Virtual Assets Standards

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MKX

1. INTRODUCTION

The Virtual Asset Listing Policy aims to establish clear procedures and methodologies for the assessment and review of Virtual Assets, ensuring adherence to MKX's VA Standards as per VARA Market Conduct Rulebook - Rule VIII.

2. ASSESSMENT PROCESS

a. **Initial Evaluation**:

- Conduct thorough due diligence on the Virtual Asset.
- Evaluate market metrics, design, and regulatory treatment.
- Assess security features, future development plans, and potential conflicts of interest.

b**. Criteria for Acceptance:**

- Clearly define criteria for deeming a Virtual Asset acceptable for listing.
- Consider market capitalization, liquidity, and issuer background.

MKX has established a systematic process for regularly assessing Virtual Assets to ensure they continue to meet our VA Standards. This ongoing assessment involves monitoring market trends, regulatory developments, and other relevant information that may impact on the suitability of Virtual Assets for VA activities. The assessment process includes conducting thorough due diligence on the Virtual Asset, evaluating market metrics, design, regulatory treatment, and assessing security features, future development plans, and potential conflicts of interest. Criteria for acceptance are clearly defined, considering market capitalization, liquidity, and issuer background. Detailed records of these assessments are maintained for a minimum of eight years and are available for inspection by VARA upon request.

3. REVIEW METHODOLOGY

a. **Ongoing Monitoring**:

- Establish procedures for continuous monitoring of listed Virtual Assets.
- Regularly assess compliance with MKX's VA Standards.

b**. Records Maