain splitting process is the reason why some coins required 200+ confirmations: for some less established networks, they split often and are subject to a lot of rewinds, so we insist that at least 200 blocks have built on top of the block containing the deposit. This is to be sure that it's not going to get spontaneously unwound at some point. It's important to appreciate that we operate more like a bank; we don't use the public ledger (block explorer) to track which of our users have coins in their accounts - we just see a deposit of 1 BTC by user x to their address here, we give them a record in our database saying "this user has 1 BTC available" and we let them swap and trade it around (which is purely incrementing and decrementing numbers in our records, no blockchain transactions) and if the user asks for a 1 BTC withdraw, it's some other random BTC we give them back - just like if you deposited \$1000 in the bank then a week later took \$20 out of the ATM - the note you are given is probably not one you deposited

[This causes users some confusion too: they deposit their 1 BTC and they can see that it has reached "their address" on the blockchain, but a couple of days later we sweep all the transactions into one of our exchange wallets (for operational/performance/security reasons). They may accuse us of stealing their money. In reality, they transferred the BTC to us and we made a promise (inputted a balance of 1 BTC on their Cryptopia account) that upon demand they could have 1 BTC back (it'll come from a different place, and isn't anything to do with the one they deposited) The sweeping process collects tiny fractions of bitcoin dust and consolidates them back into large amounts. It costs more to pay someone in fractions than whole amounts because lots of tiny fragments increase the transaction size. In a real-world analogy, it would cost more to pay for a car using 20 cent coins than if you wrote a cheque for the exact amount because you'd need 25,000 coins to buy a \$5,000 car - it's going to take all day to count the change. Handing over a cheque for five grand takes seconds. If you charge for your time (like bitcoin miners do, effectively) then you would have to pay an extra 100 dollars in counting fees. We periodically take all the small bits, add them up, and transfer it to ourselves to consolidate the amounts to a single lump sum.]



It's easier for us to just insist on a number of confirmations that we're confident won't ever get unwound, than it is to constantly monitor the block explorer for orphaned transactions. We'd end up seriously out of pocket if we promised someone we'd pay them a BTC on demand as a result of initially seeing deposit X, without waiting to check if it is not valid. We would essentially have a greater BTC liability than we would have BTC to meet it.

### **User's wallet is not fully synced to the network**

If the user's wallet is not fully synced to the network then the transaction will not be broadcast to the block explorer. The user may also need to update to the latest wallet version. We need the user to provide a valid txid that is on the block explorer to credit their coins to them.

### **Different coin, same ticker**

Some coins use the same ticker which confuses users. For example, we list BatCoin (BAT), but other exchanges list BasicAttentionToken (BAT). If they use compatible blockchains users will sometimes make deposits of a coin that we don't list that shares the same ticker - this is a cross chain deposit which we can recover for the user at a fee of 10%.

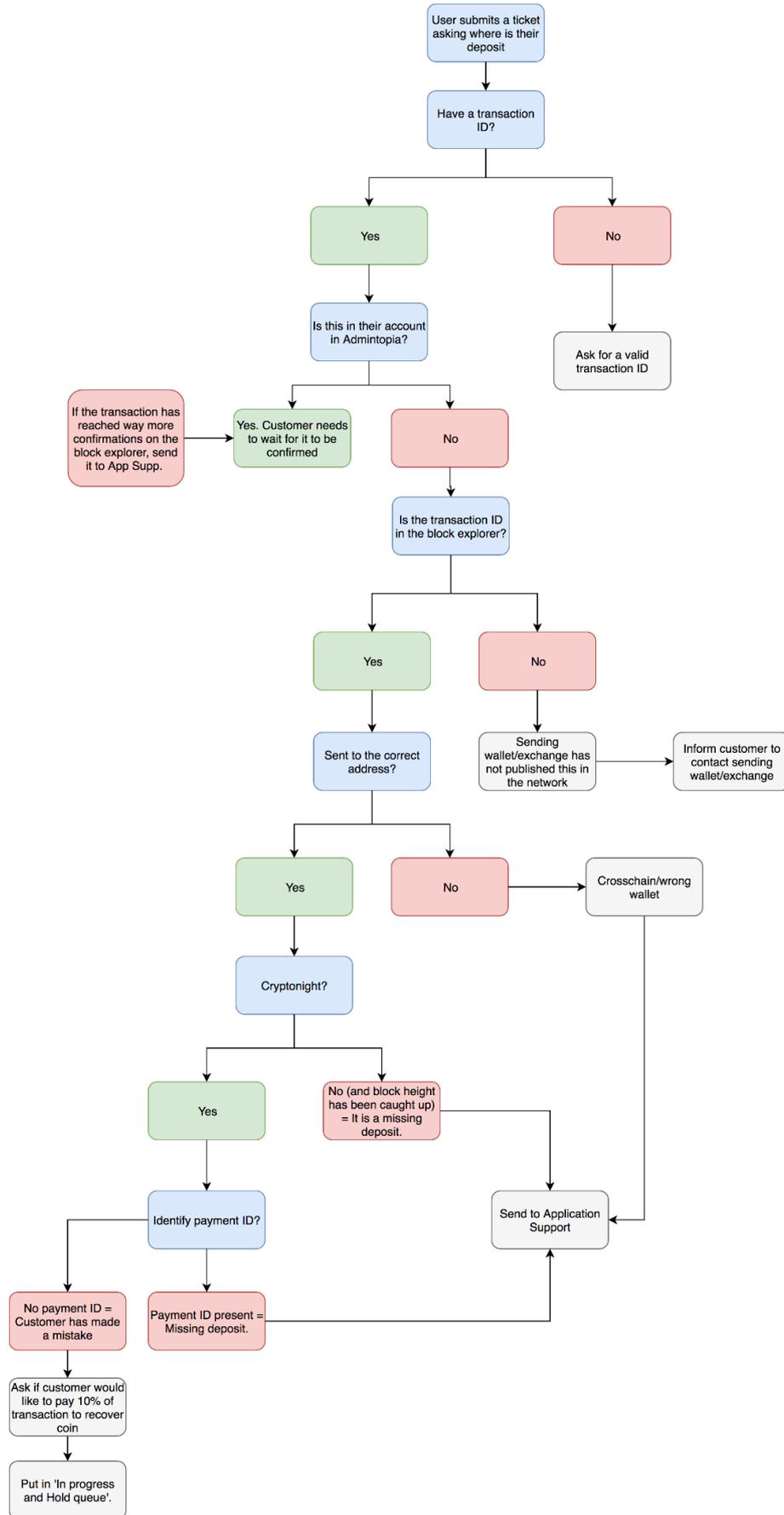


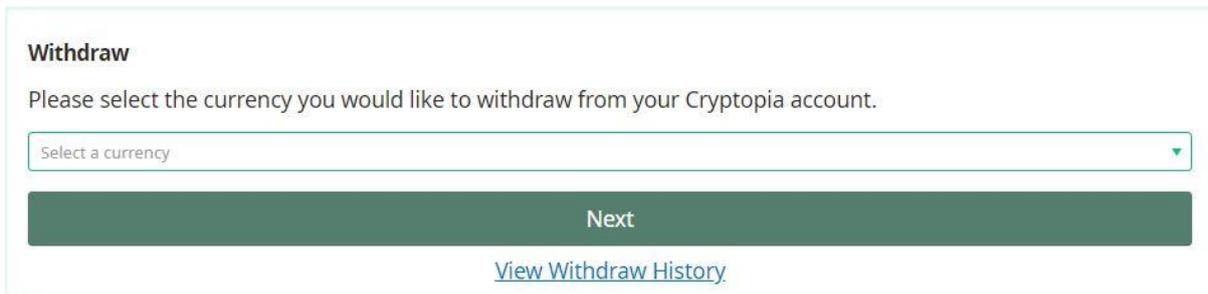
Figure 27 – Diagnosis of a deposit ticket (with the main reasons taken into consideration)

## Withdrawals

Cryptopia users are able to withdraw funds stored in the exchange to an external wallet/exchange.

Status of Withdrawals: 1. Unconfirmed, 2. Pending, 3. Processing, 4. Complete

Pending - not yet picked up by the processors. Processing, picked up by the processors, and not complete.



**Withdraw**

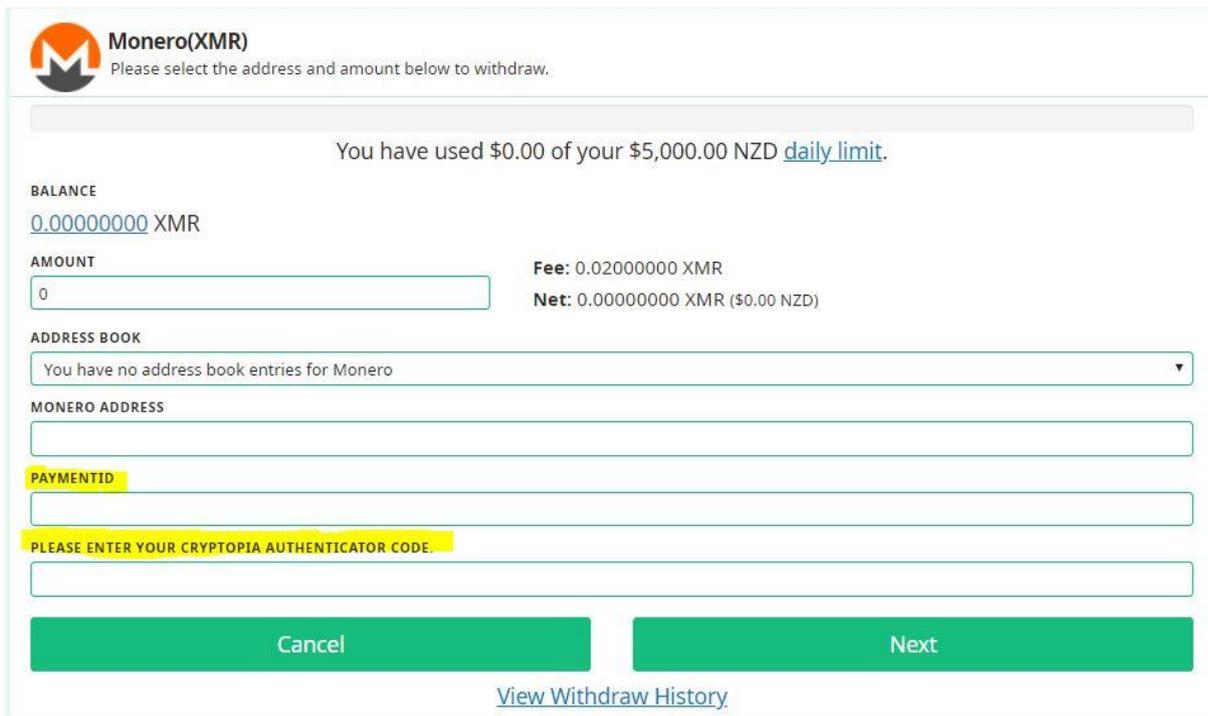
Please select the currency you would like to withdraw from your Cryptopia account.

Select a currency ▼

Next

[View Withdraw History](#)

Figure 28 – Selecting a currency for withdrawal



**Monero(XMR)**  
Please select the address and amount below to withdraw.

You have used \$0.00 of your \$5,000.00 NZD [daily limit](#).

**BALANCE**  
0.00000000 XMR

**AMOUNT**  
0

**Fee:** 0.02000000 XMR  
**Net:** 0.00000000 XMR (\$0.00 NZD)

**ADDRESS BOOK**  
You have no address book entries for Monero ▼

**MONERO ADDRESS**  
[Empty field]

**PAYMENTID**  
[Empty field]

**PLEASE ENTER YOUR CRYPTOPIA AUTHENTICATOR CODE.**  
[Empty field]

Cancel Next

[View Withdraw History](#)

Figure 29 – Cryptonights require payment IDs when depositing into an exchange

Why would a withdrawal not show in a customer's external wallet/account?

- Withdrawal is unconfirmed
- Wallet is in maintenance/has 0 connections
- Withdrawal is stuck in processing
- Withdrawal has not been published to the network
- Others

## Withdrawal is unconfirmed

User has not confirmed the transaction via their email and still needs to click 'Confirm Withdraw' link in their email.

Details Security Deposits **Withdrawals** Transfers Balances Addresses Trades Trade History Open Tickets

Search withdrawals

| Id      | Currency | Amount        | Status      | Confirmed         | Txid                            | Address                          | Conf | Timestamp         | Init |
|---------|----------|---------------|-------------|-------------------|---------------------------------|----------------------------------|------|-------------------|------|
| 1099280 | OMG      | 0.03000000    | Unconfirmed |                   |                                 | 0x366ea033470c6ab6d6eca77c3e...  | 0    | 11/9/2017 8:08 AM | UI   |
| 1075143 | NZDT     | 4102.00000000 | Complete    | 11/5/2017 7:49 PM | rKDQD13NdDyKfPAIA2mD9dUPo...    | 02-1246-0406451-001              | 0    | 11/5/2017 7:49 PM | UI   |
| 769146  | NZDT     | 26.00000000   | Canceled    |                   |                                 | 0602570264327.daroll             | 0    | 9/6/2017 10:08 PM | UI   |
| 593113  | BTC      | 0.01000000    | Complete    | 8/4/2017 8:35 PM  | 42a0c3b1d60e78ba2f31caca6982... | 1Eu3broZvMT4jJ3L1nKva5vyjE2ec... | 0    | 8/4/2017 8:35 PM  | UI   |
| 511048  | NZDT     | 102.00000000  | Complete    | 7/17/2017 3:19 AM | yMoNNRANTxUcdMf7qJaWjzpe...     | 02-1246-0406451-001:Rob Smells   | 0    | 7/17/2017 3:19 AM | UI   |

Figure 30 – A user's unconfirmed withdrawal in the withdrawals tab in Admintopia

### Withdraw Confirmation

**Hi DaRoll,**

You have a pending withdraw awaiting confirmation.

IPAddress: 111.69.178.9  
 Amount: 0.03000000 OMG  
 Address: 0x366ea033470c6ab6d6eca77c3e378f89cfca20ce

**Confirm Withdraw** **Cancel Withdraw**

If you did not initiate the above withdraw we recommend you lock your account, this lock will expire after 24 hours and cannot be bypassed by Cryptopia Support:

**Lock My Account**

Email links can expire, and they might need to resend the email, which they can do via their Withdraw History (see figure 31). Users can also cancel their transaction through the same place. <https://www.cryptopia.co.nz/WithdrawHistory>

## Withdraw History

| #       | Currency | Amount       | Fee        | Status      | TransactionId  |
|---------|----------|--------------|------------|-------------|--|
| 3355043 | DOT      | 274.94857142 | 0.00000000 | Unconfirmed | <div style="border: 2px solid red; padding: 2px; display: inline-block;"> <span>Resend Email</span> <span>Cancel</span> </div> |

Figure 31 – Resend withdrawal email

## Wallet is in maintenance/has 0 connections

Similar to deposits, withdrawals do not get processed if a wallet goes into maintenance or has 0 connections (see figure 32).

|  |                |       |             |        |                |        |                |        |
|--|----------------|-------|-------------|--------|----------------|--------|----------------|--------|
|  | TopCoin (TOP)  | ☆☆☆☆☆ | Scrypt      | Hybrid | Connections: 0 | 0      | In Maintenance | Active |
|  | X-CASH (XCASH) | ☆☆☆☆☆ | CryptoNight | POW    | Connections: 1 | 100281 | In Maintenance | Active |

Figure 32 – Wallet in maintenance

## Withdrawal is stuck in processing

If everything goes to plan, a withdrawal should go from pending to complete in just a few minutes. If it does not get completed, the withdrawal does not get published to the network and will not be assigned a TxID. These transactions will need to be passed over to App Support to be manually processed.

| Search withdrawals |          |                |            |                   |                                  |                                |      |                   |      |  |
|--------------------|----------|----------------|------------|-------------------|----------------------------------|--------------------------------|------|-------------------|------|--|
| id                 | Currency | Amount         | Status     | Confirmed         | Txid                             | Address                        | Conf | Timestamp         | Init |  |
| 1098634            | BTC      | 0.01105197     | Complete   | 11/9/2017 5:46 AM | e1b8ba9bc86487e8859edb3105e8...  | 1PvFQXvFu2Zz3MQivPku4qU2A4...  | 0    | 11/9/2017 5:44 AM | UI   |  |
| 1090497            | BTC      | 0.00272282     | Complete   | 11/8/2017 3:37 AM | ee4ccf2161b7ac26a21c2caca5888... | 1PvFQXvFu2Zz3MQivPku4qU2A4...  | 0    | 11/8/2017 3:36 AM | UI   |  |
| 1089152            | ETN      | 37086.19000000 | Processing | 11/7/2017 9:28 PM | [REDACTED]                       | etnjwTmPx1yQq7sHAgSr4fRLjhQ... | 0    | 11/7/2017 9:28 PM | UI   |  |
| 1089075            | ETN      | 100.00000000   | Complete   | 11/7/2017 9:10 PM | 9906e272d70328689512e64b1d0d...  | etnjwTmPx1yQq7sHAgSr4fRLjhQ... | 0    | 11/7/2017 9:10 PM | UI   |  |
| 1073407            | ETN      | 35.00000000    | Complete   | 11/5/2017 2:39 PM | 30b83c0e80edf957e2885796d53cf... | etnjwTmPx1yQq7sHAgSr4fRLjhQ... | 0    | 11/5/2017 1:49 PM | UI   |  |
| 1063529            | ETN      | 1.00000000     | Complete   | 11/3/2017 6:23 PM | 331db6bce83c852c597d133c28f5b... | etnjwTmPx1yQq7sHAgSr4fRLjhQ... | 0    | 11/3/2017 6:09 PM | UI   |  |

Figure 33 – A withdrawal in 'Processing' status

## Withdrawal has not been published to the network

If the withdrawal has not been published to the network, it will not show up on the external wallet/exchange. These transactions will need to be passed over to App Support to be manually processed.

## Others

### Orphaned transactions

See explanation for 'Orphaned deposits'.

### External Wallet/Exchange issues

Like the issues we may experience when a deposit comes into Cryptopia, other exchanges may also not immediately process deposits. Once the transaction has been published to the network and is visible on the block explorer, there is not much we can do, and the user will need to contact the receiving exchange for assistance.

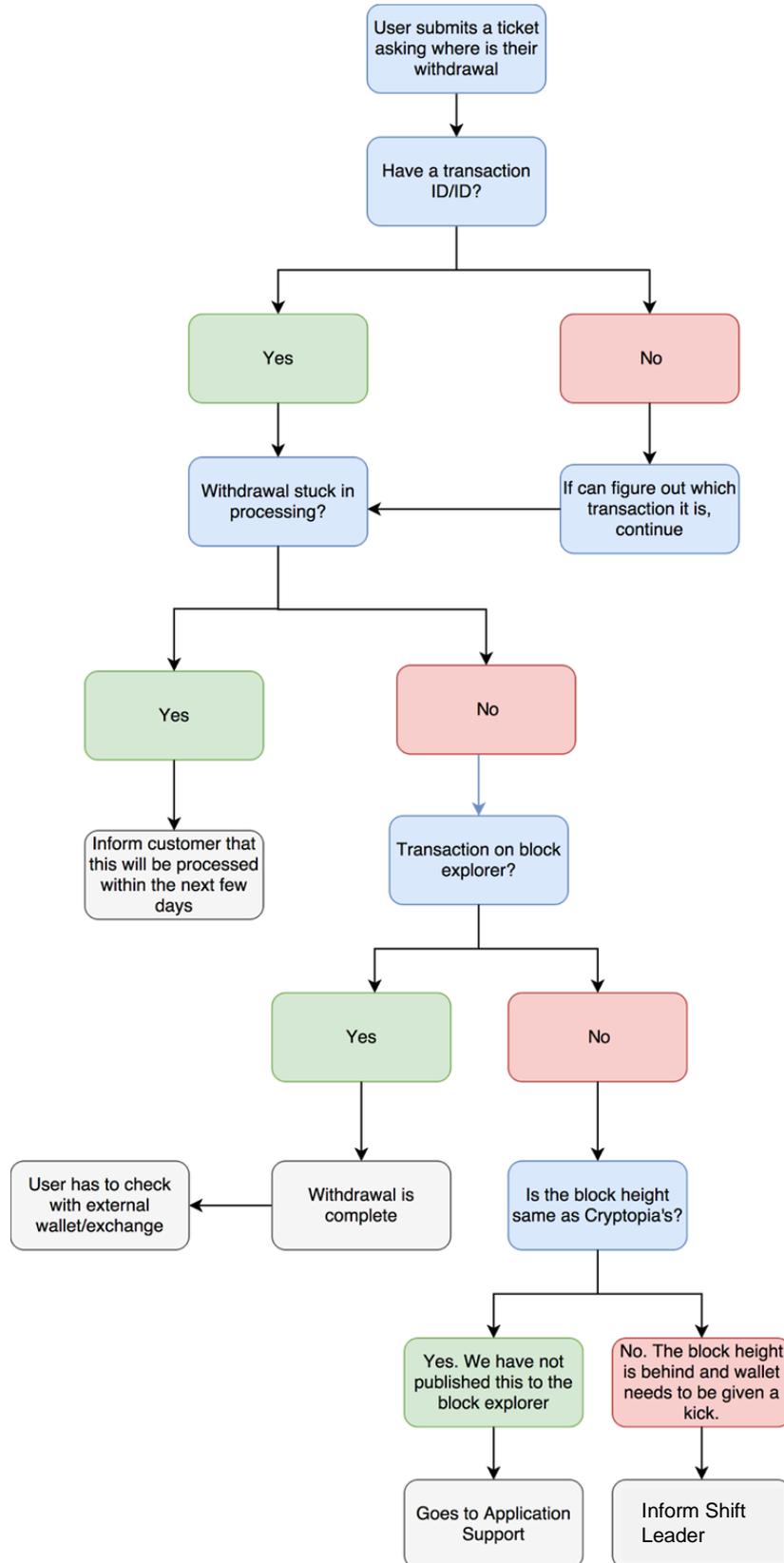


Figure 34 - Diagnosis of a withdrawal ticket (with the main reasons taken into consideration)

## Transfers

Transfers are transactions between two Cryptopia users where the funds do not leave our site and the transactions details are not published to the block chain (see figure 35).

There are no transaction fees associated with transfers – users will often not realise that this function exists and use the withdrawal system, which leads to withdrawal issues. For example, if a privacy coin is withdrawn from one Cryptopia user to another, the sending and receiving address will be the same. This confuses our deposit tracker, and it will often miss this.

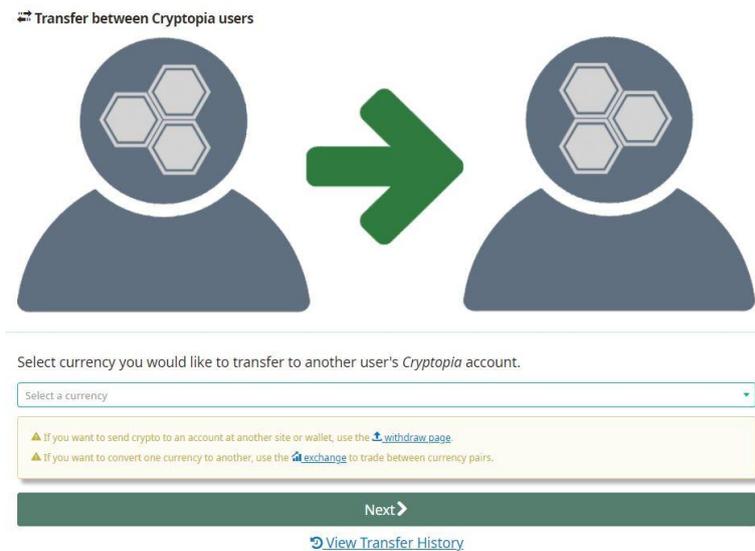


Figure 35 – Transfer function between Cryptopia users

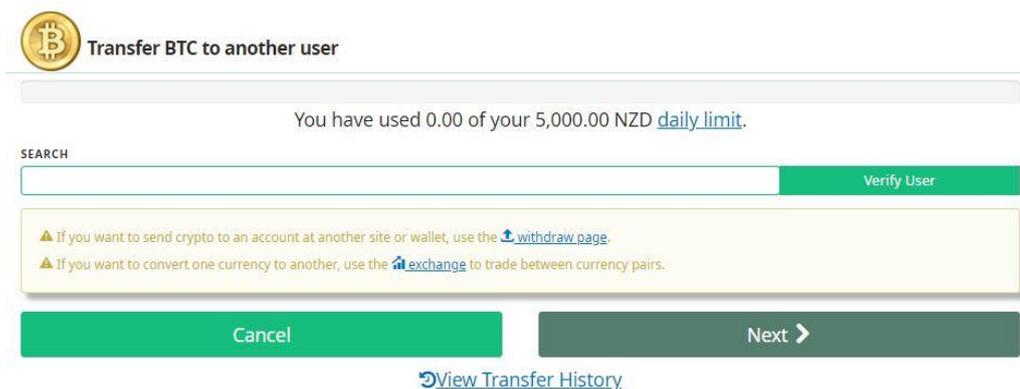


Figure 36 – Transfer function after selecting currency

The Transfer History (see figure 37) lets you see all the transfers associated with your account (both sent and received) - <https://www.cryptopia.co.nz/TransferHistory>

### Transfer History

| #        | Currency | Amount     | Fee        | Type | Sender    | Receiver | Timestamp            |
|----------|----------|------------|------------|------|-----------|----------|----------------------|
| 15366823 | USDT     | 0.97716827 | 0.00000000 | CEFS | CEFS_USER | noxxxx   | 1/04/2018 1:25:00 PM |
| 15366822 | NZDT     | 0.02830357 | 0.00000000 | CEFS | CEFS_USER | noxxxx   | 1/04/2018 1:25:00 PM |

Figure 37 – User's Transfer History

## Trades

On the exchange users can trade or exchange one coin for another by creating a buy or sell order.

Trading happens through the web interface (Cryptopia.co.nz - for humans), and API (for bots), and each day a large volume of cryptocurrencies are exchanged via our platform.

Helping our users learn how to trade and making sure they are able to trade is important because it is our primary source of income.

## API

Application Programming Interface

English: It is robot language for professional trading bots.

### **Types of API**

Public: enables users to get public information

CoinInfo (names of coins, maintenance, etc.)

Current market rates & order books, history

Private: enables users to send/receive private information. Requires an API key...

Set buy/sell orders

Withdraw/transfer

It is worth noting that API trades account for 90% of orders on our site, and the 'whales' (big traders with a lot of money) nearly exclusively use the API. Extra consideration should be given to API tickets for this reason.

Refer to hand out for commonly asked questions and answers.

# Application Support

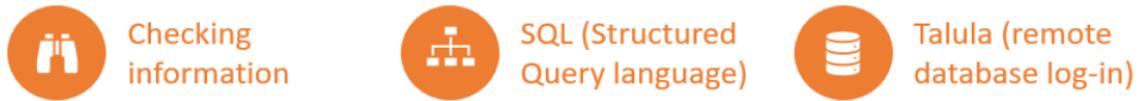


Figure - App support

App Support (AS) is about fixing mistakes. Not only are we dealing with users' money, we are also dealing with their confidence and sense of security in Cryptopia.

AS has zero tolerance for errors. AS must always recheck any information provided by the CS team. If AS notice any frequent errors they need to be reported to CS Shift leaders. AS will remedy any errors before processing a ticket.

## Remote Database Access

Our data base access is remote, access will be provided infrastructure and is secure. Security and focus are key when accessing the DB.

*Remember to sign out when done!*

## Stored procedures

These are like the action templates for AS. They are written in Structured Query Language (SQL) and are used to solve problems.

The Database is made up of tables where all our users' information is stored,

The **Stored Procedures** were written with SQL and stored in the database.

These **Stored Procedures** are the 'templates' used by AS to solve problems.

Actioning **SPs** means you are changing parts of the database.

Every Actioned **SP** is recorded – so nothing goes unnoticed.

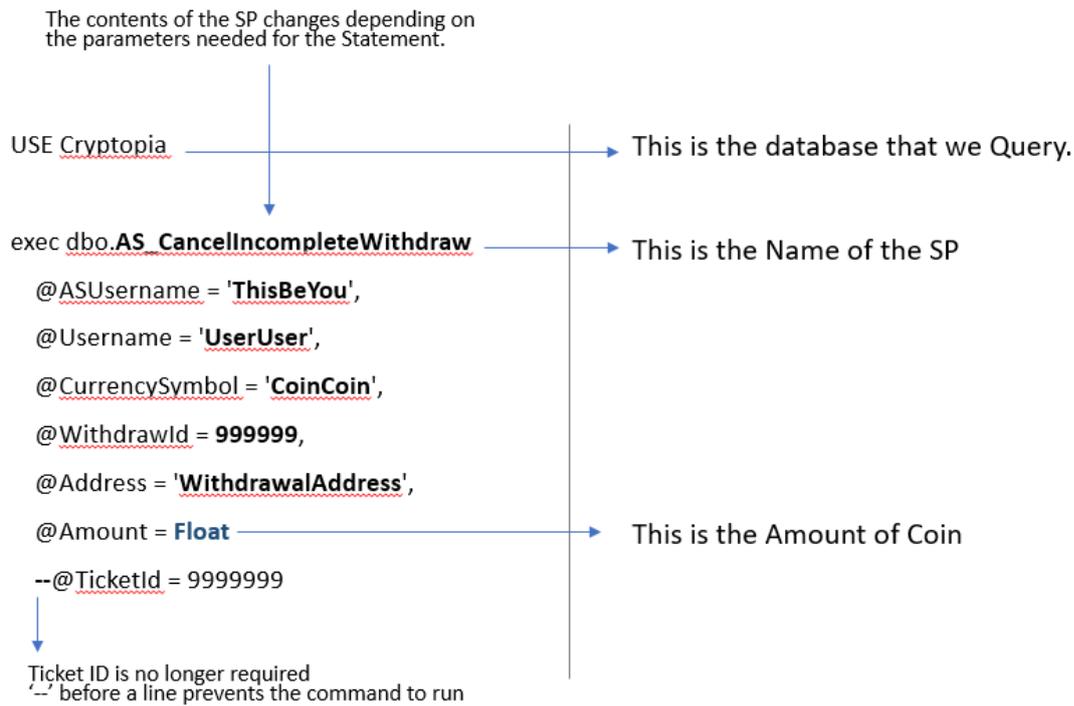


Figure – example of a stored procedure

## Types of withdrawals App support process:

### **Stuck in Processing**

*AS\_CancellIncompleteWithdraw*

#### What to check before running SP:

Wallet Status (not in Maintenance & is connected)

TX is not at the Withdrawal address on the block chain.

[Check for Withdraw issues in Admintopia and JIRA if necessary]

Check Query to see if the deposit has attempted to leave the wallet or not: [0= never ft wallet]

Processing time is >48 hours

## Processing - Already Broadcasted

### *AS\_CompleteProcessingWithdraw*

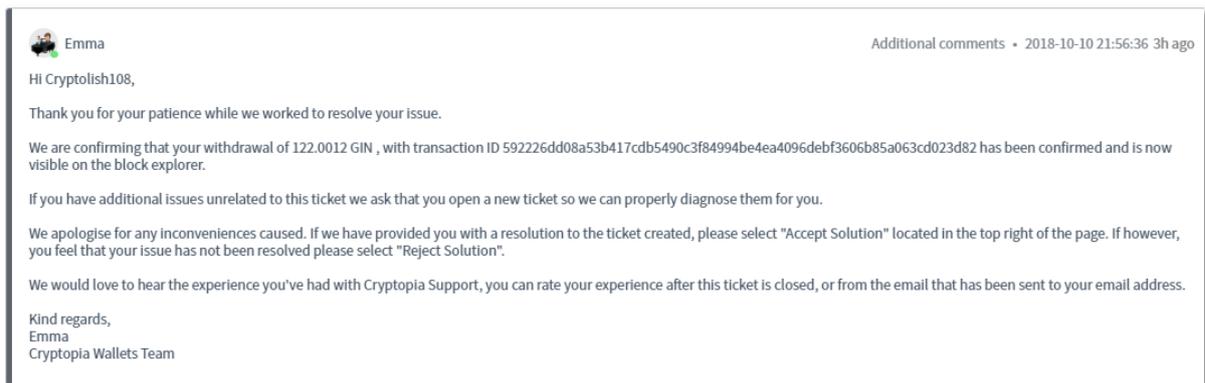
#### What to check before running SP:

The TXID is not already in the user's withdrawals.

The Coin/token, and time stamp is consistent with the Withdrawal

#### After running the Stored procedure:

Reply to user with the generated response



## Needs Reprocessing

### *AS\_UpdateWithdrawalStatus*

#### What to check before running SP:

TXID is **not** at the Withdrawal address on the block chain.

Check that the funds have not left the wallet:

(*WithdrawalAuditQuery*)

## Types of deposits App support process:

### Cross Chain Deposit

#### *AS\_CrossChainRecovery*

#### What to check before running SP:

Information provided is correct with the address the deposit went to.

Not showing in their balances.

## Multi Sig/Smart Contracts

### *AS\_InsertDeposit*

Contract 0xd4f5bf184bebfd53ac276ec6e091d051d0ed459e   
TRANSFER 0.5 Ether from 0xd4f5bf184bebfd53ac276... to 0x5fc189f406d39434348c9...

#### What to check before running SP:

Check amount and address is correct on the block explorer (see internal Transactions).

Use dbo.AS\_InsertDeposit Stored Procedure to credit the user their funds.  
Tell a peer you are inserting a deposit

## Missing Deposits

### *Rescan Wallet from X block*

#### Steps to take:

Find the block number or hash for the block you want to scan back to (on the explorer).

Reset last Block hash to this hash in the SP

Show notes that say what you have done (in case something weird happens).

Keep an eye on the wallet after scanning!

## Multi-output Deposit

### *AS\_UpdateDepositAmount*

#### Steps to take:

Find the transaction on the block explorer:

Search by address inputs:

Use the *AS\_UpdateDepositAmount* Stored procedure.

If it is USDT → BTC remember to add '-USDT' to the end of the TXID

## Missing payment ID/message

AS\_InsertDepositNoPaymentIdProvided

#### Coins that need a payment ID (ETN/SUMO etc):

We recover these coins by allocating them to users' accounts, for a 10% fee.

#### Steps to take:

To check whether the deposit has reached our wallet we need to access the wallet and query it to see if the coins have successfully reached us.

If you are given wallet access you will be shown how to do this.

The risk is that you might accidentally crash the wallet.

Coins that need a Message payment ID (XEM/LYL):

We recover these coins by allocating them to users' accounts, for a 10% fee. Sometimes we need to ask the user to L2 Verify themselves before inserting the deposit i.e. EOS missing deposits.

Steps to take:

Check the user's account was made after the missing deposit is claimed.

Check the TXID in Admintopia deposit history (across all users) to make sure it has not already been deposited to someone else.

### Deposit recovery

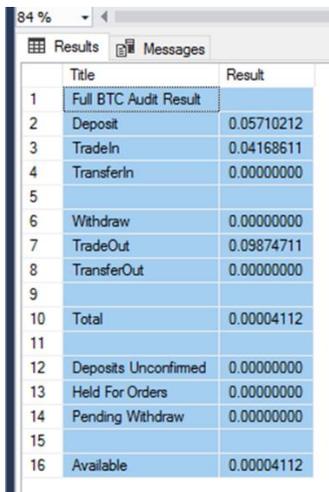
We can recover ETH tokens that we don't have listed by logging on to the ETH wallet.

We charge 0.3 ETH to recover these tokens.

### Account audits

We use the Print Audit mostly for tickets where users complain that their balance is incorrect.

It shows where all the funds of a particular coin type are in their account.



|    | Title                 | Result     |
|----|-----------------------|------------|
| 1  | Full BTC Audit Result |            |
| 2  | Deposit               | 0.05710212 |
| 3  | TradeIn               | 0.04168611 |
| 4  | TransferIn            | 0.00000000 |
| 5  |                       |            |
| 6  | Withdraw              | 0.00000000 |
| 7  | TradeOut              | 0.09874711 |
| 8  | TransferOut           | 0.00000000 |
| 9  |                       |            |
| 10 | Total                 | 0.00004112 |
| 11 |                       |            |
| 12 | Deposits Unconfirmed  | 0.00000000 |
| 13 | Held For Orders       | 0.00000000 |
| 14 | Pending Withdraw      | 0.00000000 |
| 15 |                       |            |
| 16 | Available             | 0.00004112 |

### Jira

Jira is where wallet issues are managed.

Any wallet issues found by a CS agent needs to be escalated to a Shift leader to investigate and potentially create a Jira ticket.

You can search using the  to find out what is happening with any coin ie. Searching for "DOGE" will find all the DOGE JIRA tickets.

# Forks, airdrops, and swaps

## What are forks?

Blockchains start at a defined 'Genesis block'. When new blocks are mined they point to a parent block (see figure 38).

The "blockchain" is defined as the longest possible chain of blocks leading to the Genesis block.

Sometimes, multiple miners will mine blocks at the same time, pointing to the same parent block, resulting in a block with multiple children blocks, or a fork (see figure 39). This is 100% normal and expected in the operation of a blockchain. The network typically chooses one side of the fork and other side becomes "Orphaned".

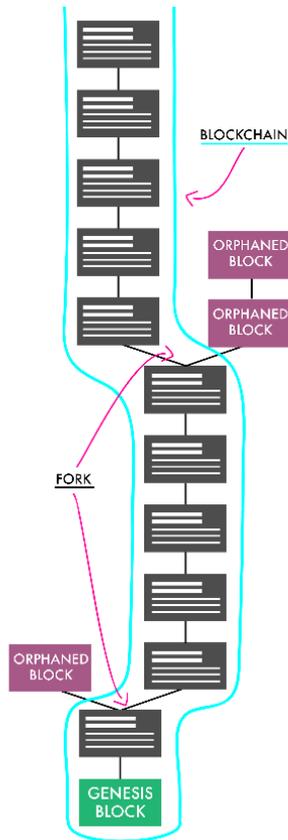


Figure 39 – Mining blocks at the same time results with multiple children blocks or a fork

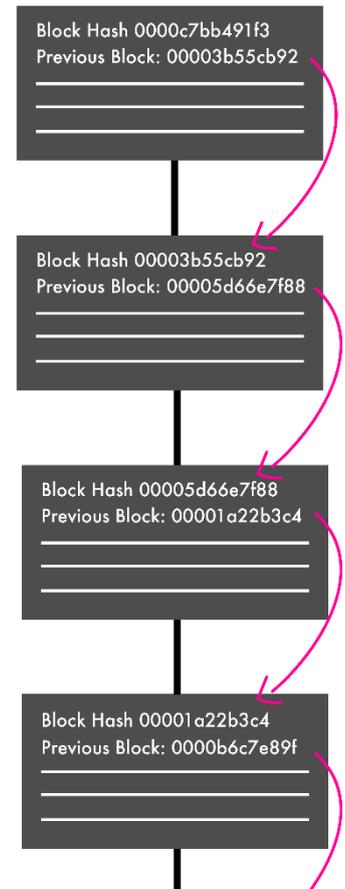


Figure 38 – Blocks on the blockchain pointing towards the parent block/previous block

## What is consensus?

Consensus is a strict set of rules that all nodes on the network follow to determine if a new block is valid.

For example:

- A block must point to a previous valid block (valid due to these rules)
- A block must only contain valid transactions.
  - Transactions must spend coins which previously existed
  - Coins must only be spent once.
  - Transactions must be cryptographically signed by the correct address of the coins.
- A block is allowed to contain one transaction that creates coins out of thin air (the so-called miner reward).
  - This transaction must have a correct miner reward value for that block height
  - It may be sent to any address.
- The block (and all the transactions in it) must be less than 1MB (however this varies across coins and some coins can even vary the block size dramatically).

Nodes check each block (and the transactions inside) as they receive them against these consensus rules and reject any blocks which don't pass as invalid.

## Deliberate forks

Sometimes developers need to change these consensus rules in order to implement new features.

These updated consensus rules are supplied in software updates, and are normally implemented so they only apply after a certain block height or date.

There are two types of forks: Soft and Hard forks

## What are soft and hard forks?

The difference between a **soft** and **hard** fork lies with how they change consensus. Soft forks **restrict the current set of rules**. New created blocks will abide by more limits.

A soft fork is **backwards-compatible**, and the **miners** are the players that decide whether it is used. The users and merchants can keep using the old rules (old software), but it is recommended that they do the upgrade.

[To borrow from a video from Andreas M. Antonopoulos, a soft fork is like a vegetarian restaurant deciding to go vegan. All the customers \(vegetarians\) can eat the new \(vegan\) meals without problem.](#)

A **hard fork** occurs when a new feature or set of new features are developed and they **drastically modify block acceptance rules**. After being pushed to a cryptocurrency project, **everybody (miners, users, merchants, etc.) has to upgrade**.

Consensus rules are relaxed or outright changed in such a way that old software sees the newly mined blocks as invalid (see figure 40).

Hard forks are **not backwards-compatible**. People using the old rules/nodes will end up on a different fork of the blockchain that does not include any correct blocks.

To borrow from the same video as before, a hard fork is like a vegetarian restaurant deciding to now include meat with their meals. All the customers (vegetarians) cannot eat the new meals unless they decide to change to meat-eaters.

Some communities go out of their way to only utilise soft forks as a way to preserve backward compatibility.

Many communities, like Ethereum and Monero not only embrace hard forks, but schedule them on a regular basis as the primary method of updating.

**90% of coins usually go through a hard fork or use hard forks to update consensus.**

**95% of the time, the original fork of the chain dies off and is forgotten and coins on that fork become worthless.**

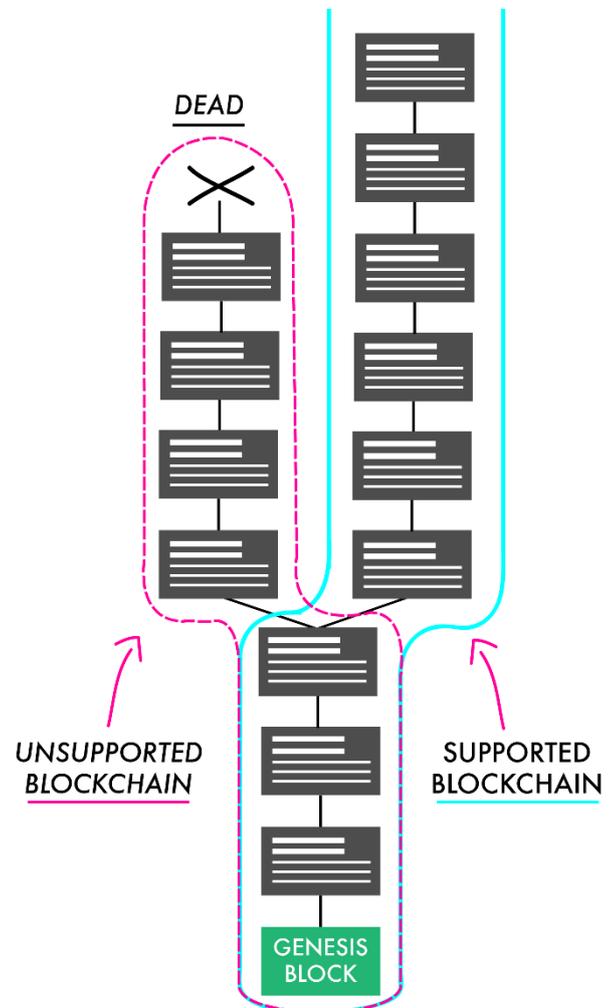


Figure 40 – Forking and the supported blockchain versus unsupported

## What happens when both sides of the fork survive?

While hard forks and soft forks are common, as coins go through their normal update procedures, normally only one side of the fork is supported and active.

However, sometimes competing communities make an effort to keep both sides of the fork alive. For example, Bitcoin and Bitcoin Cash; Ethereum and Ethereum Classic; Monero, Monero Classic and Monero V.

In this case, anyone that has held the original currency (in their personal wallet) at the time of fork will have both currencies after the fork.

Going back to our diagram, both sides of the fork survive, both blockchains share a common history, and both chains are 'worth something' (see figure 41).

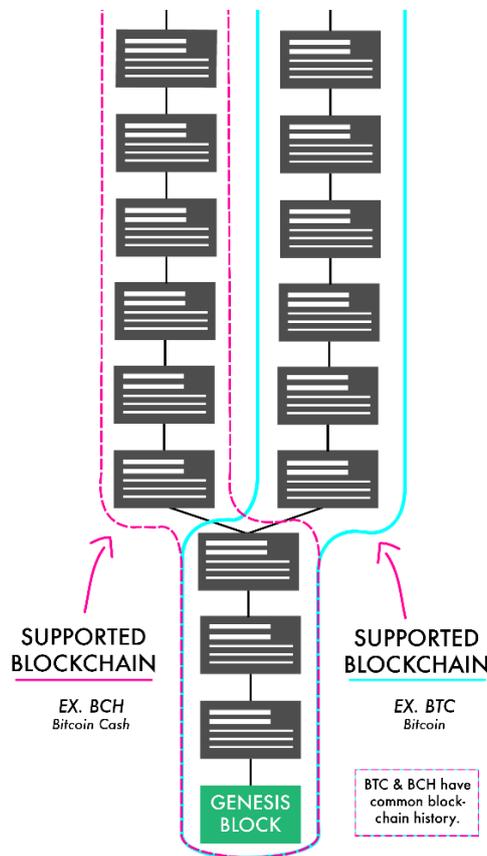


Figure 41 – When both sides of the fork survive, e.g. BTC and BCH

## What are airdrops?

**Airdrops** occur when cryptocurrency users are **given free coins/tokens automatically** due to their holdings of other currencies (or in return for performing certain actions).

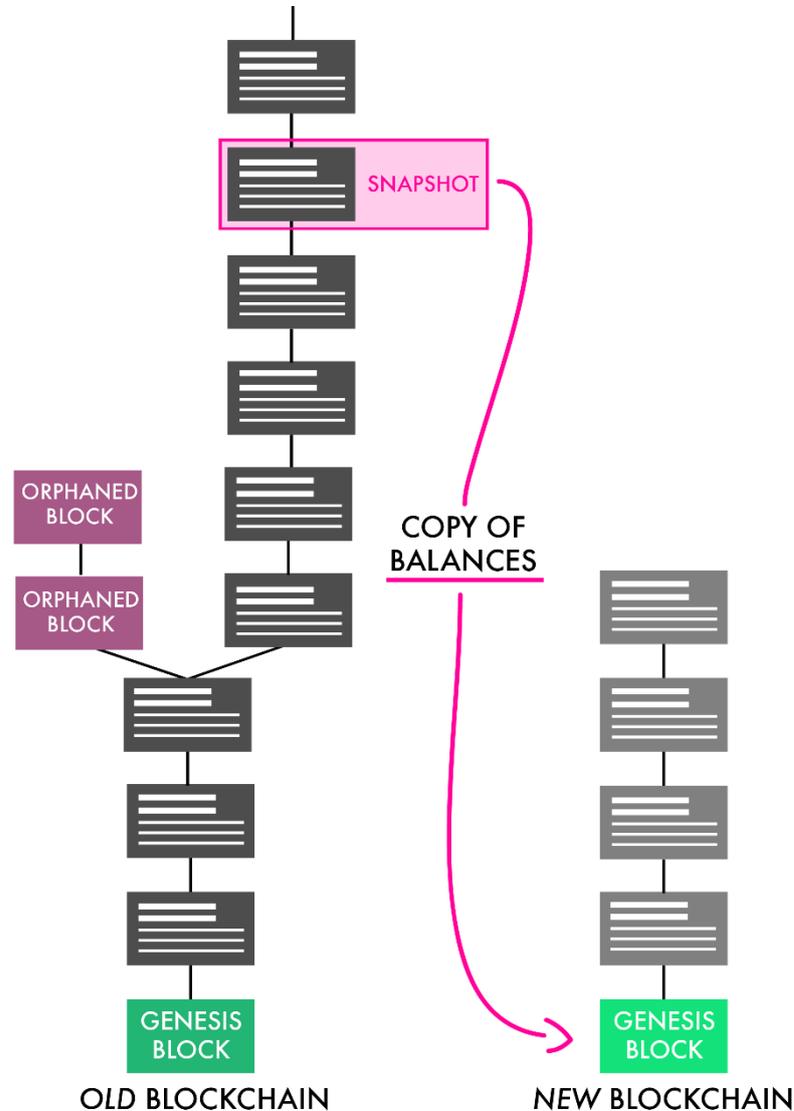


Figure 42 – A snapshot is taken when an airdrop occurs

They are largely used to promote and incentivize use of a cryptocurrency, which is especially valuable in the early stages after a launch.

In their most basic forms, airdrops achieve the same effect as forks where both sides of the chain are supported, anyone who held the original currency at the time of the airdrop will have both the airdropped and original currencies.

However, airdrops use a completely different mechanism where they snapshot the balances of every single address on the original blockchain, and send the appropriate amount of the airdropped currency to each address on the new blockchain (see figure 42).

The original and new blockchains are 100% different, except for the copying of balances.

## What are coin swaps?

A coin swap is used by developers of a cryptocurrency project when they want to move users from one blockchain to another.

Coin swaps are usually done when the developers behind a project want to port their token to a newer version of the same blockchain. There may be problems with the initial blockchain, or the developers simply want to make a significant change to the software and protocols behind the project.

A swap is opt-in by the **user**. Typically, the user will initiate the swap by sending their old coins to an address, which are then **burned** (destroyed forever) in exchange for coins from the new blockchain - at a consistent, predetermined rate.

Swapping is a permanent process. Once a coin is swapped and burned, it can't be redeemed back on the original blockchain.

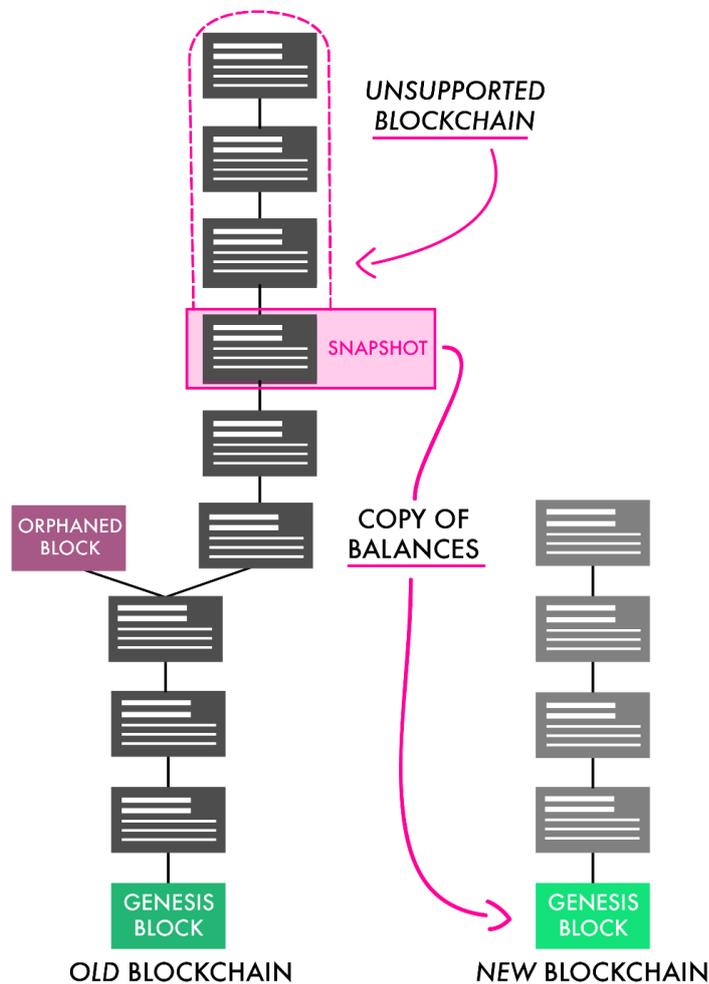


Figure 43 – Coin swaps are similar to airdrop. However the old blockchain is no longer supported.

Coin swaps are essentially the same thing as airdrops, except the old blockchain is no longer supported, and the new blockchain is declared to be “the same currency” (see figure 43).

Unfortunately, coin swaps interfere with Cryptopia's internal systems, as they expect the full transaction history of all deposits to be untouched during upgrades.

We recommend currencies avoid unnecessary coin swaps, and modify the consensus rules of the new codebase until it accepts the old blockchain. Then we can apply this as a simple update for free.

*2 coin swaps that Cryptopia has done in the past:*

- **Old DOT > New DOT**
  - In September 2017, DOT (originally a mineable cryptocurrency) was affected by a 51% attack. We managed to identify and respond to the attack quickly, covering the lost DOT from our own reserves - however after this incident, questioned whether it still made sense for DOT to run on its own network.
  - As the use case of DOT was not based around mining or proof of work - and we didn't think anything was lost in moving DOT to a token platform - we decided to perform a swap of the DOT blockchain to a Ubiq asset.
  - We credited every holder of old DOT on Cryptopia, with new DOT - in a 1:1 ratio. Then we offered a 30 day window for people to swap their remaining old DOT held in external wallets. The coins were burned instantly after being swapped.
- **PAC Coin > \$PAC**
  - The development team behind PAC decided that they wanted to reduce the total supply of PAC, in order to reduce the amount of data in the PAC blockchain (allowing faster wallet sync times and making PAC more attractive to exchange listings)
  - In order to execute this swap, the PAC foundation asked Cryptopia to help initiate it for our users (as well as creating their own coin swap procedure for PAC holders).
  - Following the PAC foundation's direction, we issued a 1000:1 PAC > \$PAC swap, assisting in shrinking the total supply from 100 trillion to 100 billion. Although this happened in early 2018, there will always be users who think they have lost their PAC.

Cryptopia does not typically support forks, airdrops, or coin swaps (unless stated otherwise) due to the inherent risks. We recommend that users withdraw their coins from the exchange if they wish to participate in these types of coin events.

## Conclusion

**Soft fork:** a restriction of the block acceptance rules – backwards compatible - everyone using the current coin version are advised to upgrade as soon as possible.

**Hard fork:** a modification of the block acceptance rules - not backwards compatible - everyone using the current coin version has to upgrade before and after the fork.

**Airdrop:** when cryptocurrency users are given free coins/tokens automatically due to their holdings of other currencies (or in return for performing certain actions).

**Coin swap:** A coin swap is an airdrop in exchange for some proof of coins on the other chain (usually a proof of burn). Usually initiated by developers of a cryptocurrency.

# Confluence

This is where we keep all our templated responses for answering tickets.

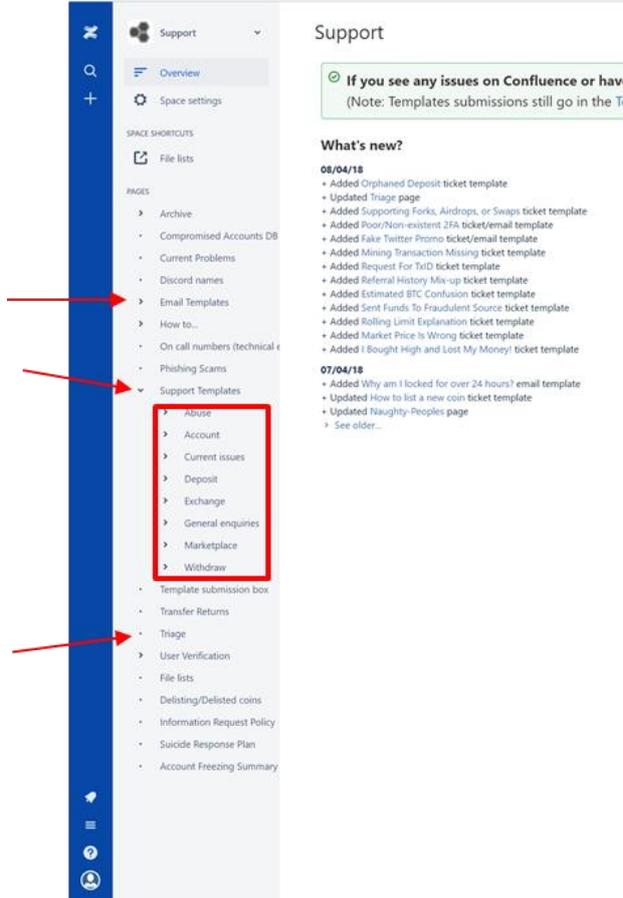


Figure 44 - Confluence

## Using confluence templates

Templates can be simply copy and pasted into tickets, however we do need to greet the user and sign off. You may also need to fill in information which is formatted in .

### Support Templates - Deposit - Confirmed deposits

### General process

Thank you for contacting Cryptopia Support.

- None

We can confirm that your  deposit () of  was successfully confirmed, credited to your account, and is now available to trade, transfer, and withdraw.

Happy trading :)

**VERIFIED**

## Confluence – Triage

When escalating a ticket, we can use the templated responses under Triage. We must change the ticket short description and include the required admin notes.

**Deposit**

\_TICKER\_ - Deposit - Message

› Expand source

**Admin Note - Message**

› Support initial response template...

---

\_TICKER\_ - Deposit - Missing

▼ Collapse source

**Admin Note - Missing**

Link to transaction on block explorer:  
\_LINK\_TO\_TXID\_ON\_BLOCK\_EXPLORER\_

▼ Support initial response template...

---

**Support Templates - Deposit - Missing - Passed to App Support**

Thank you for contacting Cryptopia Support.

We have investigated your transaction which can be viewed on the block explorer here:

\_BLOCK\_EXPLORER\_LINK\_AT\_TXID\_ and we have identified an issue.

Your query has been escalated to our technical support team for further investigation and resolution. Please keep this support ticket open for further updates.

VERIFIED

**General process**

- Please only use this for unspecific issues, if it is a stuck in processing withdrawal you can use one of the templates for that: Stuck in processing

**Checklist**

None

Figure 45 – Triage templates

# Ticket etiquette

We must respond to our users in a way which is formal and inviting. We can do this in the way we format responses, ensuring we are answering the user's question, by reading back over our responses and making sure our responses are consistent.

## Basic rules of a response

Start positive – the opening paragraph should engage the user. The opening sentence should show the user you understand their situation.

Middle – Be as informative as possible, and if needed, ask for more information. If you need to give a rejection, make sure you include a reason.

While we do use templates, we should not just copy and paste. Before sending a reply, you need to read over your answer and check that it is relevant to the user. In a ticket with multiple issues, you can combine templates to fully address the situation. In other cases, it is helpful to use short answers to get a point across.

End on a positive note where possible - Asking users a question can make their experience more positive.

- Is there anything else we can help you with?
- Do you have any further questions in regards to this issue?

You can also offer further investigation of a user's issue – they will remember you going the extra mile for them.

Link users to the Help Centre (see figure 46) as required. This is useful in final responses as it gives users another point of reference and is a place they can find answers to many commonly asked questions.

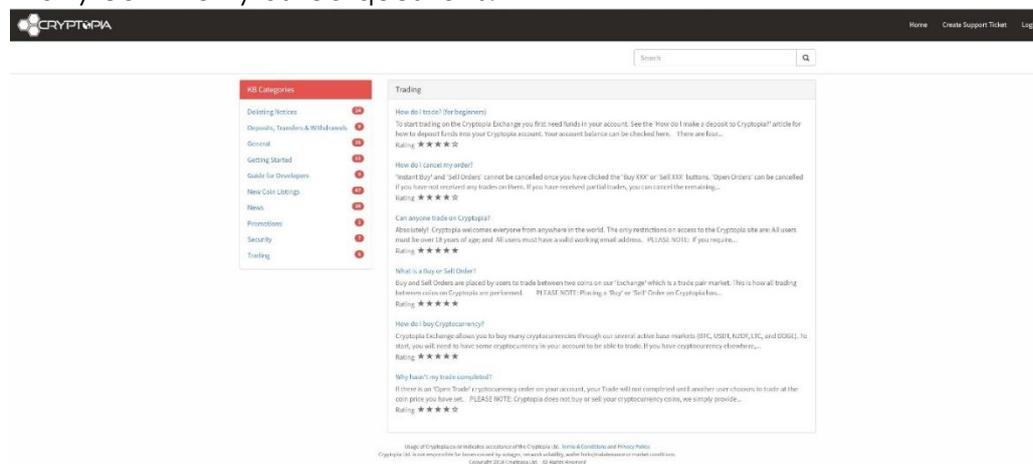


Figure 46 – Help center

Include phrases such as “We understand” and “we can assist you” – these are comforting to users.

## **Tone**

You can understand how a user is feeling by interpreting the tone of a ticket. This will help you decide how to approach the user.

Always use formal greetings

Example:

Hi \_username\_,

Thank you for contacting Cryptopia Support.

\_Body text\_

Kind regards,

\_your\_name\_

There are formal and casual ways to reply based on the context of the ticket. We can choose to be more “personal” with our users when they are frustrated, especially if you see they have already received a templated response for this issue. Instead of “We” the use of “I” will make the user feel like they are talking specifically to someone.

We should also always address the user with the name they have provided or their user name for example: “Hi \_user\_name\_”

## Fill in the blanks:

Check all copy and pasted responses for `_blanks_`.

Most blanks are shown in this format `_word_blank_`, these must be filled in before sending any response. Double check all tickets and emails. (see figure 47)

Thank you for contacting Cryptopia Support.

Your most recent `COIN_TYPE` deposit `TXID` of `AMOUNT` was successfully confirmed, credited to your account, and is now available to trade, transfer, and withdraw.

Happy trading :)

We thank you again for taking the time to contact Cryptopia Support. If we have provided you with a resolution to the ticket created, please select 'Accept Solution' located in the top right of the page. If however, you feel that your issue has not been resolved please select 'Reject Solution'. We would love to hear the experience you've had with Cryptopia Support, you can rate your experience after this ticket is closed, or from the email that has been sent to your email address.

Kind Regards,  
Cryptopia Support

Figure 47 – Blanks in templates

## Response check list:

- Have I answered the user's question/s?
- How would I feel if I got this response?
- Is this a solution or a band aid?
- Has the user accepted the solution?

## Resolving complex cases:

Read through the ticket – decide if the issue is sensitive or touchy – if so you may need to make some major changes to templates – give a calm, clear and confident response – converse and raise to shift leaders for advice.

# Multifactor Authentication

## 2FA strength level

Weak – These are static, so never change. They are vulnerable in the event of phishing or doxing.

Meh - Only effective if the email is set up with a strong 2FA. If their email is ever compromised then so is their Cryptopia account.

Strong - You need to physically have the device to access the code.

(see figure 48)

| Weak                     | Meh        | Strong               |
|--------------------------|------------|----------------------|
| PIN                      | Email Code | Cryptopia Dongle     |
| Security Question        |            | Google Authenticator |
| 2 <sup>nd</sup> Password |            | Authy                |

Figure 48 – 2FA strength level

## Types of 2FA

**Email Code:** the initial default 2FA setting for users' accounts. Users are emailed a code from [noreply@cryptopia.co.nz](mailto:noreply@cryptopia.co.nz) which lasts for 15 minutes, so this is a form of One Time Password. It is more secure if the email address has 2FA set for login as well.

**Cryptopia Dongle:** must be activated by us. After purchasing the device from users need to contact [verifications@cryptopia.co.nz](mailto:verifications@cryptopia.co.nz) for their device to be activated



Figure 49 – Cryptopia dongle

**Google Authenticator/Authy:** A third party authentication app which can be set up by the user. (see figure 50)

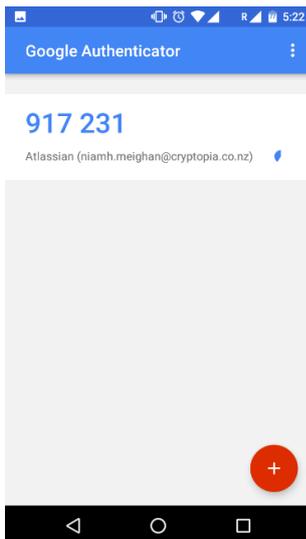


Figure 50 – Google Authenticator

## Changing 2FA settings

Users can change their account 2FA settings. To change these settings all of their current 2FA needs to be removed; this can be done by going to the security page <https://www.cryptopia.co.nz/Security>

Once the 2FA is removed a new 2FA can be set up.

Users will need to use their current 2FA to change any 2FA settings.

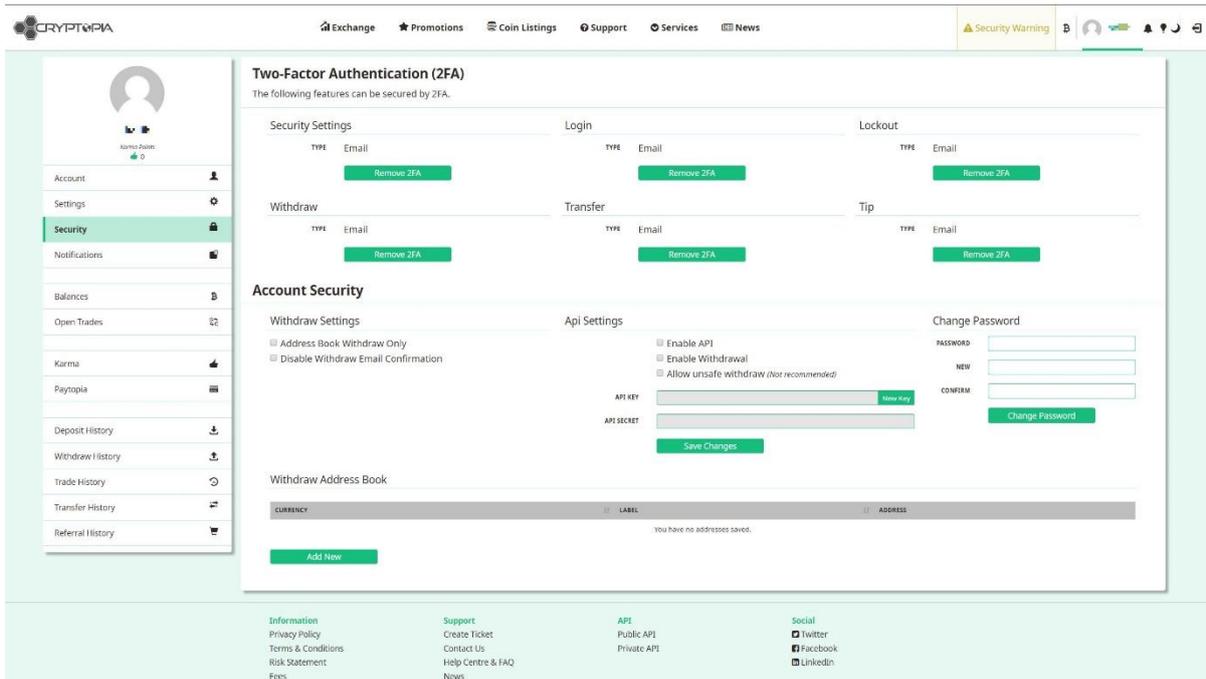


Figure 51 – Security page

# Compromised Accounts

## Overview

Customers will create tickets in ServiceNow that are usually under the **CSM – Triage** or **CSM – Compromised Accounts** category. Customer Service initially determines whether they have been compromised or if it is another issue, such as not being able to see their balances because they have “Favourites Only” ticked on their balances page. Users have created tickets about their compromised accounts with the following Short Descriptions:

|   |  |
|---|--|
| Purchase Bunny Coin   | My Account LINDA                       |
| missing Bitcoin ? check deposit and account details   | lose my all payment                    |
| I havent authenticated any transfer. i lost my coins. I dont feel secure . On the same day i also lost my XVG coins Vide Transfer ID 15581770 | I did not withdraw                     |
| Fraudulent Transfer   | My wallet was stolen                   |
| some error from your system   | Coins transferred without my knowledge |

Figure 52 – compromised tickets

Ensure that you have thoroughly read the description, previous Activities, and checked for attachments to the ticket. The user may have updated their ticket with more information.

\* Short description:  

Description: 

After a few months, I've logged in to the account (today) and saw that my balance was zeroed! Have some registered transactions and withdrawal which I didn't make it. Is it possible my account was hacked? I've checked the email and don't have any 2fa confirmation email from cryptopia..

Activities: 3

S system Email sent • 03/08/2018 19:29:16 2h ago 

 Email sent

Subject: shutisgodz, your ticket 'CS0055741' has been created!

From: Cryptopia Support

To: @gmail.com

[Show email details](#)

LC @gmail.com Additional comments • 03/08/2018 19:29:00 2h ago

After a few months, I've logged in to the account (today) and saw that my balance was zeroed! Have some registered transactions and withdrawal which I didn't make it. Is it possible my account was hacked? I've checked the email and don't have any 2fa confirmation email from cryptopia..

LC @gmail.com Field changes • 03/08/2018 19:29:00 2h ago

Assignment group: CSM - Compromised Account

Priority: 4 - Low

Coin Name: Equitrade

Short description: Unauthorized withdrawal

State: New

Figure 53 – Compromised account ticket

## Potential compromised account scan

**Check IP addresses** under the Security tab to check for any abnormal logins. IPs can vary greatly if a user accesses their account from multiple locations, but most users will only login from one or two IPs. (See figure 54)

The screenshot shows the 'Security' tab selected. Below it are 'Trade History', 'Legacy Tickets', and 'Roles'. The 'User Security Settings' table is as follows:

| User Security Settings           |       | Edit |
|----------------------------------|-------|------|
| DisableLogonEmail                | true  |      |
| DisableWithdrawEmailConfirmation | false |      |
| IsUnsafeWithdrawEnabled          | true  |      |
| IsApiEnabled                     | false |      |
| IsApiWithdrawEnabled             | false |      |
| IsApiUnsafeWithdrawEnabled       | false |      |

Below this is a 'Search logins' search bar and a table of login activity:

| IP Address     | Timestamp              | Activity           |
|----------------|------------------------|--------------------|
| 188.251.163.62 | 5/08/2018 12:52:27 AM  | Successful Login   |
| 188.251.163.62 | 5/08/2018 12:51:52 AM  | Incorrect Password |
| 188.251.163.62 | 4/08/2018 7:03:13 AM   | Successful Login   |
| 89.238.142.147 | 17/07/2018 9:47:25 AM  | Successful Login   |
| 194.29.137.7   | 20/04/2018 12:22:17 AM | Successful Login   |
| 194.29.137.7   | 18/04/2018 5:55:23 AM  | Successful Login   |
| 194.29.137.7   | 12/04/2018 3:47:26 PM  | Successful Login   |
| 194.29.137.7   | 17/01/2018 11:05:36 AM |                    |
| 194.29.137.7   | 16/01/2018 9:24:01 AM  |                    |
| 194.29.137.7   | 15/01/2018 3:16:09 AM  |                    |

Navigation buttons 'Previous' and 'Next' are at the bottom right.

Figure 54 -Compromised account

**Check withdrawals** under the withdrawals page for any activity around the time of logins (see figure 55)

The screenshot shows the 'Withdrawals' tab selected. Below it are 'Transfers', 'Balances', 'Addresses', 'Trades', 'Trade History', 'Legacy Tickets', and 'Roles'. A search bar for withdrawals is present. The table below shows withdrawal activity:

| Id      | Currency | Amount         | Status   | Confirmed              | Txid                            | Address                         | Conf | Timestamp              | Init |
|---------|----------|----------------|----------|------------------------|---------------------------------|---------------------------------|------|------------------------|------|
| 4566345 | BTC      | 0.02136989     | Complete | 17/07/2018 9:56:41 AM  | 16e17406ca6e8d6285c3f2581854... | 1PGTDPGKv4SQjxNzcSxStVPbjT...   | 0    | 17/07/2018 9:56:28 AM  | UI   |
| 784421  | MER      | 3503.21037638  | Complete | 10/09/2017 11:21:07 PM | 2JxiHm4jeZB9WVN3F1sY53KUqN...   | 3P5re8HgXcox8ztjJGXMi8Zg3zCV... | 0    | 10/09/2017 11:18:09 PM | UI   |
| 627882  | XVG      | 25000.00000000 | Complete | 11/08/2017 9:01:10 AM  | 8b426de3a47281da6fa594a7814d... | D8LV9en2EdRB3inxNYQAeqPoBU...   | 0    | 11/08/2017 8:59:06 AM  | UI   |

Figure 55 – withdrawals page

**Check trade history** under the Trade History page for any trading activity around the time of the withdrawal, there will often be multiple trades to one coin type in a short time.

Check Transfers under the Transfers tab for any transfers made around the time of any suspicious activity within the account.

Trades Trade History Legacy Tickets Roles

Search trade history

| Id       | TradePair | Type | Amount        | Rate       | Fee        | Total      | Timestamp              | Init |
|----------|-----------|------|---------------|------------|------------|------------|------------------------|------|
| 52149682 | \$PAC/BTC | Sell | 472.73903473  | 0.00000127 | 0.00000120 | 0.00059918 | 12/03/2018 12:04:01 AM | UI   |
| 52149681 | \$PAC/BTC | Sell | 1979.85132098 | 0.00000127 | 0.00000503 | 0.00250938 | 12/03/2018 12:04:01 AM | UI   |

Details Security Deposits Withdrawals Transfers Balances Addresses Trades Trade History Leg

Search transfers

| Id       | Currency | Sender     | Receiver | Amount     | Type    | Timestamp         |
|----------|----------|------------|----------|------------|---------|-------------------|
| 14539378 | BCH      | shutisgodz | DustBin  | 0.00006901 | DustBin | 22/09/2017 1:27:4 |

Figure 56 – Trade history and Transfers

## Naughty Man Transfers

If the user's funds were transferred to another Cryptopia user we may be able to escalate the ticket to Application Support for recovery. Look at the Naughty Person's account, and if any funds remain send the ticket to your Team Leader for further investigation. If there are no funds then fill out the transfer template.

## Investigating cases within CSM

### Assigning cases

When you assign yourself a case you should review all information in regards to the potential compromised accounts to confirm the account is indeed compromised.

### Using Notepad

Notepad ++ is used to record all the data in regards to the compromised account (see figure 57)

```

1 Withdrawals
2
3 Username:
4 Country of user:
5 Fwred:
6 Accessed IP:
7 Accessed Date: (UTC)
8 Country:
9 Traded: (UTC)
10 Withdrawn: (UTC)
11 Blockchain: https://blockchain.info/tx/
12 Address:
13 Cryptopia Held Address:
14 Disabled Email:
15 API Enabled:

```

Figure 57 – Compromised accounts Note pad file

Promapp link?  
<https://go.promapp.com/cryptopia/Process/Minimode/Permalink/BggUCe2rNYfHWzJRhugkDa>  
 Ask Josh  
 Flow charts coming soon...

<https://cryptopia.atlassian.net/wiki/spaces/SUP/pages/388857871/Compromised+Accounts+DB>

We populate this template with the following information.

## Withdrawals

- **Username:** Username associated with account
- **Country of User:** Under Security tab, click "Timestamp" to find the first login, enter their IP into <https://www.iplocation.net> to find the location.
- **Pwned:** Check their email on [www.haveibeenpwned.com](http://www.haveibeenpwned.com). If it comes back positive paste their email in this field, if it comes back negative use "n".
- **Accessed IP:** Under the Security tab, enter the IP address that appears to correspond with the fraudulent activity.
- **Accessed Date:** Enter the Timestamp of the fraudulent IP address.
- **Country:** Search for the fraudulent IP on <https://www.iplocation.net/>, then enter the country into this field.
- **Traded:** Under the Trade History tab enter the timestamp of the last trade conducted if it corresponds with the fraudulent activity. If no trades exist enter "n" for no.
- **Withdrawn:** From the Withdrawals tab, enter the timestamp for the fraudulent transaction.
- **Blockchain:** From the Withdrawals tab, copy the TxID of the fraudulent transaction, go to the respective block explorer, search the TxID and copy the URL into this field.
- **Address:** Under the Withdrawal tab, enter the address for the fraudulent transaction.
- **Cryptopia Held Address:** On the Currency page - <https://www.admintopia.co.nz/Currency> - enter the withdrawn coins ticker e.g. BTC, select it in the results and search for your address. If a result is found immediately lock the account, and add them to the Naughty People list.
- **Disabled email:** In the user's account settings under Security, User Security Settings, check to see whether "DisableWithdrawEmailConfirmation" is false or true. If true then enter "Yes" into the field.
- **API:** Under the Security tab, check **IsApiEnabled** is not set to true, if true enter "Yes". If false, check the Trade History tab to see whether there are certain times where trades were conducted consecutively via the API not UI. E.g. if there 3+ trades labelled API around the same time with **NO** other trades within a 5 minute period. If you locate some enter "Was," but if there is no such activity enter "No".

### Potential outcomes

API Enabled: No

API Enabled: Yes

API Enabled: Was

## Transfers

<https://go.promapp.com/cryptopia/Process/Minimode/Permalink/FVfaKh40I0CQbFP2JOu69L>

- **Username – Pwned – Accessed IP – Accessed Date – Country – Traded – Disabled email – API** are the same as above.
- **Transferred To:** Under the Transfers tab, enter the Naughty Person's username.
- **Transferred Time:** Under the Transfers tab, enter the timestamp associated with the fraudulent transfer.
- **Blockchain:** In the Naughty Person's account, try to match a withdrawal TxID to a time after the fraudulent Transfer was made, as with withdrawals check this on the block explorer and copy the URL.

**Note:** There will be situations where there will be multiple logins/withdrawals/trade times. Adjust this template to suit your own needs, such as adding all the times the identified IP/trades/withdrawals were made at your own discretion as this is more of a reference than a proper database and mainly just useful for filling out the template.

## Tags

In Service Now we have 4 general tagging stages for compromised accounts.

### 1. **COMP – First Response**

This tag is applied to cases that are New/Open that have been given the templated response in Confluence under Support Templates/Accounts/Compromised Account

### 2. **COMP – Investigated**

This tag is applied to cases that have had the account investigation done

### 3. **COMP – Response to Investigation**

This tag is applied to cases that have re-opened/replied to their case with a response to the prior investigation that was sent.

### 4. **COMP – Locked Account**

This is used for any account inquiries regarding a Locked Account that appear to be related to a user becoming Compromised.

## Standardised Tags

[COMP-First Response](#) | [COMP-Investigated](#) | [COMP-Response to Investigation](#) | [COMP – NM Recovery](#)

## Other useful Tags

[COMP-Awaiting info](#) | [COMP-Completed](#) | [COMP-Locked account](#) | [COMP-Post Enquiry](#) | [COMP-Replied to](#) | [COMP-Tricky](#) | [COMP-Unable to help](#) | [COMP-Multiple Cases](#)

## Responding to the case

### Work notes

In your case under Notes, copy and paste the notepad data into Work Notes. (See figure 59)

```
1 Username: bonusvoucher
2 Country of user: Czech Republic
3 Pwned: burners@seznam.cz
4 Accessed IP: 50.252.207.114
5 Accessed Date: 5/13/2018 8:22 PM(UTC)
6 Country: United States
7 Traded: 8:32 PM(UTC) to 5/13/2018 10:54 PM(UTC)
8 Withdrawn: 5/13/2018 8:26 PM(UTC)
9 Blockchain: https://blockchain.info/tx/0b56fe26d5f60e21576acef74123ca3e9e521acle22873b30177ac778a7573bf
10 Address: 3F8UYPbHwRfzogJ1w2HNpy4DRnERRpHGoe
11 Cryptopia Held Address: No
12 Disabled Email: No
13 API Enabled: No
```

Figure 58 – Note pad file

```
R Rob
Username: sthetix
Country of user: Indonesia
Pwned: spazioforma@gmail.com
Accessed IP: 202.174.5.2
Accessed Date: 4/20/2018 7:51 AM(UTC)
Country: India
Traded: 4/20/2018 7:51 AM(UTC)
Withdrawn: 4/20/2018 7:52 AM(UTC)
Blockchain: https://verge-blockchain.info/tx/27666233df8ecc681d017beed723e1f283fd19c8976d44bcfebca6f7bac1340
Address: DNSMcbZjYknmk3Krt8irGzp4Sb2kN8m8P3
Cryptopia Held Address: No
Disabled Email: Yes
Api Enabled: No
```

Figure 59 – Service now work notes

Under the “Additional Comments (Customer visible)” field, copy and paste the respective template (withdrawal/transfer) from your word document. Each field marked with an XX in front is a variable field which you copy and paste the data from your work note into.

Within the word document there is also comments associated with certain variables such as:

- Withdrawal Confirmation Disabled
- Pwned?
- API Enabled?
- Logins Same IP

### Notes:

There are also other various small adjustments like multiple withdrawals/IPs/API enable/Logins same IP. However, feel free to adjust each one of to suit the case.

We just need to give sufficient proof and try to cover all bases of how their account may have become compromised.

## Closing the case

After you've filled in the template, change the tag to **Investigation Sent**, head to **Closure Information** and mark the code as Completed and Close notes to Investigation Sent. If this was a complex case or you believe it requires a few extra details feel free to add these in at your own discretion. After this head to the top of the page and click **Propose Solution**.

# AML/CFT Act

Anti-Money Laundering and Countering Financing of Terrorism Act 2009

## What is ML/TF?

Money laundering (ML) is any attempt to disguise the source of money or assets derived from criminal activity.

Terrorist financing (TF) is activities that provides financing or financial support to individual terrorists or terrorist groups.

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Businesses in New Zealand struggle to believe that their products and services are being used by their customers for ML or TF activity. The truth is that over \$1.5 billion dollars are estimated to be laundered through New Zealand financial service providers and other businesses each year. It is very unlikely that your business has not been touched.

The New Zealand government warns that it may only be a matter of time before New Zealand is exposed to terrorist activity.

---

## ML/TF usually has three distinct phases



### Placement

Placement is the process of physically placing bulk cash derived from criminal activities into financial service providers or other legitimate business.

The source of the cash can be easily disguised or misrepresented.

This may happen when cash is deposited at a bank's front desk, or when a cash transporter collects cash to transport it to the bank. Any business that deal heavily in cash are heavily exposed to the placement phase.



### Layering

Layering is the process of separating the source of cash or asset from its criminal sources, by passing it through a number of transactions.

The purpose of this stage is to make it more difficult for law enforcement to trace the true origin of the cash or asset.

This may happen through the purchasing of material assets with cash, or moving cash or assets through different accounts or owners.



### Integration

Integration is the process of combining illegal funds with legally obtained funds in order to provide a legitimate explanation of their ownership.

This often takes place through the banking system so that criminally obtained funds may appear to be normal business earnings

This is the stage in which shell companies, property dealing, and false trade invoices are common.

## What are Cryptopia's requirements?

There are three government agencies that supervise the regime in New Zealand:

- Department of Internal Affairs (**DIA**)
- Financial Markets Authority (**FMA**)
- Reserve Bank of New Zealand (**RBNZ**)

Cryptopia will probably be supervised by the DIA, but the regulators are still getting to grips with crypto exchanges.



### Formal Guidance

Formal AML/CFT guidance are the minimum requirements that Cryptopia must follow in order to be compliant with the AML/CFT Act.

There are four formal guidance groups that your AML/CFT Compliance Officer must ensure are met:

- Legislation
- Regulations
- Code of Practice
- Guidance Material



### Informal Guidance

Informal AML/CFT guidance is information that can guide Cryptopia towards specific, practical interpretation of the AML/CFT Act in New Zealand and your industry's best practice.

There are two groups within informal guidance that your senior managers must ensure are met:

- Supervisor news and resources
- International guidance

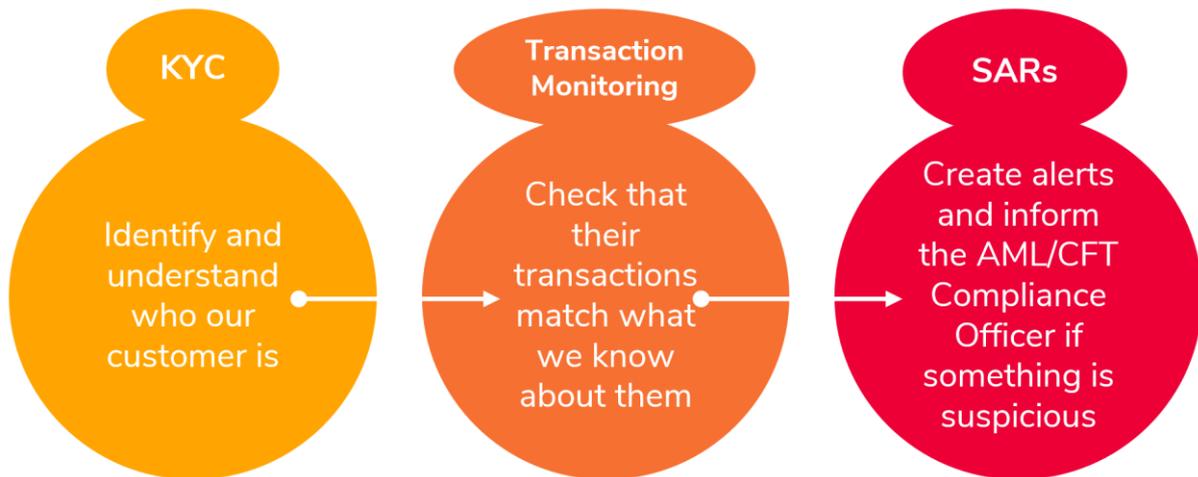
## Three Key Concepts



Cryptopia's responsibility is to tell the New Zealand Police if anyone in the business sees something suspicious.

Different parts of the business look for different threats.

Each will be trained in Cryptopia's "know your customer" checking, transaction monitoring, and "ssuspicious activity report" responsibilities.



## **KYC is important**

The first chance Cryptopia has to protect itself against ML/TF activity is when a new customer establishes a contract with us. This is why it's so important at this time to:

Verify the identity of relevant people within the customer's business;

Gather information about the nature and purpose of our customer's business and expected transaction needs;

For those who are high risk, verify the source of wealth of a customer, and the source of any funds of an unusual or suspicious transaction.

Once we do KYC, know our customer, and can predict how they will transact with us, spotting signs of ML/TF activity gets easier.

Once we can spot potential signs of ML/TF activity, we can file SARs to the NZ Police and remain AML/CFT compliant.

## **What's Next?**

Talk to Tim Brocket, your AML/CFT Compliance Officer. He has all you need to know about AML/CFT at Cryptopia right now.

Dig into the world of AML/CFT in New Zealand at [www.fiducia.co.nz](http://www.fiducia.co.nz).

# Dealing with Account Changes

## Moral Compass

These protocols are for security purposes and to ensure we have consistency in our response. What actions we can take depend on whether the user logs in and makes a ticket, or sends us an email (see figure 60).

| <b>2FA Reset</b>                                       | Correct Info?             | Perform Reset actions | Request more info?                                   |
|--|---------------------------|-----------------------|--|
| Ticket   | n/a                       | Yes                   | No info needed for tickets, 24 hr delay before reset |
| Ticket (New/Blank Account)                             | n/a                       | Yes                   |  |
| Ticket from different account                          | Yes                       | No                    | No   |
| Ticket from different account                          | No                        | No                    |  |
| Emailed from registered address                        | Yes                       | Yes                   | Yes  |
| Emailed from registered address                        | No                        | No                    |  |
| Emailed from registered address (new/blank account)    | n/a                       | Yes                   |  |
| Emailed from registered address (new account Auth App) | Must say account is empty | Yes                   |  |
| Emailed from unregistered address                      | Yes                       | No                    | No   |
| Emailed from unregistered address                      | No                        | No                    |  |
| <b>Email</b>   | Correct Info?             | Perform Reset actions | Request more info?                                   |
| From ticket  | n/a                       | Yes                   |  |
| From ticket - diff account                             | Yes                       | No                    |  |
| From ticket - diff account                             | No                        | No                    |  |
| Emailed from registered address                        | Yes                       | Open Ticket           | Open Ticket  |
| Emailed from registered address                        | No                        | No                    |  |
| Emailed from unregistered address                      | Yes                       | No                    |  |
| Emailed from unregistered address                      | No                        | No                    | No*  |

Figure 60 – Moral Compass showing the 'Dos and 'Don'ts.

## Checklist for 2FA Resets via email

- What verification level is the user?
  - Level 2 or 3 can provide their ID, use "Level 2 Verified" template
- Is their account activated?
  - They will not receive our emails if not activated.
- Is their account locked?
  - Check to see if they are a Naughty Person.
- What form of 2FA is on their login?
  - User may not have any 2FA on login. Tsk tsk.
- Did they recently upgrade their 2FA?
  - User may say they are no longer receiving 2FA emails, but they may have just upgraded to AuthApp.
- Are there incorrect password login attempts?
  - Provide the "Password Resetting" template as well as "Verification for reset".
- Have they logged in after sending the email?
  - Ask if they still need help with their 2FA.
- Is this a new account with one or two logins, and no balances?
  - If Auth App, ask them to provide some information, reset if they say account is empty. If Pin Code, reset 2FA and provide Empty Account Pin template reply.

### **2FA reset via ticket**

1. Service Now 2FA reset protocol – reply to user, and mark ticket for follow up in 24 hours.

#### **Emails**

1. Only reset through a ticket (*exceptions seen later in document*)
2. Check their new email is not in use.
3. Check whether they have Email Code as 2FA (*this will need to be reset after their email is changed*)
4. ServiceNow reset protocol – reply to ticket and email old address and new address and mark the ticket for follow up in 24 hours.

## Incoming Emails

### **PLEASE CHECK TO SEE IF THE USER IS LOCKED BEFORE 2FA RESETTING.**

If a user's address can't be found in an Admintopia search, replace the @emailservice.com with a \* for a wildcard search, and make sure there is no space before the start of the email address in the user admin box.

@googlemail.com is the same as @gmail.com. @icloud.com is the same as @me.com – If in doubt, google to see if an address has multiple aliases.

Some users have added the +Cryptopia filter to their address. They will not automatically be assigned a ServiceNow contact, and you won't find them unless you remove the @emailservice.com as above.

Users often have the same username at different email providers. Proactively looking can solve the issue without generating more emails back and forth. If they send an email from an unregistered address and are clearly describing an account that exists registered to the same username at another email provider, you can send them a reminder message to their registered email - "Hello my dude, just wanted to remind you that this is the email address you signed up to Cryptopia with." Do not send this email address to the other email enquiry – never release **ANY** user data.

- **Outlook.com** email account appears as "outlook\_[long series of letters and numbers]@outlook.com" in sender email

If you can figure out the email address from the content of the email, send them this link - <https://support.office.com/en-us/article/outlook-com-email-account-appears-as-outlook-long-series-of-letters-and-numbers-outlook-com-in-outlook-for-windows-90ed7938-7f21-4cb5-a69d-a3b79ea4eafd>

You can't reply to the outlook\_23098unjasafd@outlook.com address, it will be undeliverable.

- **Gmail** - You can add '.' to anywhere in the first part of the email address with Gmail and receive emails regardless of the '.', i.e. email address is emailaddress@gmail.com you will receive emails even if they are sent to email.address@gmail.com and vice versa. This means you could sign up to Cryptopia with dots anywhere and not experience problems. Please note that if they email from emailaddress@gmail.com and their registered account is email.address@gmail.com, it is the same email account. A user **cannot** use this feature to register multiple accounts.

## **Exceptions to resetting an email address through an email.**

In Confluence: [Email Templates](#) > [Account Related](#) > [Account recovery](#) > [proven dead email address - READ GENERAL PROCESS](#)

<https://cryptopia.atlassian.net/wiki/spaces/SUP/pages/414875910/Account+recovery+-+proven+dead+email+address+-+READ+GENERAL+PROCESS>

## Email Templates - Account Related - Not receiving automated emails - Spam Report

<https://cryptopia.atlassian.net/wiki/spaces/SUP/pages/442269744/Not+receiving+automated+emails+-+Spam+Report>

As we are not able to remove any spam reports a user may have created, we need them to verify their identity then we can update their email address.

**Rule: We would rather fix the issue rather than change the user's email address.**

If a user is unable to log in, CS must be sure that they have fixed any issue from our end, and that the user has fixed any of their issues.

**If they can log in, they can request an email change through a case/ticket.**

## Investigating an Account

When you get an email, you should always do your due diligence investigating an account.

Check for any other tickets they may have open. Search through their settings, logins, approvals etc.

You want to paint the best and most full picture of what's happening.

## **Cross Examining information provided**

We require at least **THREE** pieces of information.

We at least **ONE** piece of primary information from the user's account. Without this primary information we cannot reset their 2FA:

Trades

Balances

Example: I have 345.00 DOGE or I traded 650.00 ETN for BTC

Additionally, we will need at least **TWO** correct pieces of account activity from the list below.

Deposits

Withdrawals

Wallet address

Payment IDs

Transaction IDs

Login dates

IP address

### Registration date

Instead of one of the second pieces of information they can provide a picture of a valid photo ID, as well as a picture holding the same photo ID with a hand written note saying **\_RANDOMLY\_GENERATED\_PHRASE\_** along with another photo of a proof of address such as a utility bill.

Bear in mind, everything except for **balances** and **trades** is information that can be found elsewhere (transaction IDs and addresses in other exchanges or personal wallets, withdrawal confirmation emails contain all information in them, etc.) so everything except *balances* and *trades* **must** be exact.

**Trades and balances**, the accuracy on these should depend on how long it's been since they've logged in. If it's been months since they've logged in, the margin of error would be bigger.

### Trades acceptance criteria:

- Have the trade pair correct
- Whether it was buy or sell
- Date of trade (if a day off, check user's time zone)
- Rate – reasonably close i.e.  $\pm 5\%$  of X
- Amount – reasonably close i.e.  $\pm 5\%$  of X

### Balances acceptance criteria:

- Currency must be correct
- i.e.  $\pm 5\%$  of X

**If you feel that a user is legitimate, but they don't fit the criteria – you should get a second opinion from your Shift Leader.**

### Automated emails we send from noreply@cryptopia.co.nz:

- **Cryptopia Two-Factor Unlock** – 2FA reset email after reset gets approved
- **Cryptopia Login Confirmation** – Email Code
- **Cryptopia Withdrawal Confirmation** – click on the email activity and it will show you the withdrawal number
- **Cryptopia Failed Login Attempt** – incorrect password/2FA
- **Cryptopia Account Registration Confirmation** – new account registration email.

## Timeouts for Codes and Tokens

**EmailCode** is ~7.5mins (see figure 61)

**Withdrawal Confirmation Email** token = 24hrs

**Registration code** = ~2 days

**Password reset** = ~24hours

However, **withdrawal confirmation email** tokens are invalidated when you login, logout, reset password, lock account, or unlock account. And the token is valid for its corresponding withdrawal only.

So if a user's token is invalid it is likely due to them performing one of the above actions rather than them reaching the timeout.

Email 2FA codes are generated per-user based on the current time.  
They are valid for on average 7.5 minutes from the time of creation.

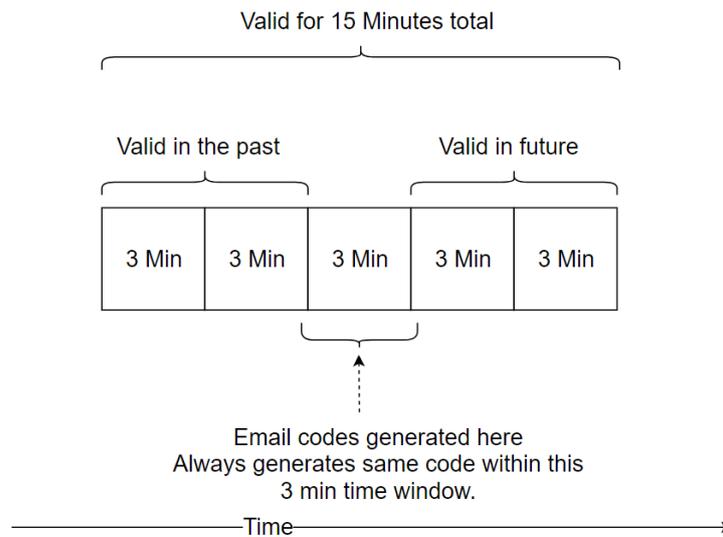


Figure 61 – EmailCode creation and void

# Inbound Social Media Enquiries

## Introduction

Cryptopia receives in-bound messages and direct contact from customers via a number of social media channels. The inbound contacts from users that the Customer Service Team are expected to respond to are:

1. Facebook: Messenger
2. Facebook: Comments in reply to our posts
3. Twitter: Direct Messages
4. Twitter: Replies to our Tweets

## Objectives and Key Performance Indicators (KPIs)

5. Cryptopia to consistently deliver World Class Service
6. Consistent messaging and Brand tone
7. Auto-responses in all channels to set customer expectations
8. First response within 48 hours
9. Resolution (for 90% of cases) within 3 days

## Brand Tone and Characteristics

Cryptopia's vision is for **digital currencies to be used for anything by everyone**. Our mission is to enable the widespread adoption of digital currencies to give people back control of their money through faster, cheaper and more efficient financial services. We aim to utilize Blockchain technology to open the Fintech sector to innovation.

One of the ways we want to differentiate ourselves from our competitors is through always offering our users World Class Service by ensuring we:

1. Treat our customers with respect no matter how big their balance is
2. Are a champion for, and to protect, the small guy
3. Are friendly but professional (conversational tone)
4. Are always well-informed
5. Always go the extra mile in support

## Brand Voice

When responding to messages in public or in private, it is important to remember the guidelines of our brand tone and how we aim to be perceived on social media. All of our responses should be friendly, professional, consistent, and give the impression that we are capable and **we want to resolve their query**.

### **First Person Plural Pronouns**

Always use first-person plural pronouns (we, our, us) to respond- that is, we don't use "I" when replying on behalf of the company. (E.g. We're very sorry to hear this happened to you.) This is especially tempting to do on social media!

### **Non-English Messages**

If you see that a user's Facebook profile indicates they are a speaker of another language, it is preferable to use simple language. If they appear to have difficulty understanding the language used, make it as simple as possible while still being friendly, but do not use Google Translate.

## Dos and Don'ts

Here's a helpful guide as to the dos and don'ts when replying to customer queries received via social:

| Characteristic      | Description  | Do  | Don't  |
|---------------------|--|---|--|
| Passionate          | We're passionate about helping everyone use digital currency for anything.             | <ul style="list-style-type: none"> <li>- Use strong and passionate verbs</li> <li>- Be a champion for the everyman (without singing the downfall of the establishment)</li> </ul> | <ul style="list-style-type: none"> <li>- Be lukewarm, wishy-washy or uncertain</li> <li>- Be passive</li> </ul>  |
| Pioneering          | We're not afraid to innovate and challenge the status quo.                             | <ul style="list-style-type: none"> <li>- Be open to new ideas</li> <li>- Be open and be proud of our new ideas</li> </ul>   | <ul style="list-style-type: none"> <li>- Be pushy or rude or domineering</li> <li>- Ever be disrespectful of someone else's opinion</li> <li>- Be a bully</li> </ul> |
| Quirky / Irreverent | We're reliable as hell but we still like to have fun while we're at it.                | <ul style="list-style-type: none"> <li>- Take our product seriously but not ourselves.</li> <li>- Be playful and interesting and informed.</li> </ul>                             | <ul style="list-style-type: none"> <li>- Be too casual</li> <li>- Be too overly familiar and overstep the professional mark</li> </ul>                               |
| Authentic           | We believe in transparency - not smoke and mirrors. We'll help in whatever way we can. | <ul style="list-style-type: none"> <li>- Be honest use friendly language (but still professional)</li> <li>- Own our mistakes and apologise</li> <li>Stick to our word</li> </ul> | <ul style="list-style-type: none"> <li>- Be abrupt or rude</li> <li>- Overpromise</li> <li>- Oversell</li> </ul>   |

Figure 62 – Dos and Don'ts for responding to customer queries via social media

## Facebook Messenger

### Overview & KPIs

We receive Facebook messages from users, coin developers, marketers, journalists, investors, and more. Our KPIs for responding in this channel are:

1. Respond to all messages within 4 hours
2. Provide Help Centre links where appropriate
3. Use templates where appropriate to reply (these will often need to be slightly tailored)
4. Aim to resolve their issue with the first response (encourage them to lodge a support ticket, escalate their support ticket or answer with a Help Centre article)
5. Keep a clean inbox and ensure you 'Mark As Done' for messages that are resolved
6. Escalate support tickets where appropriate (and advise the customer you are doing so)
7. Assign tricky messages to Cat or marketing where required

### Auto-Responses

When users open a message with our page, they see the message "Welcome to Cryptopia Messages! We aim to respond to all messages within 4 hours. Visit our Help Centre for more assistance <https://support.cryptopia.co.nz/csm>".

We also have an automated reply which you will see- this is "Hi [firstname], thanks for your message! We will respond within 4 hours. If your query is support related, please create a support ticket at <https://support.cryptopia.co.nz> Current support response time is 72 hours."

YOU CAN UPDATE THESE THROUGH THE SETTINGS IF YOU ARE AN ADMIN.

### Templates

We have a number of pre-set templates on our Facebook messenger. They all follow the following template, and most all messages sent from our Facebook account should follow this template:

Hi *[firstname]*,  
Message *(friendly, helpful, comprehensive, etc.)*  
Thanks,  
Cryptopia Team

You can find these templates ('saved replies') here- they automatically input the user's name. You can add relevant templates by clicking 'manage replies' and delete unused ones for ease of access.



## Marking as Done or Follow Up

Once you have finished replying to a message, mark them as done (see figure 63). This puts them in a different folder until the customer replies again.

The other options are to mark a message:

- for follow up (the star next to the tick),
- as unread (the envelope),
- as spam (the exclamation mark)

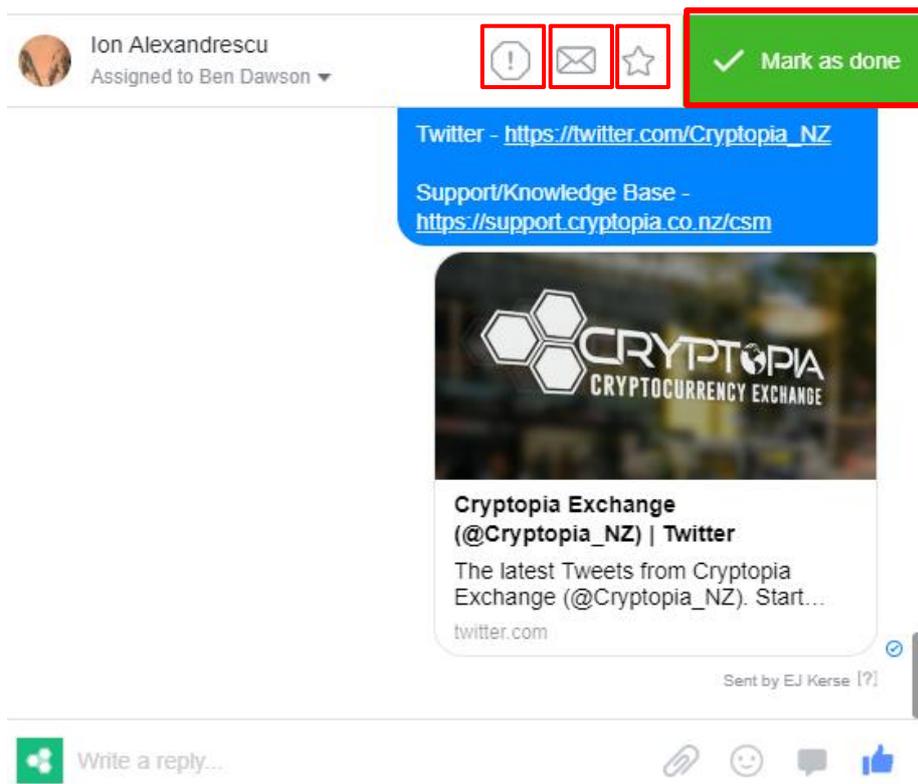


Figure 63 – Marking a message as done

## Assigning

This drop box allows you to assign a message to a member of the team (see figure 64) to escalate or forward to marketing if it's a marketing or media enquiry.

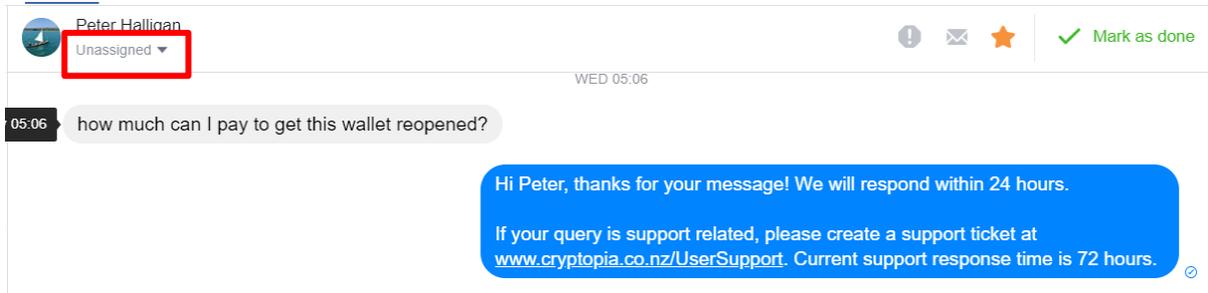


Figure 64 Assigning a message to a member

## Customer information

This section shows whatever information the user allows to be seen publicly (see figure 65).

These labels can be used to categorise users or track current issues, and are visible only to admins. In case these are ever accidentally leaked to the public, we'd prefer to use colours to describe users rather than words.

The notes section can be used to track information about a case between staff.

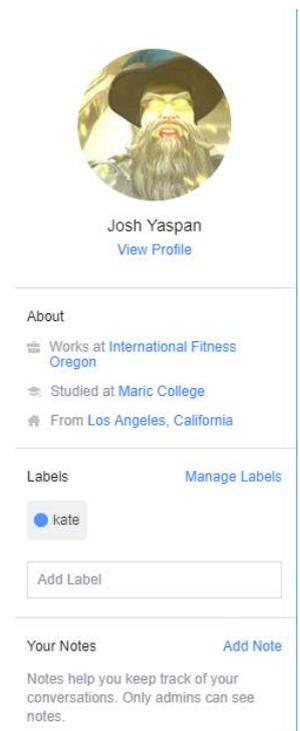


Figure 65 -Labelling customers' current issues

## Security

We can only give certain information to users over Facebook messages for privacy and security reasons. Users will sometimes send screenshots of their account balances, transactions or tickets.

We can we do?

- Tell a user that their ticket has been replied to or escalated
- Explain information that is clear from screenshots or their messages
- Use hypotheticals
- Offer advice on where to get support

What we cannot do:

- Tell someone the contents of a ticket reply
- Tell someone the contents of an account
- Tell someone for sure their account has been compromised
- Give any account information (email, username, locked/unlocked status)

- Offer support
- Give any information on upcoming coin listings
- Correspond with coin developers about the specifics- send them to coinwallets

Users often message when they can't get into their account. Sometimes they have emailed support and sometimes not.

## Known FB Messenger Bugs

It's important to note that there are a few glitches that occasionally affect the interface.

- Not being able to see assigned messages
- Messages including our latest post will randomly send to users (possible hootsuite bug) without prompting
- Messages from before a certain date will not appear – in this case, do a hard refresh. Try to keep a note of when your oldest messages are and be aware if they don't show up when you keep scrolling down.
- Follow up star glitches sometimes and won't appear or won't be un-selectable

Remember to check if a user has private messaged us too, but comment anyway to notify them that we're dealing with it.

## Abusive Messages

If a user is being abusive, it is ok to ignore their messages. If they are angry about something out of our control, there is little that we can say that will calm them down. You can disengage after providing a reasonable reply.

## Facebook Wall Post

### Overview & KPIs

When we post on Facebook, we get comments. These comments could be from users, coin developers, marketers, journalists, investors, and scammers! Our KPIs for responding to wall posts are:

1. Respond to the majority of messages (where we can) with the objective of either:
  - a. General information queries - provide Help Centre links where appropriate
  - b. If the user needs to log a support ticket, ask them to do so
  - c. If the user needs more information, as for them to SEND US A MESSAGE VIA MESSENGER. Ultimately we don't want conversations being had on a public forum and sometimes this information can be sensitive.
  - d. Answer generic questions that won't encourage a reply
2. Use templates where appropriate to reply (these will often need to be slightly tailored)

### Managing replies

It's best to view by Most Recent / Newest (see image below)

Remember to check if a user has private messaged us too, but comment as well to notify them that we're dealing with it.

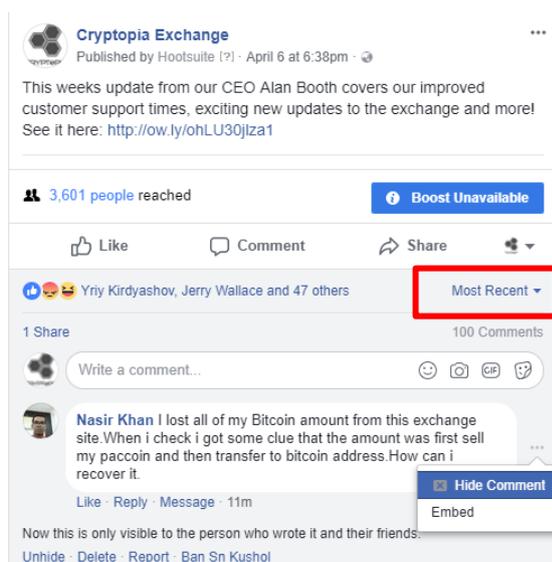


Figure 66 – An example of a Facebook post

You can also monitor new comments on our posts via the comments and more tab on Facebook. This will present a list of the latest comments in the same layout as Messenger conversations. It is helpful for seeing new comments made on very old posts.

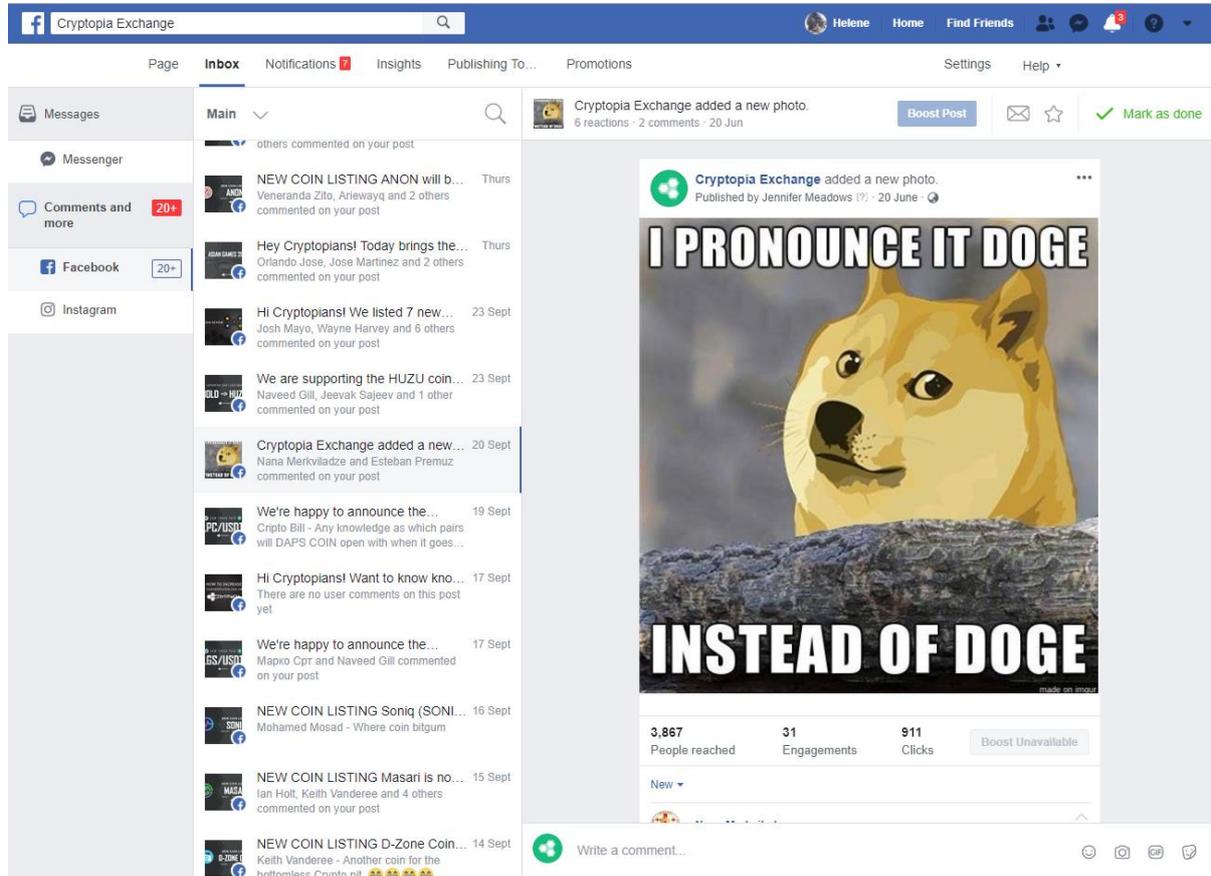


Figure 67 – Comments tab

## Hiding Comments/Banning users

When a commenter is abusive, spamming, or includes sensitive information in their comments, we can hide their comments from the public and ban the commenter if necessary. Banning a user from the page means they can no longer message or comment on our page- if a user is being abusive on messenger, it's good to check if they've commented as well. Only do this in extreme cases as this will send them to the phishing pages- see below.

Do not ban a user just for a negative review or being angry.

When replying to comments, double check you are replying as the company page and not with your personal account.

We have disabled the option for users to make a public post on our Facebook page, so users will continue to comment on week- and month-old posts to get our attention- make sure to monitor these.

## Phishing Pages



Figure 68 – Phishing pages in Facebook

These phishing pages (see figure 68) respond to messages they are sent mostly requesting money to BTC addresses. Otherwise, they will comment on users' comments or posts with a fake help line pretending to be us- when they do this, it is very hard to see the difference on the post. If you see these, delete them and ban them.

We are working on getting verified so we can report them properly.

Cryptopia the community organisation is not an affiliate nor a phishing scam, just a similarly named organisation.

## Extra tips

As this is an instant message platform, users can tend to be more impatient and use strong language, as well as have higher expectations due to the faster response rate. We have templates explaining why we can't help, but after a certain amount of communication, when there isn't anything else to add it is okay to ignore the messages, especially if they are abusive.

Otherwise, take a moment before responding to the message and remember that they aren't criticising you, they are just letting out their frustration. The task here is to manage their expectations – You can't take on their problems or solve every issue via social media.

## Twitter

### Overview & KPIs

When we post on Twitter, we get replies (see figure 69). These replies could be from users, coin developers, marketers, journalists, investors, or scammers! Our KPIs for responding to replies in Twitter are:

1. Respond to the majority of messages (where we can) with the objective of either:
  - a. General information queries - provide Help Centre links where appropriate
  - b. If the user needs to log a support ticket, ask them to do so
  - c. If the user needs more information, as for them to SEND US A MESSAGE VIA DIRECT MESSAGE. We want to encourage users to never share any of their private information on a public forum.
  - d. Answer generic questions that won't encourage a reply
2. Use templates where appropriate to reply (these will often need to be slightly tailored)

We aim to respond to every reply to our tweets.

These are different to retweets and mentions.

On the Twitter interface, they appear under our tweet, which makes it an important place for us to be seen interacting with our users.

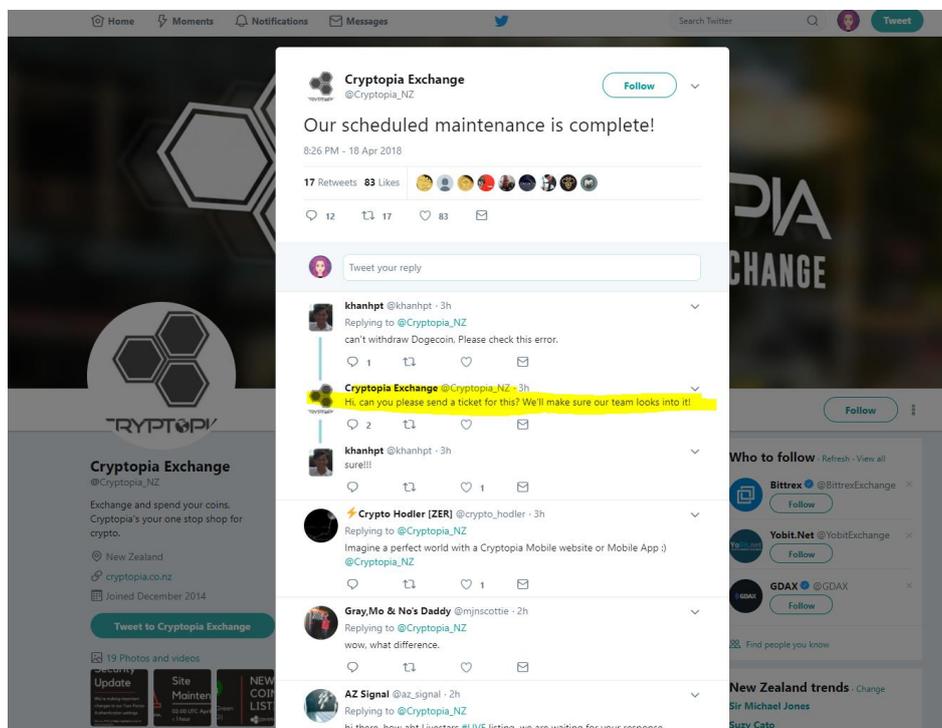


Figure 69 – Picture of twitter

## Tweetdeck – set up and how to use

We use Twitter's monitoring platform Tweetdeck to keep track of replies. For this, you will need to create a Twitter account using your @cryptopia.co.nz email address. Make sure you have 2FA enabled (they use SMS by default). You can do this from your Twitter settings.

First- connect your Twitter account to ours:

1. Send your Twitter handle to the Community Coordinator so we can give you access!
2. Accept the invitation by email, which will take you to tweetdeck.twitter.com where you can accept the request in Accounts → Team Invitations.
3. Make sure this confirmation step is enabled, and have it enabled as your default account.

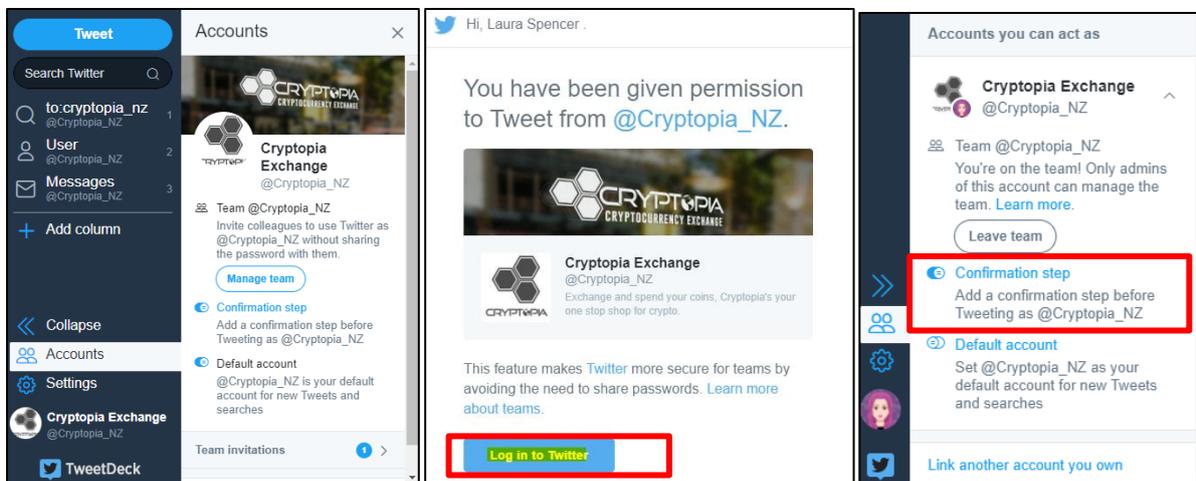


Figure 70 – Tweetdeck set up

Tweetdeck's interface is unique, but it allows you to easily monitor replies to our tweets and send Direct Messages to users. Tweetdeck works in columns. This is the sidebar:

To reply to the user's reply-tweet:

1. Click on any message from the column to view our original tweet:

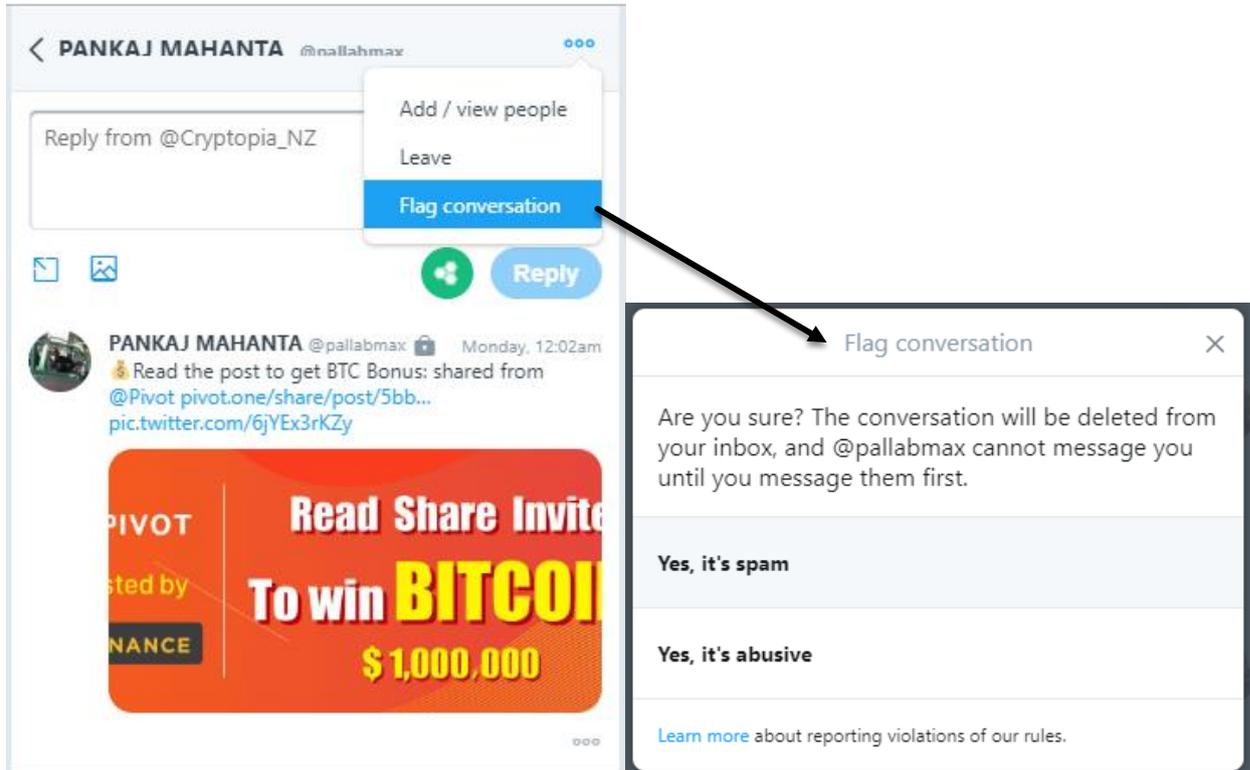
These next two sections – if Cryptopia is set to your default account (the icon indicates the account being used), you can just reply in the column, if not, click the icon circled in red and use the new tweet column to write the reply from the correct account.

The columns you should have set up are

Messages, User @Cryptopia\_NZ, @mentions @Cryptopia\_NZ, search Cryptopia\_NZ, Scheduled



We sometimes receive spam messages in our DMs. We can remove these by flagging the conversation as spam.



## Phishing tweets

Phishing tweets can be identified by checking the user is legit. (see Figure 71)



Figure 71 – phishing tweet

We can report users who are trying to impersonate Cryptopia

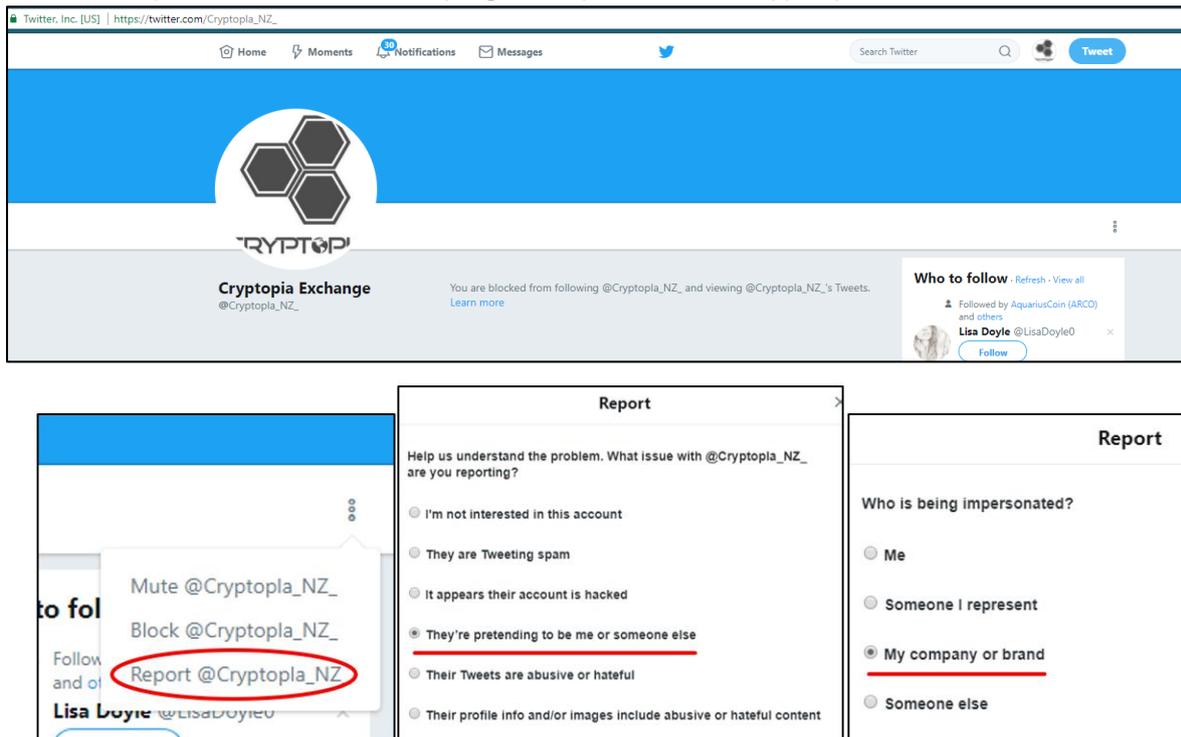


Figure 72 – reporting users on twitter

Once you send this report, an email will arrive to the address entered within a minute. Reply with a brief confirmation of your report, which will generally lead to the account being suspended within 24 hours.

After the report is complete the account will generally be suspended within 24 hours.

# Moderator Guidelines

Cryptopia has Moderators who voluntarily help to ensure users who frequently use the Trollbox, Discord and a number of social media and community channels get the help required. This document outlines the dos and don'ts for all our moderators.

## Dos

- Be reasonable with our users, and use their abilities responsibly
- Moderate the Trollbox
- Ensure all users are following the [Trollbox rules](#).
- Moderators are **not above the rules** and can also be banned.
- Moderators may not ban other Moderators.
- If an Administrator bans a Moderator they must sit out the full duration of the ban and may not unban themselves.
- The first Moderator to respond to a user's question or problem, should be the only Moderator to handle the situation unless they have asked another Moderator to step in or help. This is to avoid miscommunication between users and different Moderators.
- Uphold Cryptopia's [Terms and Conditions](#) to the best of their ability
- Help new users to Cryptopia feel welcome
- Answer questions where you can when they are asked in a reasonable capacity, and direct users to raise [Support Tickets](#) appropriately.
- Promote Cryptopia's [Help Center](#)
- Promote the importance of having good [personal security](#) on their Cryptopia account
- Promote the importance of knowing about [phishing scams](#), and how to prevent them
- [Report abuse](#), and fill in all of the required fields with appropriate information when doing so.
- Communicate with each other and Cryptopia Admin staff
- Remove profane or hateful attacks toward individuals or groups of people
- Remove personal information (when reasonably deemed inappropriate or dangerous)
- Remove any and all scam, spam, or any other material from our forums which goes against our [Terms and Conditions](#), and [report it](#) appropriately.
- Moderation is essentially a volunteer job, those that fail to remain active or abuse their position will be stripped of the role.
- **\*\*ONLY\*\*** post links to Coin discord groups in a support capacity when required. No unsolicited links to anything otherwise.

## **Moderating the Trollbox**

Below is a basic outline of what is expected of moderators in the Trollbox. Please ensure that if you are in the Trollbox, you are also online in the Cryptopia Discord.

Make sure you read and understand the [Trollbox rules](#) and follow them yourselves.

### **Banning with warning:**

You should always try to give the user warning before you take any sort of action, unless they are a repeat offender.

Make sure you state the rule/s they have broken and post a link to the [Trollbox rules](#) in the ban message. Update the 'Chat Bans' channel in Discord with the ban reason, user banned, and duration of the ban.

### **Trollbox Ban Protocols:**

10 minute warning for minor offences – Check rules timeout, 600 seconds

- First Offense: 86400 Seconds (1 Day)
- Second Offense: 864000 Seconds (10 Days)
- Third/Final Offense (or specific bad cases): 99999999 Seconds ("Life")

You can only ban a user without warning for the following reasons:

- Excessive and or deliberate link flooding in Trollbox.
- A user that repeatedly breaks the same rules.

### **Do Not's**

- Ban or request a ban without evidence of a user breaking a specific guideline
- Delete threads or discussions based on personal views or dislikes
- Speak "for" Cryptopia without confirming information about to be released
- Create additional Cryptopia materials, rules, or branded content, without first consulting admin staff or getting approval from management.
- Publish correspondence, images, resources, etc. before obtaining permission from all involved—community members and/or staff
- Post links to Discord groups
- Ask for payment of any form
- Be a douche
- Break any of the rules outlined for our users
- Promote specific coins via their Username OR Profile picture (Discord, Trollbox etc.)
- Promote ANY coin via Discord, Trollbox etc. (Including our own DOT, CEFS) – we must be completely impartial
- Post unsolicited links to discord groups.

# Trollbox Rules (WIP)

In order to keep our Trollbox a safe place for our community to chat, share ideas and help one another. We want to create a mutually respectful place where everyone can be heard and that is also free from spam.

1. Logging a Support Ticket about someone not liking you in chat or any similar trivial reasons will result in Trollbox Perma-Ban
2. Logging a Support Ticket about getting Banned or PayBanned will result in Trollbox Perma-Ban
3. Logging a Support Ticket about being on someone's ignore list or tip ignore list will result in Trollbox Perma-Ban
4. Logging a Support Ticket complaining that you only made 0.0000xxxx in tips today will result in Trollbox Perma-Ban
5. Please do not use the Trollbox for support requests
6. Do not beg for tips
7. Do not post only emoticons, instead please contribute to the conversation
8. Do not spam links
9. Do not post referral links
10. Personal issues are to be dealt with in private. Don't pollute the Trollbox with disagreements or other personal agendas/conflicts
11. Respect everyone's right to speak in their native language
12. Do not comment on tips, at all. No "Thank you", "you're awesome", "nice rains" or anything of that nature. No "I missed the tip/rain", no "I'm going to tip soon", nothing. Tips happen all day, every day, your thanks are assumed and commenting on tips is spam.
13. Do not use the tip reasons to advertise
14. Do not use your chat handle to advertise
15. Do not use the Trollbox to advertise
16. All links that could be considered Not Safe For Work must be tagged with [NSFW]
17. No advertising your buy or sell orders, or asking people to buy or sell your coins.
18. No commenting on karma: no asking for it, no offering it, no saying thanks for it.
19. No commenting on the rewards you win.
20. These rules are subject to Moderator/Administrator discretion, please respect the Moderator/Administrator's final decision

12 October 2018

**CONFIDENTIAL AND LEGALLY PRIVILEGED**

**BY EMAIL:**

**Attention Tim Brocket**

Cryptopia Limited  
109 Montreal Street  
Sydenham  
**CHRISTCHURCH 8023**

Dear Tim

**Cryptopia Limited: Potential Application of New Zealand Sanctions Regime**

**1. Introduction**

- 1.1 Cryptopia Limited (**Cryptopia**) operates the Cryptopia Exchange Platform (**CEP**) which is an online platform allowing customers to purchase and trade cryptocurrencies for other cryptocurrencies. Historically, Cryptopia was also the issuer of the New Zealand Dollar Token (**NZDT**) and the CEP originally allowed for exchanges into or out of NZDT as a method of conversion to cash. However, we understand that Cryptopia no longer undertakes this activity. Further, the CEP does not currently allow exchange of cryptocurrency for fiat currency.
- 1.2 Cryptopia has recently become aware that it has customers and/or has received fees from countries subject to UN or US sanctions, or otherwise on the FATF blacklist as set out in an email and **attached** spreadsheet sent to us by your compliance consultant, Fiducia.
- 1.3 You have asked us to provide advice on the potential implications under a number of regulatory regimes and agreed that we should prioritise the potential application of New Zealand's sanctions regime.
- 1.4 In particular, this letter addresses:
  - (a) the extent to which the UN sanctions regime, as given effect in New Zealand (**NZ Sanctions Regime**), applies to Cryptopia's customer base;
  - (b) where the NZ Sanctions Regime applies, Cryptopia's obligations and liabilities; and
  - (c) factors that Cryptopia ought to consider in regard to its future business model.
- 1.5 Our advice below is a high level summary only, given the limited time available.
- 1.6 We are to provide separate advice on other regimes such as the Anti-Money Laundering and Countering Finance of Terrorism Act 2009 (**AML/CFT Act**) and Terrorism Suppression Act (**TSA**) in due course). We have also recommended you consider the regimes of other countries, e.g. the United States, which purport to have extraterritorial effect.

**2. Recommendations**

- 2.1 Our practical advice for Cryptopia is as follows:
  - (a) Where the jurisdiction of a customer is not known, either stop dealing with them immediately, or take steps (due diligence) to find out where they are located.

- (b) Where a customer is located in a jurisdiction subject to the NZ Sanctions Regime, take steps (due diligence) to find out whether they are, or are acting on behalf of, a “designated person”, in relation to a “designated activity” (and are, therefore, subject to sanctions).
  - (c) If a customer is subject to sanctions, stop dealing with them immediately and discuss with us whether and/or how to engage with the relevant NZ authorities.
  - (d) If the customer is in a jurisdiction subject to the NZ Sanctions Regime but not themselves subject to a specific sanction, you should make a commercial decision, having regard to the risk involved, as to whether to continue dealing with them.
  - (e) If a customer is in or from The Islamic Republic of Iran (**Iran**), even if not subject to the NZ Sanctions Regime, we recommend extreme caution, because of the risk of the United States’ unilateral sanctions regime – as discussed below.
  - (f) If a customer is in or from the Democratic People’s Republic of Korea (**North Korea**), given the very broad terms of the sanctions, stop dealing with them immediately, and discuss with us whether and/or how to engage with the relevant NZ authorities.
- 2.2 In overview, while some types of transaction with persons from NZ Sanctions Regime jurisdictions may not necessarily be prohibited by the Sanctions Regulations, distinguishing permitted dealings is complex, fraught with risk, and therefore may not be commercially practicable. Further, while we will advise separately on the AML/CFT Act and other regimes, it is likely that NZ Sanctions Regime jurisdictions will also be regarded as high risk for AML/CFT Act purposes, and therefore enhanced customer due diligence and activity monitoring may be appropriate.

### 3. Overview of NZ Sanctions Regime

- 3.1 New Zealand does not have an autonomous sanctions regime. Instead, New Zealand’s Sanctions Regime operates under the United Nations Act 1946 (**UN Act**). That Act allows the Governor General to make regulations (**Sanctions Regulations**) to enable New Zealand to fulfil its obligations under Article 41 of the Charter of the United Nations to implement measures contained in United Nations Security Council Resolutions (**SCR**).
- 3.2 Breaches of the UN Act and Sanctions Regulations can have serious consequences. An individual may be liable for imprisonment for a term not exceeding 12 months, or a fine not exceeding NZ\$10,000. In the case of a company, fines must not exceed NZ\$100,000. Multiple breaches may result in cumulative fines.
- 3.3 If Cryptopia’s activities fall within the scope of a prohibition, the size or volume of the transactions are immaterial to liability. The factor might be considered in assessing the quantum of penalty. However, case law has shown that even transactions valued at \$6,700 have been subject to penalties of over \$70,000 (i.e. over 10 times).
- 3.4 The UN Act, does not provide for compulsory self-reporting of breaches. Accordingly, as we will discuss below, in the event of a breach, Cryptopia will need to decide whether and how to engage with the relevant government agencies.
- 3.5 In general, the UN Sanctions Regime (and as a result, the NZ Sanctions Regime) is targeted and does not provide for blanket sanctions. They typically address dealings with designated persons or members of designated organisations of particular types. In the balance of this advice, we will address:
- (a) in section 4 below, the NZ Sanctions Regime as it applies to jurisdictions other than those named below;
  - (b) in section 5 below, Iran, because in addition to the NZ Sanctions Regime, there are other international implications due to other jurisdictions’ unilateral sanctions regimes; and
  - (c) in section 6 below, North Korea which is subject to much broader sanctions under the NZ Sanctions Regime and the relevant SCRs, than other jurisdictions.

## 5. Customers in relation to jurisdictions other than Iran and North Korea

5.1 The Sanctions Regulations, in respect of each of the jurisdictions, differ in relation to the detail. In order to understand whether Cryptopia's customers or activities are caught under those regimes, we recommend Cryptopia consider carefully each regulation's scope as set out in **Appendix 1**, which contains a table summarising key rules. Examples of the key prohibitions which may be relevant to Cryptopia's business are set out in **Appendix 2**. In general terms, the prohibitions as potentially applicable to Cryptopia have three key elements, as follows:

- (a) for the benefit of designated persons;
- (b) "knowingly";
- (c) dealing with or sending property, assets, money or securities.

### *Transaction for the benefit of a designated person*

5.2 Each Sanctions Regulation refers to either named individuals or members of prohibited organisations.

5.3 Cryptopia's first port of call should be to examine whether any of its customers appear on the sanctions list. A list of sanctioned persons and entities is available below:

<https://www.un.org/sc/suborg/en/sanctions/un-sc-consolidated-list>

5.4 If any customers match, Cryptopia should immediately contact us for further information on how to proceed.

### *What level of knowledge is required to act "knowingly"?*

5.5 The threshold of acting "knowingly" applies to each of the relevant Sanctions Regulations. This means the Sanctions Regulations are likely to apply if a person acts either:

- (a) with actual knowledge of the relevant matters; or
- (b) recklessly as to whether or not the relevant matters exist.

5.6 In the only case of a prosecution under the UN Act<sup>1</sup>, the Court considered as reckless an exporter who had failed to make the enquiries that a prudent exporter would have undertaken before dealing with a person from the relevant jurisdiction.

5.7 The Court considered that there was an obligation on all exporters to be aware of the detail of the relevant Sanctions Regulations to ensure that they did not inadvertently commit an offence even for what might appear to be a relatively innocuous or inexpensive transaction, but which had the potential to cause significant reputational damage to New Zealand.

5.8 We understand that Cryptopia is not aware that any of its transactions have been with customers on the sanctions list. However, failing to take the steps that a prudent person in its business would take to ascertain whom it is dealing with and for what purposes may be considered to be reckless.

5.9 In our view, it is likely a Court (or a regulator) would take the view that, whether or not the AML/CFT Act regime technically applies, given the nature of and inherent risks in Cryptopia's business, a prudent person would apply due diligence to a level equivalent to the required level under the AML/CFT Act before onboarding customers.

5.10 It follows that, if it turns out that Cryptopia has been dealing with designated persons in relation to restricted transactions under the NZ Sanctions Regime, there is a high degree of risk that Cryptopia could be found to have been reckless and liable for breaches of the Sanctions

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<sup>1</sup> *New Zealand Customs Service v Pacific Aerospace* [2018] NZDC 5034.

Regulations, even though it did not have actual knowledge that it was doing so, if it has not conducted customer due diligence

*Dealing with or sending property, assets, money or securities*

- 5.11 As you will see from Appendix 1, for the most part, the Sanctions Regulations are concerned with specific types of transactions, e.g. the supply of military hardware or software, or nuclear technology. For simplicity, we will assume there is no suggestion of such activities. If there was, we recommend you obtain further advice.
- 5.12 Instead we will focus on whether the various prohibitions on dealing with or sending property, assets, money or securities apply.
- 5.13 The wording of these provisions are similarly structured across the respective Sanctions Regulations, albeit with some minor but potentially important differences (see Appendix 2 which shows the different provisions and note the footnotes referencing for which country each applies).
- 5.14 "Deal" means "transfer, pay for, sell, assign, dispose of, or otherwise deal with" and "Send" means "send, transfer, or deliver, or... cause to be sent, transferred, or delivered". Both can be completed "directly" or "indirectly". We consider that these meanings are broad enough to catch transactions through the CEP where one crypto-currency is exchanged for another, even though it is not possible to convert to NZDT or fiat currency.
- 5.15 All tokens likely meet the definition of property, or assets, or securities.
- (a) Where the Sanctions Regulations refer to 'property', it is given a broad meaning. Property means everything that is capable of being owned, whether it is (i) real or personal property, (ii) tangible or intangible property, or (iii) inside or outside New Zealand, and includes a legal or an equitable estate or interest in property. This provides a catch-all definition that would naturally include tokens.
  - (b) Where the Sanctions Regulations refer to 'securities', the Financial Markets Authority, as noted in their email to Claire by Mark Schroder dated 2 October 2017, takes the position that all cryptocurrencies are securities (even if it is not a 'financial product'). We consider this is correct as the definition of 'security' under the Financial Markets Conduct Act 2013 is likely broad enough to cover all token classes.
  - (c) A token is also likely to be an intangible asset. Although asset is not defined, the Court will likely interpret the term (as with the other terms above, too) broadly to give maximum effect to compliance with the UN Sanctions Regime.
- 5.16 It follows that all transactions through CEP will likely satisfy this limb of the relevant Sanctions Regulations.

**6. Customers in relation to Iran**

- 6.1 In general terms, the Sanctions Regulations in relation to Iran are similar to those addressed in section 3 above, see Appendices 1 and 2.
- 6.2 However, there are some additional concerns. The Iran Regulations are more precise and, at regulation 12, provide that "a person must not knowingly engage in a restricted transaction unless the engagement has been approved in advance by the Security Council". "Engage" includes providing financial services. A "restricted transaction" relates to uranium mining or nuclear materials, so that the provision of financial services (including value transfer services e.g. a cryptocurrency exchange) in relation to uranium mining or nuclear materials would be caught.
- 6.3 As above, Cryptopia should take care not to be involved in a transaction if either it has actual knowledge or may be considered to be reckless – i.e. has not made the enquiries that a prudent person would have made – if the customer and transaction are in fact subject to sanctions under the NZ Sanctions Regime.

- 6.4 In addition to the NZ Sanctions Regime, we also refer you to the NZ Ministry of Foreign Affairs and Trade (**MFAT**) website here: <https://www.mfat.govt.nz/en/countries-and-regions/middle-east/iran/doing-business-with-iran/> .
- 6.5 As MFAT say, other countries also have unilateral sanctions in place against Iran, including, in particular, the United States. The United States has reinstated unilateral sanctions against Iran and some of the United States' sanctions may have extra-territorial effect, meaning they can, as a matter of US law, apply to people and companies outside the United States. The United States government has threatened that anyone who does business with Iran may be prevented from doing business with the United States.

## 7. **Customers in relation to North Korea**

7.1 In regards to North Korea particularly, regulation 43 of the United Nations Sanctions (Democratic People's Republic of Korea) Regulations 2017 also creates prohibitions relating to financial services, as defined by section 5(1) of the Financial Service Providers (Registration and Dispute Resolution) Act 2008(See **Appendix 3**).

7.2 The relevant prohibitions are addressed below:

- (a) A person must not provide any financial service to a financial service provider established in North Korea or incorporated or established by a beneficial owner in North Korea, knowing that the provider is incorporated or established in North Korea or for such a beneficial owner.<sup>2</sup>
- (b) A person that provides any financial service to any person or entity in North Korea must stop providing the financial service if the person has reasonable grounds to believe that the financial service could contribute to North Korea's nuclear, ballistic missile, or WMD programmes, or other activities prohibited by these regulations.<sup>3</sup>
- (c) A person must not provide financial services to any other person knowing that the financial services are intended to be used for trade with North Korea.<sup>4</sup>
- (d) A person must not send or deal with property that is owned or controlled, directly or indirectly, by the Government of the DPRK or the Workers' Party of Korea and those determined by the Secretary of Foreign Affairs and Trade (*in addition* to simply designated persons) where the property or dealing could contribute to prohibited activities.<sup>5</sup>

7.3 We consider that Cryptopia is providing a financial service and has accepted this by registering as a financial service provider.

7.4 Regarding dealing with property, the increased breadth of the prohibitions and, particularly, the strict control of the North Korean regime means that the chance that the Government of DPRK is, in the least, indirectly controlling property creates a higher risk that Cryptopia's transactions fall within the scope of dealing or sending property to a prohibited person.

7.5 The same knowledge requirements as described above beginning at paragraph 4.5 apply, but we note that because of the broader nature of the North Korea Regulations, Cryptopia's failure to enquire may more easily be described as reckless.

## 8. **Concluding comments**

8.1 The application of the NZ Sanctions Regime and its interrelationship with the AML/CFT Act and other regimes is complex. Further, there are sensitivities around interaction with regulators and

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<sup>2</sup> North Korea Regulations, reg 43(3)

<sup>3</sup> North Korea Regulations, reg 43(4)

<sup>4</sup> North Korea Regulations, reg 43(5)

<sup>5</sup> North Korea Regulations, regs 44 and 45.

reputational risk. Accordingly, we suggest it may be best to meet to discuss (either in person or by telephone) next steps including:

- (a) what engagement if any to have with regulators and if so which ones; and
- (b) communications with customers.

8.2 We look forward to speaking with you.

Yours faithfully

**MinterEllisonRuddWatts**

Lloyd Kavanagh  
Chair

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enclosure

## Appendix 1 – Table of Sanctions Regulations

| Country                          | Regulation   | SCR giving effect to  | Designated/Specified Entities/Persons  | Prohibited Areas (See Appendices 2 and 3 for relevant provisions)   |
|----------------------------------|--|---|--|---|
| Afghanistan                      | <a href="#">(Al-Qaida and Taliban) 2007</a>  | 1267 (1999),<br>1333 (2000),<br>1390 (2002)   | <ul style="list-style-type: none"> <li>• Usama bin Laden</li> <li>• an Al-Qaida entity</li> <li>• the Taliban</li> <li>• a Taliban entity</li> </ul>   | <ul style="list-style-type: none"> <li>• Exportation of arms</li> <li>• Transactions in relation to dealing in arms</li> <li>• Carriage of arms</li> <li>• Provision of technical assistance or training relating to arms</li> <li>• Entry of certain persons into New Zealand</li> </ul>   |
| Democratic Republic of the Congo | <a href="#">(Democratic Republic of the Congo) 2004</a>                              | 1493 (2003),<br>1552 (2004),  | <ul style="list-style-type: none"> <li>• Any person designated under: <ul style="list-style-type: none"> <li>○ paragraph 13 of SCR 1596 (Unclear who is designated, apparently extends to all 'recipients in DRC, but for limited aspects?')</li> <li>○ paragraph 2 of SCR 1649</li> <li>○ paragraph 13 of SCR 1807</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>• Exportation of arms</li> <li>• Dealing with arms</li> <li>• Carriage of arms</li> <li>• <b>Provision of assistance, advice, or training relating to military activities (reg 12)</b> <ul style="list-style-type: none"> <li>○ Includes 'financial services'</li> </ul> </li> <li>• <b>Dealing in assets, money or securities of, or derived from property of, designated persons (regs 12A to 12C)</b></li> <li>• Entry and exit of designated persons</li> </ul>      |
| North Korea                      | <a href="#">(Democratic People's Republic of Korea) 2017 (to be amended in 2018)</a> | 1718 (2006),<br>1874 (2009),<br>2087 (2013),<br>2094 (2013),<br>2270 (2016),<br>2321 (2016),<br>2356 (2017),<br>2371 (2017),<br>2375 (2017),<br>2397 (2017) | <ul style="list-style-type: none"> <li>• An individual designed by: <ul style="list-style-type: none"> <li>○ Para 8(d) or (e) of resolution 1718 (2006)</li> <li>○ Annex I of resolution 2087 (2013):</li> <li>○ Annex I of resolution 2094 (2013):</li> <li>○ Annex I of resolution 2270 (2016):</li> <li>○ Annex I of resolution 2321 (2016):</li> <li>○ Annex I of resolution 2356 (2017):</li> <li>○ Annex I of resolution 2371 (2017):</li> <li>○ Annex I of resolution 2375 (2017):</li> <li>○ Annex I of resolution 2397 (2017):</li> </ul> </li> <li>• An entity designated under: <ul style="list-style-type: none"> <li>○ Para 8(d) of resolution 1718 (2006)</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Exportation and importation of arms</li> <li>• Dealing or Exportation of 'restricted export goods' (essentially raw materials or equipment)</li> <li>• Dealing or Importation of restricted import goods</li> <li>• Joint ventures</li> <li>• Activities relating to ships and aircraft</li> <li>• <b>Financial Services</b></li> <li>• <b>Dealing with property of designated persons, DPRK and others</b></li> <li>• Entry and exit of designated persons</li> </ul> |

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|               |  |   |  |   |
|---------------|--|---|--|---|
|               |  |   | <ul style="list-style-type: none"> <li>○ Annex II of the above resolutions</li> <li>• An individual or entity that the Secretary determines is acting on behalf of a designated person, assisting the evasion of measures contained in the resolutions, or violating the provisions of the resolutions</li> <li>• An individual the Secretary determines meets the description in para 8 of SCR 2397 (2017) but not subject to exception.</li> <li>• <b>DPRK</b> (see particular regulations)</li> </ul> |   |
| Guinea-Bissau | <a href="#">(Guinea-Bissau) 2012</a>                           | 2048 (2012)   | <ul style="list-style-type: none"> <li>• An individual listed in the Annex of SCR 2048</li> <li>• An individual designated by the Committee under para 9(b) of SCR 2048</li> </ul>   | <ul style="list-style-type: none"> <li>• Entry into New Zealand</li> </ul>  |
| Iran          | <a href="#">(Iran—Joint Comprehensive Plan of Action) 2016</a> | 2231 (2015)   | <ul style="list-style-type: none"> <li>• An individual or entity designated by or under para 6(c) of Annex B to resolution 2231</li> <li>• <b>Iran</b> (in certain circumstances, see particular regulations)</li> </ul>   | <ul style="list-style-type: none"> <li>• Nuclear-related material, equipment or tech to Iran</li> <li>• Investment to Iran – Restricted transactions (clause 12) <ul style="list-style-type: none"> <li>○ Must not knowingly engage in a restricted transaction. This is a financial transaction of any kind that related to uranium mining, or nuclear tech</li> <li>○ <b>Engage includes provide financial services in connection with transaction</b></li> </ul> </li> <li>• Ballistic Missile dealing, assistance and training</li> <li>• Exportation, importation and dealing of military equipment and arms</li> <li>• <b>Dealing with property of designated persons (regs 29—30)</b></li> </ul> |
| Mali          | <a href="#">(Mali) 2018</a>                                    | 2374 (2017)   | <ul style="list-style-type: none"> <li>• An individual or entity designated by the Committee or Security Council to whom or to which measures in res 2374 apply</li> </ul>   | <ul style="list-style-type: none"> <li>• Entry and transit of designated persons</li> <li>• <b>Dealing with or sending property of designated persons or their agents (regs 5—6)</b></li> </ul>   |
| Somalia       | <a href="#">(Somalia) 2018</a>                                 | No specific Resolution. Depends on particular regulation: 751 (1992), | <ul style="list-style-type: none"> <li>• An individual or entity designated by the Committee or Security Council as— <ul style="list-style-type: none"> <li>○ A person to whom or which arms embargo measures set out in resolutions 1844, 2111, 2142, and 2182 apply</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>• Exporting/dealing with arms to designated person or Somalia</li> <li>• Charcoal</li> <li>• <b>Dealing with Property of designated persons (regs 17—18)</b></li> </ul>  |

|             |                                    |   |  |  |
|-------------|------------------------------------|---|--|--|
|             |                                    | 1844 (2008),<br>2111 (2013),<br>2142 (2014),<br>2182 (2014)   | <ul style="list-style-type: none"> <li>○ ... asset freeze measures in 1844 and 2182 apply</li> <li>○ ... travel ban under 1844 apply</li> <li>● <b>Somalia</b> (in some circumstances)</li> </ul>  |  |
| South Sudan | <a href="#">(South Sudan) 2015</a> | 2206 (2015)   | <ul style="list-style-type: none"> <li>● an individual or entity designated by the Committee or the Security Council of the United Nations as one to whom or to which the measures set out in resolution 2206 apply</li> </ul>   | <ul style="list-style-type: none"> <li>● Entry and transit of designated persons</li> <li>● <b>Dealing with Property of designated persons (regs 5—6)</b></li> </ul>   |
| Sudan       | <a href="#">(Sudan) 2004</a>       | 1556 (2004)   | <ul style="list-style-type: none"> <li>● persons or entities designated by the Committee in accordance with paragraph 3(c) of resolution 1591 (2005) of the Security Council of the United Nations</li> <li>● <b>Sudan</b> (in some circumstances)</li> </ul>  | <ul style="list-style-type: none"> <li>● Exportation of arms to Sudan</li> <li>● Transactions with persons in Sudan in relation to arms</li> <li>● Technical training or assistance relating to arms</li> <li>● <b>Knowingly transfer, pay for, sell, assign, dispose of, or otherwise deal with any asset, money, or security pf a designated person (reg 13A)</b></li> <li>● <b>Send funds to designated person (reg 13B)</b></li> <li>● Entry and exit of designated</li> </ul> |
| Yemen       | <a href="#">(Yemen) 2014</a>       | 2140 (2014)   | <ul style="list-style-type: none"> <li>● an individual or entity designated by the Committee or Security Council as one to whom or to which the measures set out in the relevant resolution apply</li> </ul>   | <ul style="list-style-type: none"> <li>● Exportation of/dealing with arms to designated person</li> <li>● Training and assistance</li> <li>● <b>Dealing with property of designated persons (reg 5)</b></li> <li>● <b>Send funds to designated persons (reg 6)</b></li> </ul>  |
| Libya       | <a href="#">(Libya) 2018</a>       | No specific Resolution. Depends on particular regulation: 1970 (2011), 1973 (2011), 2009 (2011), 2146 (2014), 2174 (2014), 2213 (2015), 2362 (2017) | <ul style="list-style-type: none"> <li>● an individual or entity specified by resolution 1970, or designated or determined by the Security Council or the Committee in accordance with that resolution or resolution 1973, 2009, 2174, or 2213 as— <ul style="list-style-type: none"> <li>○ a person to whom or to which asset freeze measures set out in any of those resolutions apply; or</li> <li>○ an individual to whom travel ban measures set out in any of those resolutions apply</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>● Arms to Libya</li> <li>● Petroleum <ul style="list-style-type: none"> <li>○ Financial transactions relating to petroleum</li> </ul> </li> <li>● Aircraft carrying prohibited items</li> <li>● <b>Dealing with property of designated persons (regs 19 to 20)</b></li> </ul>   |

## Appendix 2 – Relevant prohibitions for other jurisdictions (other than North Korea)

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### **Prohibition on dealings in assets, money, or securities of, or derived from property of, designated persons<sup>6</sup>**

- (1) No person may knowingly transfer, pay for, sell, assign, dispose of, or otherwise deal with any asset, money, or security—
  - (a) that is owned or controlled, directly or indirectly, by a designated person or a person or entity acting on behalf, or at the direction, of a designated person; and
  - (b) that is located in New Zealand.

### **Prohibition on sending funds, etc, to designated persons<sup>7</sup>**

- (1) No person in New Zealand, and no New Zealand citizen in any place outside New Zealand, may knowingly send, transfer, or deliver, or knowingly cause to be sent, transferred, or delivered, whether directly or indirectly, any asset, money, or security—
  - (a) to a designated person or a person or entity acting on behalf, or at the direction, of a designated person; or
  - (b) for the benefit of a designated person or a person or entity acting on behalf, or at the direction, of a designated person.

### **Prohibition on sending any property to designated persons<sup>8</sup>**

- (1) No person in New Zealand, and no New Zealand citizen outside New Zealand, may knowingly send, transfer, or deliver, or knowingly cause to be sent, transferred, or delivered, whether directly or indirectly, any property—
  - (a) to a designated person; or
  - (b) for the benefit of a designated person

### **Prohibition on dealing with property of designated persons<sup>9</sup>**

- (1) A person must not transfer, sell, assign, dispose of, pay for, or otherwise deal with any property located in New Zealand knowing that the property is owned or controlled, directly or indirectly, by—
  - (a) a designated person; or
  - (b) an agent of a designated person.

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<sup>6</sup> DRC Regulations 2004, reg 12A; Sudan Regulations 2004, reg 13A.

<sup>7</sup> DRC Regulations 2004, reg 12B; Sudan Regulations 2004, reg 13B.

<sup>8</sup> Iran Regulations 2016, reg 29; Mali Regulations 2018, reg 6; Somalia Regulations 2018, reg 18; South Sudan Regulations 2015, reg 6; Yemen Regulations 2005, reg 6; Libya Regulations 2018, reg 20.

<sup>9</sup> Iran Regulations 2016, reg 30; Mali Regulations 2018, reg 5; Somalia Regulations 2018, reg 17; South Sudan Regulations 2015, reg 5; Yemen Regulations 2005, reg 5; Libya Regulations 2018, reg 19.

## Appendix 3 – Relevant prohibitions for North Korea

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### **Prohibitions in relation to financial services<sup>10</sup>**

- (1) A person must not establish a place of business or subsidiary in New Zealand knowing that the place of business or subsidiary is a branch or subsidiary of a financial service provider that is incorporated or established in DPRK or that is incorporated or established by a beneficial owner in DPRK.
- (2) A person must not establish a place of business or subsidiary in DPRK knowing that the place of business or subsidiary is a branch or subsidiary of a financial service provider incorporated or established in New Zealand.
- (3) A person must not obtain any financial service from, or provide any financial service to, a financial service provider knowing that the provider is incorporated or established in DPRK or incorporated or established by a beneficial owner in DPRK.
- (4) A person that provides any financial service to any person or entity in DPRK must stop providing the financial service if the person has reasonable grounds to believe that the financial service could contribute to—
  - (a) DPRK's nuclear, ballistic missile, or WMD programmes; or
  - (b) other activities prohibited by these regulations.
- (5) A person must not provide financial services to any other person knowing that the financial services are intended to be used for trade with DPRK unless the provision of financial services has been approved in advance by the Committee.

### **Prohibition on dealing with property of designated persons, DPRK, and others<sup>11</sup>**

- (1) A person must not transfer, sell, assign, dispose of, pay for, or otherwise deal with any property located in New Zealand knowing that—
  - (a) the property is owned or controlled, directly or indirectly, by—
    - (i) a designated person; or
    - (ii) the Government of DPRK or the Workers' Party of Korea; or
    - (iii) a person or an entity that the Secretary has determined is—
      - (A) assisting in the evasion or violation of the measures set out in the resolutions; or
      - (B) associated with DPRK's nuclear or ballistic missile programmes; or
  - (b) the property or the dealing could contribute to—
    - (i) DPRK's nuclear-related, ballistic missile-related, or other WMD-related programmes; or
    - (ii) other activities prohibited by these regulations; or
    - (iii) the evasion of a determination of the Security Council that applies to DPRK and that is made under Article 41 of the Charter of the United Nations

### **Prohibition on sending property to designated persons, DPRK, and others<sup>12</sup>**

- (1) A person must not send, transfer, or deliver any property, or cause any property to be sent, transferred, or delivered, directly or indirectly, knowing that the property is to be sent, transferred, or delivered to or for the benefit of a person or an entity specified [in the regulation above at (1)(a)(i)—(iii)]

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<sup>10</sup> North Korea Regulations 2017, reg 43

<sup>11</sup> North Korea Regulations 2017, reg 44

<sup>12</sup> North Korea Regulations 2017, reg 45

[ ] November 2018

**Attention Tim Brocket**

Cryptopia Limited  
109 Montreal Street  
Sydenham  
**CHRISTCHURCH 8023**

Dear Tim

**Anti-Money Laundering and Countering Financing of Terrorism Regime**

**1. Background**

- 1.1 Cryptopia Limited (**Cryptopia**) has asked us to advise on the application of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (**AML Act**) to Cryptopia's business, in particular, Cryptopia has asked how it may apply in relation to the Cryptopia Exchange Platform (**CEP**), wallets provided in relation to the CEP and cryptocurrencies<sup>1</sup> that Cryptopia itself has issued (i.e. the NZed (**NZDT**) and Cryptopia Fee Shares Token (**CEFS**), together the **Cryptopia Tokens**).
- 1.2 In this letter we consider and advise on the likelihood of the AML Act applying in respect of each of these aspects of the Cryptopia business, and suggest a course of action. This letter consists of a two page summary of our advice and recommended next steps, with the detailed analysis underlying our advice set out from Appendix 1, onwards.

**2. Summary of our advice**

- 2.1 Because of the broad drafting of the legislation, it is impossible to be definitive, but the most likely categories of financial activity that Cryptopia could fall within are:
- (a) offering either a 'value transfer service' or a 'means of payment' through operating the CEP; or
  - (b) 'participating in securities issues and the provision of financial services related to those issues', in relation of the ongoing operation of the Cryptopia Tokens.
- 2.2 If tested in court, in the context of a prosecution by the Department of Internal Affairs (**DIA**) or another AML/CFT supervisor, there is a serious risk that Cryptopia would be found to be a 'reporting entity' and therefore to be in breach of the AML Act. This would be because its activities fall within the definitions of 'financial activities' used in the AML Act. On balance, we would rate this as the most likely outcome.
- 2.3 However, there are strong arguments that we could make to a regulator or government department that each category of financial activity does not apply, for different reasons, in respect of the activities of Cryptopia, and that in the context of a statute that imposes criminal penalties, the definitions should be interpreted narrowly.
- 2.4 There is support for this argument on the basis of guidance from the international anti-money laundering body, the Financial Action Task Force (**FATF**). FATF does not have the power to impose AML laws on jurisdictions, rather its purpose is to make recommendations and provided guidance for implementing AML-related regulatory regimes.

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<sup>1</sup> In this advice we use the terms 'cryptocurrency' and 'token' interchangeably, as having the same meaning.

- 2.5 FATF has undertaken a staged approach to the regulation of cryptocurrencies and related services, and has only recently released a clear recommendation to its member jurisdictions that they should ensure that all cryptocurrencies and related services are captured by local AML laws. It is arguable that, until the New Zealand Government passes legislation to give effect to these recommendations, cryptocurrencies and cryptocurrency service providers are not captured within the New Zealand AML regime. This argument is supported by the approach of comparable jurisdictions to New Zealand, such as Australia and the UK, which have passed regulations to bring cryptocurrencies within their national AML regimes.
- 2.6 This provides a potential window of opportunity for Cryptopia to proactively approach AML regulators as an entity that is currently outside the AML regime, but that wishes to assist with creating a sensible AML regulatory regime for cryptocurrencies in New Zealand. This gives Cryptopia a potential path to compliance without having to admit any historic non-compliance.

### 3. Recommendations

- 3.1 As previously advised, we recommend the following next steps to reduce the risk of adverse regulatory and business consequences in respect of AML Act compliance:
- (a) We will continue to engage on an informal basis to determine the best person at the Ministry of Justice (**MoJ**) with whom Cryptopia should engage;
  - (b) In the meantime, Cryptopia should continue to work with Fiducia to analyse the commercial impacts of the proposed approach and to develop and implement a compliant AML programme. It will be essential for Cryptopia to have prepared a feasible and achievable plan for coming into compliance with the AML regime, before we formally engage with the MoJ; and
  - (c) We will prepare a separate 'advocacy letter' to be sent to the MoJ, outlining Cryptopia's desire for clarity in the application of the AML Act, its willing complier status and its intention to work with the Ministry to develop a sensible legal framework for AML regulation in New Zealand.
- 3.2 Our detailed advice and analysis is attached.

Once you have had a chance to consider the contents of this letter, we would like to discuss next steps.

Yours faithfully  
**MinterEllisonRuddWatts**

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## APPENDIX 1 – DETAILED ADVICE

### 1. Summary of advice

1.1 We have analysed the application of the AML Act to three activities within Cryptopia's business: the CEP, wallets provided by Cryptopia and the Cryptopia Tokens. In addition, we have considered the development of FATF guidance and approach to cryptocurrencies and how this may impact the application of the New Zealand AML regime.

1.2 In summary, our advice is that:

- (a) The application of the AML Act to cryptocurrencies and cryptocurrency service providers is inherently uncertain, due to the lack of clarity of the legislature in drafting an updating the legislation, and the lack of clear guidance from the AML/CFT supervisors regarding its application to cryptocurrencies.
- (b) However, on balance, activities through the CEP most likely trigger the application of the AML Act through being a 'value transfer service' or 'issuing or managing the means of payment'.
- (c) Unless provided outside of the CEP, Cryptopia's wallets should be seen as an extension of the CEP and therefore as not giving rise to separate AML obligations. However, even considered separately, our view is that on balance the wallets are not 'financial activities' and therefore do not give rise to separate obligations.
- (d) Although there are strong arguments to the contrary, we consider that the Cryptopia Tokens, on balance, give rise to AML obligations for Cryptopia.
- (e) The approach of FATF and the New Zealand legislature to the regulation of cryptocurrencies permits arguments that cryptocurrencies are not covered by the New Zealand AML regime, until explicitly included by regulation. However, on balance, we consider a court would find that cryptocurrencies are subject to the current regime, without the need for further regulation.

1.3 We set this out in more detail below.

### 2. **The application of the AML Act to cryptocurrencies and cryptocurrency service providers is inherently uncertain, due to the lack of clarity of the legislature in drafting an updating the legislation, and the lack of clear guidance from the AML/CFT supervisors regarding its application to cryptocurrencies**

2.1 The AML Act was enacted in 2009 and came into force over the next several years, well before cryptocurrency became popular, or had been considered in detail by any New Zealand regulatory or governmental body. Accordingly, cryptocurrency was not, and still is not, specifically addressed in the AML Act or associated regulations. Further, while several amendments have been made over the years to the AML Act (most recently in 2017), none have addressed cryptocurrencies or the application of the AML Act to them.

2.2 The AML Act applies to 'reporting entities'. A reporting entity includes a 'financial institution'. Relevantly, financial institution includes a person who, in the ordinary course of business, carries on one or more of the specified financial activities. See Appendix 2 for a full list of relevant specified financial activities.

2.3 The key question is whether any of Cryptopia's current business activities fall within the meaning of a financial activity. If any do, and Cryptopia carries these on in the ordinary course of business, then Cryptopia will be a reporting entity and have obligations under the AML Act.

2.4 Note however that the AML Act applies to a reporting entity only to the extent that any activities undertaken by Cryptopia fall within one of the financial activities in the definition of financial institution.<sup>2</sup> For example, the issue of the Cryptopia Tokens might give rise to customer due diligence (CDD) obligations, but not trading through the CEP, if only the Cryptopia Tokens and not

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<sup>2</sup> AML Act, section 6(4)(a).

the trading through the CEP are 'financial activities'.<sup>3</sup> For this reason, it is important to analyse each activity within Cryptopia's business to ascertain which activities may trigger AML obligations, and which activities may not. We carry out this analysis below.

#### How we have interpreted the AML Act

- 2.5 As discussed above, this AML Act does not address cryptocurrencies, and further the AML/CFT supervisors have not expressed clear guidance on cryptocurrencies (regardless, guidance itself would not be binding). Therefore, we have undertaken a legal analysis, as a court would, in assessing the AML Act's meaning and therefore its application.
- 2.6 The meaning of an enactment must be ascertained from its text and in light of its purpose.<sup>4</sup> In determining the purpose, the court must have regard to both the immediate and the general legislative context and may also consider the social, commercial or other objective of the enactment. The ordinary meaning is therefore not definitive.
- 2.7 In the case of the AML Act, an analysis of its purpose will include the purpose in section 3(1)(b) "to maintain and enhance New Zealand's international reputation by adopting, where appropriate in the New Zealand context, recommendations issued by the Financial Action Task Force". FATF guidance and interpretations, although not binding on the New Zealand legislature or courts, are therefore likely to be persuasive for the courts in interpreting the AML Act.
- 2.8 In addition, a further purpose of the AML Act is to "detect and deter money laundering and the financing of terrorism". To the extent that a court heard evidence that trades through Cryptopia either have facilitated, or appear to have facilitated, money laundering or terrorism financing, the court may be inclined to take an approach of interpreting the application of the AML Act broadly to cover Cryptopia's activities. We understand there is likely to be at least some evidence available, to the DIA or another prosecuting body, that could be presented as demonstrating the use of the CEP in the manner. It is difficult to speculate as to the effect this may have on the court, but this is a factor that, if present, would support the court taking a broad interpretation of the legislation.
- 2.9 There is, however, a long standing presumption of the courts that criminal statutes should be interpreted in favour of the individual (called the principle of lenity). However, recent case law and legal commentary has suggested that the principle of lenity no longer holds as strongly as in the past, and that it does not override the need for a purposive interpretation of legislation, even criminal statutes.<sup>5</sup> Nevertheless, we would argue that the principle of lenity does support a narrow interpretation of borderline definitional issues, in particular whether an activity that is not clearly captured within the definition of a 'financial activity' should be covered by the AML Act. This would hold, in particular, where there has been no clear steps taken by the legislature to capture the particular activity, for example by implementing FATF recommendations by way of changes to the law. This is the case in respect of the AML Act.

#### Our advice

- 2.10 Our advice is based on an analysis of the relevant legislative provisions and FATF publications, and our understanding, based on the information provided to us by Cryptopia, of past regulator engagement. A summary of our understanding of regulator engagement is set out at Appendix 3. Do let us know if there is any further relevant information that is not summarised in that Appendix.
- 2.11 In this advice we use the terms 'cryptocurrency' and 'token' interchangeably, as having the same meaning.
- 2.12 We will address the potential application of the AML Act to the CEP at section 3, any wallets managed by Cryptopia at section **Error! Reference source not found.**, and securities such as the NZDT and CEFS to the extent they may involve separate financial activities at section 5.
3. **On balance, activities through the CEP most likely trigger the application of the AML Act through being a 'value transfer service' or 'issuing or managing the means of payment'.**

<sup>3</sup> However, note that our analysis below concludes that both activities are probably 'financial activities' giving rise to AML obligations.

<sup>4</sup> Interpretation Act 1999, section 5(1).

<sup>5</sup> *Tan v Auckland Council* [2015] NZHC 3299 [18 December 2015], at 69, and Carter, *Burrows and Carter Statute Law in New Zealand* at 233-234.

- 3.1 The CEP is an online platform which allows customers to purchase and trade cryptocurrencies for other cryptocurrencies. We understand that the CEP operates as a peer-to-peer exchange, whereby the transfer of tokens is facilitated through Cryptopia's own wallets.
- 3.2 Cryptopia only allows exchanges between cryptocurrencies and these cannot be converted to fiat through the CEP. Cryptopia's purpose for this, including delisting the NZDT, was in part the belief that crypto-to-crypto transactions would not attract AML obligations (see the discussion below). Similarly Cryptopia has removed a marketplace that it previously provided, which allowed users to buy and sell goods and services using cryptocurrency. Because this is the only transaction type available through the CEP at present, this advice only assesses the application of the AML regime on crypto-to-crypto transactions through the CEP.
- 3.3 The 'financial activities' within the definition of 'financial institution' that are most relevant to the CEP are as follows:
- (a) transferring money or value for, or on behalf of, a customer;
  - (b) issuing or managing the means of payment (for example, credit or debit cards, cheques, traveller's cheques, money orders, bankers' drafts, or electronic money);
  - (c) trading for, or on behalf of, a customer in [transferable securities] using the person's account or the customer's account;
  - (d) money or currency changing; and
  - (e) accepting deposits or other repayable funds from the public
- 3.4 We discuss each of these definitions in this section, below.

#### What is a 'security'?

- 3.5 The term 'security' is of particular relevance and it arises in relation to many of the financial activities listed in the AML Act, and therefore the meaning of this term will have important implications as to whether Cryptopia is caught by the AML Act. However, the meaning of 'security' is very unclear in the AML Act.
- 3.6 Parliament chose not to define 'security' within the AML Act, or to cross-reference to any other legislative definitions (with the most obvious at the time of passing the AML Act, being the subsequently repealed Securities Act 1978 (**Securities Act**)). As a result, it is unclear what 'securities' means.
- 3.7 In October 2018, FATF provided guidance on the securities sector<sup>6</sup> (**FATF Securities Sector Guidance**). It said, the term 'securities' is broadly defined for the purpose of the guidance as including, for instance:
- (a) Transferable securities, including equities and bonds or similar debt instruments;
  - (b) Money-market instruments;
  - (c) Investment funds, including units in collective investment undertakings;
  - (d) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields or other derivatives instruments, financial indices or financial measures, which may be settled physically or in cash;
  - (e) Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash;
  - (f) Derivative instruments for the transfer of credit risk;

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<sup>6</sup> Securities Sector; Guidance for a Risk-Based Approach, October 2018.

- (g) Financial contracts for differences; and
- (h) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that are settled in cash, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this section, which have the characteristics of other derivative financial instruments.
- 3.8 The FATF Securities Sector Guidance goes on to say that “the above definition is neither rigid nor exhaustive. Differences exist in legal and regulatory definitions across different jurisdictions and the securities sector continues to evolve constantly with the introduction of new securities products and services. Further, national authorities should have the flexibility to identify providers of securities products and services, which should be subject to AML/CFT obligations, taking into account risk and context and their role in the securities sector... In some countries virtual assets and the associated Initial Coin Offerings (“ICOs”) are recognised as securities (and subject to AML/CFT regimes), whereas other countries have banned them. Some countries are also evaluating the appropriate regulatory framework for these products and services.” Therefore, there is some support for the New Zealand Courts to take a broad approach of the meaning of security, to include non-financial products.
- 3.9 Most cryptocurrencies will not clearly fit within the list of particular securities in the FATF Securities Sector Guidance. Therefore, given this is an inclusive and not exhaustive definition, and given the lack of a definition in the AML Act, the question remains what ‘securities’ means.
- 3.10 Given that Parliament chose not to refer to the Securities Act definition, it is arguable that this definition should not be used to interpret ‘securities’ in the AML Act context. In particular, the Securities Act definition was seen to be wider than some previous common law definitions of ‘securities’ and therefore it may be that the drafters of the AML Act wished to keep to the narrower common law definition.
- 3.11 While there is no single authority for a common law definition of ‘security’, a commonly used definition, drawn from overseas statute, is “any document constituting evidence of title to or interest in the capital, assets, property, profits, earnings or royalties of any person or company”. This is almost identical to the Securities Act definition,<sup>7</sup> without the subsequent list of different types of securities.
- 3.12 Therefore, although there is no express reference to the Securities Act definition of ‘security’, it may be that, in practice, the courts could choose to use the Securities Act definition as an aid to interpretation. This would lead to a wide interpretation of the meaning of the word, which would capture many, if not all, cryptocurrencies.<sup>8</sup>
- 3.13 The FMA has published the following FAQ that indicates that it, an AML/CFT supervisor, considers that the Securities Act definition may have relevance:

***I trade carbon credits for my own account as part of my business. Does this make me a reporting entity under the Act?***

*Carbon credits are not treated as securities for the purposes of the Act. This means that trading carbon credits will not make you a reporting entity under paragraph (vii) of the definition of ‘financial institution’. You could still be a reporting entity if you invest funds in carbon credits on behalf of others or if you manage an individual or collective portfolio of carbon credits. It is also important to distinguish between carbon credits and derivatives linked to carbon credits. If you trade in derivatives linked to carbon credits then you will be a reporting entity under paragraph (vii) of the definition of ‘financial institution’.*

<sup>7</sup> The Securities Act definition of ‘security’ begins with the following: “In this Act, unless the context otherwise requires, the term **security** means any interest or right to participate in any capital, assets, earnings, royalties, or other property of any person; and includes...[followed by a list of different category of securities].”

<sup>8</sup> The Securities Act definition is accepted as being “extremely wide”, see Cooke J in *City Realities Ltd v Securities Commission* [1982] 1 NZLR 74 (CA) at 76 and 77.

- 3.14 Carbon credits were exempted from the Securities Act under section 5(1)(c). It may be that the FMA is relying on this exemption to support its FAQ response. Although it is the courts, and not the AML/CFT supervisors, that ultimately determine the meaning of 'securities', this supports interpretation by reference to the broad Securities Act definition.
- 3.15 However, it is possible to make a contrary argument for a narrow definition of security. The most potentially relevant statutory definition of 'security' under current New Zealand law is the definition in the Financial Markets Conduct Act 2013 (**FMCA**). This is defined broadly to mean "an arrangement or a facility that has, or is intended to have, the effect of a person making an investment or managing a financial risk". Almost anything with an investment value could be a 'security' under this definition, which we consider is inappropriately broad for AML purposes (e.g. it could potentially capture art work, cars, sport memorabilia or any other property that has a monetary value).
- 3.16 Rather, each of the FATF 'securities' examples in paragraph 2.7, would likely be 'financial products' under the FMCA. This could indicate something more than non-financial products as fitting within the residual 'security' category in the FMCA.
- 3.17 In summary, the exact meaning of 'securities' in the AML Act is not clear, and the court would likely struggle with this definition. However, considering the very broad definition in common law and the Securities Act, and the broad definition taken by FATF, we consider it would be prudent to use a broad definition in evaluating the application of the AML Act.

*Transferring money or value for, or on behalf of, a customer*

- 3.18 We consider that the type of financial activity that is most likely to apply in respect of the CEP is 'transferring money or value for, or on behalf of, a customer'. In order to determine if this activity applied, a court would need to interpret the meaning of 'transferring' and 'value'. There is no case law or relevant legal commentary on these points.
- 3.19 Based on ordinary meanings of the words, it would not be controversial to hold that cryptocurrency can and does have a 'value' and that this value is capable of being 'transferred' through the CEP by way of a transfer of cryptocurrency.
- 3.20 The FATF Guidance for a Risked-Based Approach: Money or Value Transfer Services (**MVTS Guidance**), and the **FATF Recommendations**,<sup>9</sup> provide that a "*Money or value transfer services (MVTS)* refers to financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the MVTS provider belongs. Transactions performed by such services can involve one or more intermediaries and a final payment to a third party, and may include any new payment methods." In relation to the CEP, tokens represent a store of value that is transferred to a third party. That is, it is not simply a sale between Cryptopia and the user.
- 3.21 The counter-argument is that cryptocurrency is neither cash, cheque, nor another monetary instrument, and that 'store of value' cannot be interpreted so broadly as to capture any item with value. For example, an online marketplace for art would surely not be considered to be a MVTS, despite art being a potential 'store of value' and the marketplace allowing for the 'transfer' of that store of value.
- 3.22 Further, the purpose and substance of a typical MVTS is to act as a means of 'transferring' something, e.g. a money remittance service. The CEP's purpose and substance is not to be used to 'transfer' cryptocurrencies (although it could, in substance, be used in this manner), but rather as a marketplace for the sale and purchase of cryptocurrencies between customers with Cryptopia acting as an intermediary.<sup>10</sup> In support of this argument, the MVTS Guidance is

<sup>9</sup> <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-RBA-money-value-transfer-services.pdf>, and the Recommendations, here: <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html>

<sup>10</sup> See, however, the amended version of 'transfer' in FATF's recent changes to the FATF Recommendations. This provides for the following broad definition of "transfer" - "In this context of virtual assets, transfer means to conduct a transaction on behalf of another natural or legal person that moves a virtual asset from one virtual asset address or account to another". See: <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/regulation-virtual-assets.html>, and the Recommendations, here: <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html>

generally focussed on typical MVTs, where an agent transfers money on behalf of the customer to another MVT provider who pays-out money to the beneficiary of the transfer (i.e. money remitters or money transfer services). There are no examples of MVTs discussed in the MVT Guidance that are directly analogous to the CEP.

- 3.23 FATF has also published its Guidance for a Risk Based-Approach to Prepaid Cards, Mobile Payments and Internet-Based Payment Services (**IBPS Guidance**). The IBPS Guidance discusses digital wallet and digital currency service providers as Internet-based payment services (which fall within MVTs), and states that these fall within FATF's definition of 'financial institution', by conducting money or value transfer services, or by issuing and managing the means of payment, and therefore should be subject to AML requirements.<sup>11</sup> However, the IBPS Guidance does not definitively include or exclude IBPSs for the AML regulatory regime, rather it provides that countries should ensure that they are subject to AML/CFT measures.<sup>12</sup> See our discussion of the new FATF virtual currency guidance, and other countries' approaches to regulating virtual currencies, in section 6, below.
- 3.24 As a final point, we note that Cryptopia is currently registered on the Financial Service Providers Register (**FSP Register**), under the category of "operating a money or value transfer service", under the Financial Service Providers (Registration and Dispute Resolution) Act 2008 (**FSP Act**). One of the purposes of the FSP Act is to "conform with New Zealand's obligations under the FATF Recommendations"<sup>13</sup>, by establishing a compulsory register of financial service providers. Although not determinative on its own, a court would likely find that the registration of Cryptopia under this category strongly indicates that Cryptopia undertakes the financial activity of "transferring money or value for, or on behalf of, a customer".
- 3.25 In summary, although there are arguments to the contrary, we consider that on balance a court would find that the CEP falls within the definition of transferring money or value for, or on behalf of, a customer:
- Issuing or managing the means of payment (for example, credit or debit cards, cheques, traveller's cheques, money orders, bankers' drafts, or electronic money)*
- 3.26 In an Official Information Act request dated 4 November 2015, the Reserve Bank of New Zealand (**RBNZ**) made a statement that it considers tokens (such as bitcoin) are "payment systems" as they act as a "reliable means of exchange". The RBNZ statement sets out examples where persons are able to buy goods using digital currencies (i.e. tokens). RBNZ then goes on to say that it is not aware of significant digital currency activity at the time of publication (November 2015), but that "crypto-currencies may be relevant in future to AML/CFT work".
- 3.27 FATF has published the IBPS Guidance relating to the AML/CFT (and consequently FSP Act) treatment of tokens. In the IBPS Guidance, FATF sets out that Internet-based payment services, such as persons issuing digital currencies, may either be captured by the regime as money or value transfer services or by issuing a means of payment, depending on the specific nature of their business.<sup>14</sup>
- 3.28 Although Cryptopia is not the "issuer" of the underlying cryptocurrencies traded on the CEP in a traditional sense, based on the IBPS Guidance, parties who act as exchangers/virtual bureau de change by taking money and using it to acquire virtual currencies on behalf of a customer can be *effectively* issuing a means of payment by providing Customers with an entry point to the payment service.
- 3.29 While CEP customers may hold cryptocurrencies for investment purposes, cryptocurrencies still have the potential ability to be used as a means of payment, regardless of the customer's intention. This treatment is consistent with the statements made by RBNZ, as above. Applying this analysis to the CEP means that by operating the CEP, Cryptopia may be 'issuing or managing the

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<sup>11</sup> See IBPS Guidance, page 12: <http://www.fatf-gafi.org/media/fatf/documents/recommendations/Guidance-RBA-NPPS.pdf>

<sup>12</sup> IBPS Guidance, page 36.

<sup>13</sup> FSP Act, section 9(c).

<sup>14</sup> IBPS Guidance, page 12.

means of payment'. This interpretation is supported by the Guidance for a Risk-Based Approach: Virtual Currencies (**VC Guidance**).<sup>15</sup>

- 3.30 While the international materials are helpful background, there are counter-arguments to their applicability:
- (a) it is not clear to us that the plain and ordinary meaning of "issuing" can include passing on a token issued by a third party; and
  - (b) the IBPS Guidance applies in respect of digital currency provides that allow third parties to undertake the exchange of fiat currency for a digital currency (cryptocurrency). Now that the NZDT can no longer be converted, Cryptopia does not allow fiat to cryptocurrency conversion.

- 3.31 Despite these potential counter-arguments, it is our view that on balance a Court would find that the CEP falls within the meaning of "issuing or managing the means of payment".

*Trading for, or on behalf of, a customer in [transferable securities] using the person's account or the customer's account; and*

- 3.32 In our view this category of financial activity is not likely to apply to an exchange such as the CEP, as the exchange is not carrying out trading activities (it is providing the platform for others to carry out those activities).

- 3.33 Further, see our analysis of 'securities' and 'financial products' in paragraphs 2.5 to 3.17, above. The NZDTs are unlikely to be 'securities', and therefore not 'transferable securities'. It is possible that the CEFS could be 'transferable securities'. If that is the case, and the CEP somehow allowed Cryptopia to trade these, then it is possible this category could be triggered.

*Money or currency changing.*

- 3.34 Neither 'money' nor 'currency' are defined in the AML Act. The RBNZ has previously made a statement that such digital currencies are not currencies as they do not have the financial backing of any sovereign state, and there is no government to legislate and enforce their usage.

- 3.35 This also aligns with the most recent FATF guidance which states that "The FATF uses the term "virtual asset" to refer to digital representations of value that can be digitally traded or transferred and can be used for payment or investment purposes, including digital representations of value that function as a medium of exchange, a unit of account, and/or a store of value. The FATF emphasises that virtual assets are distinct from fiat currency (a.k.a. "real currency," "real money," or "national currency"), which is the money of a country that is designated as its legal tender."

- 3.36 Accordingly, because the CEP does not allow the conversion of fiat currency, we consider this definition of financial activity is unlikely to apply in respect of the CEP.

*Accepting deposits or other repayable funds from the public*

- 3.37 The CEP does not accept deposits of fiat currency, but it does accept deposits of cryptocurrency which is held on bare trust for the users. The question is whether this can be said to be repayable funds.

- 3.38 "Funds" is not defined in the AML Act, but is in the FATF Recommendations, as follows:

*The term funds refers to assets of every kind, whether corporeal or incorporeal, tangible or intangible, movable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such assets.*

- 3.39 Given how broad this definition is, it is possible that a Court could find that cryptocurrency means 'funds', and that these are repayable.

<sup>15</sup> See here: <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-RBA-Virtual-Currencies.pdf>, see page 6.

- 3.40 However, in general this category is intended to cover debt securities issuers, i.e. persons that take deposit and provide a corresponding promise to repay. There are other categories that more closely reflect bare trust arrangements, such as ‘safe keeping or administering of cash or liquid securities on behalf of other persons. In our view, this category of financial activity is unlikely to apply to Cryptopia.
4. **Unless provided outside of the CEP, Cryptopia’s wallets should be seen as an extension of the CEP and therefore as not giving rise to separate AML obligations. However, even considered separately, our view is that on balance the wallets are not ‘financial activities’ and therefore do not give rise to separate obligations.**
- 4.1 Upon a customer’s account being opened, a personalised address within a wallet is generated for each cryptocurrency a user deposits, which is linked directly to the user’s account. Cryptopia provides both ‘hot’ and ‘cold’ wallets. The latter provides physical storage to mitigate against the consequences of security breaches.
- 4.2 The Financial Markets Authority (**FMA**) commentary on Cryptocurrency services<sup>16</sup> says in regards to wallets, “if you are a wallet provider storing cryptocurrency or money on behalf of others, and you facilitate exchanges between cryptocurrencies or between money and cryptocurrencies, your services fall within the category of “operating a value transfer service”.”
- 4.3 We consider that for the purposes of the financial activity of ‘transferring value’, the wallets are practically indistinguishable in their treatment from the CEP and the above legal analysis. Therefore, the above analysis in section 3 applies.
- 4.4 However, there are other financial activities that the wallet may additionally fall within including:
- (a) issuing or managing the means of payment (for example, credit or debit cards, cheques, traveller’s cheques, money orders, bankers’ drafts, or electronic money);
  - (b) safe keeping or administering of cash or liquid securities on behalf of other persons; or
  - (c) investing, administering, or managing funds or money on behalf of other persons
- 4.5 Overall, we consider that the AML requirements in respect of Cryptopia’s wallets are accounted for by the CEP analysis in section 3 above. A separate and more in depth enquiry into this service would only be necessary if Cryptopia were to provide wallets outside of the use for the CEP.
- Issuing or managing the means of payment (for example, credit or debit cards, cheques, traveller’s cheques, money orders, bankers’ drafts, or electronic money)*
- 4.6 We do not consider that Cryptopia’s wallets fall within ‘issuing or managing the means of payment’ as they only have use on the CEP and cannot be used for payment to a third party for other goods and services (outside of the exchange of cryptocurrencies on the CEP).
- 4.7 Conversely, to this end, there is an argument that the creation of a wallet to allow the payment and exchange of other tokens on the CEP itself may be enough.
- 4.8 We also consider that the wallet itself is not a ‘means of payment’, rather it simply allows the storage of digital currencies (which may or may not themselves be means of payment).
- Safe keeping or administering of cash or liquid securities on behalf of other persons*
- 4.9 There is potential that Cryptopia’s cold wallets are used for safe keeping and administering of liquid securities by mitigating against harm from attacks. However, it is unclear whether cryptocurrencies are ‘liquid securities’ (cryptocurrencies are not cash as this is defined in the AML Act as physical currency or bearer-negotiable instruments). Given Cryptopia does not allow for conversion into fiat, it is arguable that these the cryptocurrencies stored in wallets are not ‘liquid’.

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<sup>16</sup> <https://fma.govt.nz/compliance/cryptocurrencies/cryptocurrency-services/>

*Investing, administering, or managing funds or money on behalf of other persons*

- 4.10 We do not consider that simply holding tokens in a wallet meets the meaning of administering or managing funds or money. This is because the user ultimately retains full control over the tokens, and the wallet merely facilitates their transactions on the CEP.
5. **Although there are strong arguments to the contrary, we consider that the Cryptopia Tokens, on balance, give rise to AML obligations for Cryptopia.**
- 5.1 Whether or not the CEP attracts AML obligations, Cryptopia has also issued cryptocurrencies (namely, the NZDT and CEFS, together named the Cryptopia Tokens), which could result in Cryptopia's business falling within a category of financial activity, and therefore result in Cryptopia being a reporting entity (independent of whether or not the CEP activities separately make Cryptopia a reporting entity).
- 5.2 In respect of the Cryptopia Tokens, the potentially most relevant categories of financial activities are:
- (a) participating in securities issues and the provision of financial services related to those issues;
  - (b) safe keeping or administering of cash or liquid securities on behalf of other persons;
  - (c) investing, administering, or managing funds or money on behalf of other persons;
  - (d) accepting deposits or other repayable funds from the public; and
  - (e) issuing or managing the means of payment (for example, credit or debit cards, cheques, traveller's cheques, money orders, bankers' drafts, or electronic money).
- 5.3 It is important to remember that in addition to fitting within a category, the definition of 'financial institution' in the AML Act also requires Cryptopia to be doing the relevant 'financial activity' in the ordinary course of business.
- 5.4 There is an argument that since Cryptopia is not currently issuing new tokens that it is no longer caught within some of these financial activities in the ordinary course of business. However;
- (a) to the extent Cryptopia is or was engaged in these activities, it may have been a reporting entity and have had AML obligations during that period, noting, for example, that there are residual NZDTs which remain active and tradable on the exchange; and
  - (b) given Cryptopia, to some extent, still holds convertible deposits and/or administers the Cryptopia Tokens, it might still be undertaking relevant financial activities in the 'ordinary course of business'.

*Participating in securities issues and the provision of financial services related to those issues*

- 5.5 In considering whether this category applies, we must determine whether the Cryptopia Tokens are 'securities' (see our discussion above).
- 5.6 If the courts were to by analogy use the definition of 'financial product' in the FMCA to interpret 'securities', the question arises as to whether either of the Cryptopia Tokens are financial products. In this regard:
- (a) the NZDTs are most likely not financial products, because the underlying property is held on trust for the holder;<sup>17</sup> but
  - (b) because the CEFS confer on the investor an entitlement of a pro rata 4.5% return of profit of the CEP, the CEFS most likely meet the definition of a managed investment products,

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<sup>17</sup> See our correspondence with the FMA on this matter, including our letter to the FMA dated 12 February 2018.

and are therefore a financial product. As noted in previous advice, there are however arguments against this.

- 5.7 Nevertheless, as discussed above we consider that it would be prudent to assume that 'securities' is sufficient broad to capture the Cryptopia Tokens.

Does this category or financial activity apply in respect of either of the Cryptopia Tokens?

- 5.8 If 'security' means financial product in the New Zealand context, because the NZDTs are not financial products, we consider that Cryptopia is not 'participating in securities issues' in respect of the NZDTs. Further, as there is no securities issue, Cryptopia is not likely to be providing financial services in relation to those issues. The CEFS would, however, be financial products.
- 5.9 Despite the preceding paragraph, even if the Cryptopia Tokens were both "securities", they are unlikely to fit within this category of financial activity.
- 5.10 The FMA has issued a relevant Guideline: Issuers of securities and participants in issues, December 2012 (**FMA Guideline**). The FMA Guideline broadly provides that unless a person is a continuous issuer of debt securities or managed investment products, that person will need to have a financial service in addition to being an issuer of a financial product, in order to be captured under this category of financial activity. For example, a one-off equity security issue will not result in the issuer being a 'financial institution', but ongoing retail debt issues might (as the issuer continues to issue in the ordinary course of business).
- 5.11 In the case of the Cryptopia Tokens, we would draw an analogy to a one-off issue of financial products. Provided that Cryptopia is not otherwise providing a financial service in relation to the Cryptopia Tokens, it is not likely that the Cryptopia Tokens themselves result in Cryptopia 'participating in securities issues'.
- 5.12 It should be noted there is a potential counter-argument that the CEFS, in particular, are most likely "managed investment products". In that case, Cryptopia could be argued to be providing an ongoing financial service of managing the CEFS. However, there is no management arrangements in place and no pooling of funds in relation to the CEFS. Therefore, despite the CEFS most likely falling within the managed investment product category of financial product under the FMCA, for AML purposes we see these are more analogous to equity or debt securities, meaning that the FMA Guideline is more likely to apply. This reduces the possibility that Cryptopia will be 'participating in securities issues'.

*Safe keeping or administering of cash or liquid securities*

- 5.13 Under the AML Act 'cash' means physical currency or bearer bonds. Therefore, Cryptopia will not be safe keeping or administering cash.
- 5.14 See the analysis as to the meaning of 'securities', and the application to the Cryptopia Tokens, in paragraphs 2.5 to 3.17, above. Under the same analysis, the NZDT will not be a 'liquid security', but the CEFS could be.
- 5.15 Regarding the CEFS. Cryptopia does not hold custody of, or administer, the CEFS. We therefore consider that, on balance, Cryptopia would not be keeping or administering liquid securities in relation to the CEFS.

*Investing, administering, or managing funds or money on behalf of other persons*

- 5.16 As discussed in 3.37 above, 'funds' could include cryptocurrency. Therefore, tokens that can be acquired using either fiat currency or other tokens, could be seen to be subject to this definition.
- 5.17 However, in our view, the Cryptopia Tokens do not allow for the management or investment of funds or money paid to acquire them, as in the case of the CEFS, funds cannot be withdrawn, and in the case of the NZDT, there is no management or investment aspect of any fiat contributed. We therefore consider this category of financial activity is unlikely to apply.

*Accepting deposits or other repayable funds from the public*

- 5.18 We consider that the NZDT could possibly fall within this category of financial activity because NZDTs are digital representations of fiat dollars held in the custodial account, on trust for NZDT-holders, who could request their dollars back.
- 5.19 However, this category appears to be intended to cover issuers of debt securities, i.e. where there is a deposit and a corresponding debt to be repaid. As discussed in previous advice, because the NZDT money is held in trust, it is likely that the dollars remain the property of the NZDT-holder, and therefore there is no debtor/creditor relationship. Further, we note that the NZDTs are not currently able to be converted back into fiat (although, Cryptopia have told us that if a customer requested a New Zealand dollar withdrawal, in practice they may permit this). Accordingly, it seems unlikely that this category would apply in the case of the NZDT.
- 5.20 Further, given the CEFS do not promise repayment of any amounts (although they do pay a return), this category would not apply to the CEFS.

*Issuing or managing the means of payment (for example, credit or debit cards, cheques, traveller's cheques, money orders, bankers' drafts, or electronic money)*

- 5.21 We consider that the NZDT may fall within the meaning of issuing or managing the means of payment as issuing the NZDT effectively provides a means of payment by providing customers an entry point to purchase other tokens on the exchange with third parties.
- 5.22 However, there is a counter-argument that means of payment is distinct from virtual currencies and that it only covers legal tender as characterised by the examples given in the limb.

**6. The approach of FATF and the New Zealand legislature to the regulation of cryptocurrencies permits arguments that cryptocurrencies are not covered by the New Zealand AML regime, until explicitly included by regulation. However, on balance, we consider a court would find that cryptocurrencies are subject to the current regime, without the need for further regulation.**

- 6.1 Alongside the technical definitional analysis, above, there is an argument that AML obligations should only apply to cryptocurrency service providers (such as Cryptopia) and to cryptocurrencies, where New Zealand law expressly brings these into the New Zealand AML regime.
- 6.2 Building on the IBPS Guidance discussed above, FATF has also published the VC Guidance. However, the VC Guidance is focussed “on the points of intersection that provide gateways to the regulated financial system, in particular convertible virtual currency exchangers”,<sup>18</sup> i.e. where cryptocurrencies can be converted to fiat currencies. Tokens traded through the CEP, including the Cryptopia Tokens, would meet the definition of a VC in the VC Guidance, but given that Cryptopia does not permit crypto-to-fiat convertibility through the CEP, the VC Guidance would not apply in respect of the CEP (or Cryptopia generally). This is consistent with FATF’s staged approach to the regulation of cryptocurrencies.<sup>19</sup>
- 6.3 Most likely in response to the VC Guidance, other comparable jurisdictions to New Zealand, including Australia, the EU/UK and Singapore have amended their regulations to capture crypto exchanges, but only where these allow for conversion to fiat currencies. This indicates two arguments as to why Cryptopia, up to this point, is not yet subject to the AML Act:
- (a) in comparable jurisdictions, cryptocurrency service providers have only been captured where expressly brought into the regime by relevant regulation; and
  - (b) to date, this has only been in relation to fiat-to-crypto on and off ramps. Where a service provider such as Cryptopia does not offer fiat-to-crypto conversion, it should not be captured.

<sup>18</sup> VC Guidance, pages 3, 6 and 9. This provides that “The risk assessment in the June 2014 VC Report (Appendix A) indicates that at least in the near-term, only convertible VC, which can be used to move value into and out of fiat currencies and the regulated financial system, is likely to present ML/TF risks. Accordingly, under the RBA, countries should focus their AML/CFT efforts on higher-risk convertible VCs.” and “According to this risk assessment, countries should decide to regulate exchanges platforms between convertible virtual currencies and fiat currencies (i.e., convertible virtual currency exchangers).”

<sup>19</sup> See page 3 of the VC Guidance, which describes this staged approach.

- 6.4 On 19 October 2018, FATF released virtual asset amendments to the Recommendations (the **VA Amendments**), which “clarify how the Recommendations apply in the case of financial activities involving virtual assets”. These changes “make clear that jurisdictions should ensure that virtual asset service providers are subject to AML/CFT regulations, for example conducting customer due diligence including ongoing monitoring, record-keeping, and reporting of suspicious transactions. They should be licensed or registered and subject to monitoring to ensure compliance. The FATF will further elaborate on how these requirements should be applied in relation to virtual assets” (we recommend Cryptopia should monitor any such developments).
- 6.5 The VA Amendments inserted the two following definitions into the FATF Recommendations:
- (a) **Virtual Asset** - A virtual asset is a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies, securities and other financial assets that are already covered elsewhere in the FATF Recommendations
  - (b) **Virtual Asset Service Providers** - Virtual asset service provider means any natural or legal person who is not covered elsewhere under the FATF Recommendations, and as a business conducts one or more of the following activities or operations for or on behalf of another natural or legal person:
    - (i) exchange between virtual assets and fiat currencies;
    - (ii) exchange between one or more forms of virtual assets;
    - (iii) transfer of virtual assets. (FATF adds a footnote that ‘in this context of virtual assets, *transfer* means to conduct a transaction on behalf of another’);
    - (iv) safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and
    - (v) participation in and provision of financial services related to an issuer’s offer and/or sale of a virtual asset.
- 6.6 Cryptocurrencies traded through the CEP fall within the new definition of ‘virtual asset’, and Cryptopia will fall within the new definition of ‘virtual asset service provider’ in the amended FATF Recommendations. However, the amended FATF Recommendations do not state which category of financial institution virtual asset service providers will fall into. Rather the VA Amendments state that “The FATF emphasises that jurisdictions have flexibility to decide under which AML/CFT category of regulated activities virtual asset service providers should be regulated, e.g. as financial institutions, DNFBPs, or as another, distinctive category.”<sup>20</sup>
- 6.7 The VA Amendments call upon jurisdictions to “urgently take legal and practical steps to prevent the misuse of virtual assets. This includes assessing and understanding the risks associated with virtual assets in their jurisdictions, applying risk-based AML/CFT regulations to virtual asset service providers and identifying effective systems to conduct risk-based monitoring or supervision of virtual asset service providers”.
- 6.8 The VA Amendments can be seen to either support:
- (a) the proposition that the AML Act does not cover cryptocurrencies or cryptocurrency exchanges, because the New Zealand legislation has not been amended following the recent changes to the FATF Recommendations to stipulate that cryptocurrencies and cryptocurrency service providers are now captured; or
  - (b) an interpretation of the AML Act that includes cryptocurrencies and cryptocurrency exchange services within the existing financial activity categories, on the basis that the courts would interpret the scope of the AML Act in line with the FATF Recommendations, which now include cryptocurrencies and cryptocurrency exchanges.

<sup>20</sup> FATF communication of VA Amendments, see here: <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/regulation-virtual-assets.html>

- 6.9 The proposition in paragraph 6.8(a) is plausible, and this will form the basis for our recommended approach to the MoJ. This proposition is supported by evidence from comparable jurisdictions such as the UK/EU, Australian and Singapore, which all introduced regulatory changes bringing cryptocurrencies and service providers that allowed for fiat-to-cryptocurrency on and off ramps, within their respective AML regimes. This indicates that those countries interpreted the VC Guidance as requiring countries to change their regulations to bring in cryptocurrencies and service providers that allowed fiat on and off ramps. Now that the VA Amendments have been published, these jurisdictions will now need to update their regulations to cover all cryptocurrencies and cryptocurrency service providers. We consider this is a compelling argument to put in an advocacy piece to the MoJ.
- 6.10 However, it remains our view that, on balance, a court would find that the AML Act applies to Cryptopia's current business based on current New Zealand AML law. This is because:
- (a) The VA Amendments state the jurisdictions should be "applying risk-based AML/CFT regulations to virtual asset service providers", without specifying the law changes are required to achieve this. An AML/CFT supervisor in New Zealand could argue that simply applying the definitions is sufficient for cryptocurrencies to come within the New Zealand regime.
  - (b) The FMA (while we consider is not the most appropriate AML/CFT supervisor), AML has stated that it considers all cryptocurrency exchanges to be caught under 'operating a value transfer service'. Therefore, arguably there is already regulatory guidance in the market establishing that cryptocurrency service providers are captured within the existing regime;
  - (c) Unlike some other jurisdictions, New Zealand's AML Act is broadly worded and so there is little restriction (other than the principle of security) on a court providing a wide interpretation to cover cryptocurrencies or cryptocurrency exchanges under the current wording of the AML Act;
  - (d) In its draft risk assessment Cryptopia accepted that cryptocurrencies and cryptocurrency exchanges provide a high risk to money laundering; and
  - (e) Cryptopia is already registered on the FSP Register as 'operating a money or value transfer service'.
- 6.11 Because of the above reasons, we consider that a court would look to use its discretion to interpret the financial activity of 'transferring value' broadly to capture the CEP, in order to give effect to the most recent FATF Recommendations and maximise the efficacy of the AML Act.

## 7. Conclusion and next steps

- 7.1 If Cryptopia is a reporting entity, which we consider on balance it is, it will be required to meet the key obligations under the AML Act. These include initial and ongoing obligations.
- 7.2 Although Cryptopia has made nominal attempts to begin meeting its AML obligations, Cryptopia is almost certainly not in full compliance and in breach, if it is a reporting entity.
- 7.3 In particular, Cryptopia has a significant customer base that includes unidentified and unverified users as well as users from high-risk and sanctioned countries, all of whom would require enhanced customer due diligence if the AML Act is found to apply.
- 7.4 However, if action were to be taken by the DIA (or other body) and breach was found, past interaction with the DIA may be considered as a mitigating factor in relation to the quantum of penalty.
- 7.5 Further, to the extent Cryptopia's main CDD obligations only relate to the Cryptopia Tokens, the scope of potential breaches is much less than if Cryptopia was also required to complete such CDD on all CEP users.

### Next steps

- 7.6 Regardless of potential past breaches, Cryptopia needs to focus on future compliance and steps. Cryptopia has already expressed that it wishes to voluntarily comply with AML obligations in order to attain a brand advantage over its competitors.
- 7.7 To this end, we have suggested an approach to the MoJ to precipitate a discussion of the regulation of cryptocurrencies in New Zealand, to hopefully give Cryptopia guidance and time within which it can become fully AML-compliant. This has been discussed in our separate “Pros and Cons” advice and next steps are covered in our advice at front of this document. We will cover this issue in our advocacy piece we are preparing, for the approach to the MoJ.

## APPENDIX 1

### AML/CFT Act section 5(1)

financial institution—

- (a) means a person who, in the ordinary course of business, carries on 1 or more of the following financial activities:
- (i) accepting deposits or other repayable funds from the public:
  - (ii) lending to or for a customer, including consumer credit, mortgage credit, factoring (with or without recourse), and financing of commercial transactions (including forfeiting):
  - (iii) financial leasing (excluding financial leasing arrangements in relation to consumer products):
  - (iv) transferring money or value for, or on behalf of, a customer:
  - (v) issuing or managing the means of payment (for example, credit or debit cards, cheques, traveller's cheques, money orders, bankers' drafts, or electronic money):
  - (vi) undertaking financial guarantees and commitments:
  - (vii) trading for, or on behalf of, a customer in any of the following using the person's account or the customer's account:
    - (aa) money market instruments (for example, cheques, bills, certificates of deposit, or derivatives):
    - (bb) foreign exchange:
    - (cc) exchange, interest rate, or index instruments:
    - (dd) transferable securities:
    - (ee) commodity futures trading:
  - (viii) participating in securities issues and the provision of financial services related to those issues:
  - (ix) managing individual or collective portfolios:
  - (x) safe keeping or administering of cash or liquid securities on behalf of other persons:
  - (xi) investing, administering, or managing funds or money on behalf of other persons:
  - (xii) issuing, or undertaking liability under, life insurance policies as an insurer:
  - (xiii) money or currency changing; and
- (b) includes a person or class of persons declared by regulations to be a financial institution for the purposes of this Act; but
- (c) excludes a person or class of persons declared by regulations not to be a financial institution for the purposes of this Act

## APPENDIX 2 – SUMMARY OF REGULATOR ENGAGEMENT

### 1. Correspondence with the FMA and the FMA's Position

- 1.1 Claire Piper has provided correspondence which she had with Mark Schroder of the FMA on 18 August 2017 and 12 September 2017. In the latter, the following points were made by Claire in assessing whether the CEP product is a value transfer service:
- (a) It is likely that the CEP may meet the definition of a 'value transfer service' under section 5(1)(f) of the Financial Service Providers Act 2008 (**FSP Act**). However, this was in relation to where the CEP allows for the acceptance or extraction of fiat currency.
  - (b) The AML Act's territorial scope may qualify its application. The AML Act may apply only to the CEP to the extent that New Zealand customers engaged with the NZDT product.
  - (c) In relation to Cryptopia's providing of wallets, they are purely a form of storage and FATF's definition of value transfer service required the receiving and making of a payment which is facilitated by the CEP, not the wallet. Moreover, Cryptopia's wallets do not hold fiat currency.
  - (d) FATF guidance suggests that virtual currencies only pose a ML/TF risk where virtual currency can be used to move value into or out of fiat currencies and the regulated financial system.
  - (e) The letter summarises that, while Cryptopia is registered on the FSPR as a provider of a 'value transfer service', it is not a reporting entity for the purposes of the AML Act outside of its NZDT product to New Zealand customers.
- 1.2 The FMA's response in November 2017 took the position that Cryptopia is a reporting entity. It also considers that Cryptopia is not outside of the AML Act's territorial scope because the financial activities are not carried on wholly outside of New Zealand, and that the DIA will likely be Cryptopia's supervisor. We agree with the FMA's assessment of territorial scope.
- 1.3 The FMA's response aligns with the commentary on initial coin offerings and cryptocurrency services that it had earlier published on 25 October 2017 (subsequent to Claire's correspondence). In this commentary, the FMA takes the position that:
- (a) exchanges allowing cryptocurrency trading fall within the financial service category of 'operating a value transfer service';
  - (b) providing a wallet for storing cryptocurrency or money on behalf of others, and where you facilitate exchanges between cryptocurrencies or between money and cryptocurrencies, your service fall within the category of 'operating a value transfer service'.
  - (c) if you arrange cryptocurrency transactions, you are providing the financial service of 'operating a value transfer service'. (broking)
- 1.4 It is important to acknowledge that, as a starting point in assessing the application of the AML Act, that the FMA's public stance is that cryptocurrency exchanges and wallets are regulated.

### 2. Correspondence with the DIA and view of other government bodies

- 2.1 We understand that Cryptopia has attempted to engage with the DIA on how to comply with the AML Act, but that the DIA has not provided clear answers. We note that the DIA has not added Cryptopia to its list of reporting entities, despite saying by email that it would do so.
- 2.2 [We have not seen any conclusive evidence or explanation as to why the DIA consider that Cryptopia is a reporting entity (or whether it does consider this). Neither have we seen any clear acceptance from Cryptopia that it is a reporting entity and subject to AML.] [**MERW to confirm once all emails have been reviewed**]

- 2.3 Further, recent comments by the Police at the ACAMS conference suggested that it is the on-ramping and off-ramping activities that are of concern, for the purposes of AML, and not crypto-to-crypto transactions on the CEP.
- 2.4 In summary, there is no conclusive evidence of whether Cryptopia is strictly a reporting entity under the legislation, other opinions of the FMA and the DIA that Cryptopia is a reporting entity, without any reasoned analysis being provided. A court may well reach a different conclusion based on its own assessment of the application of the AML regime, as discussed above.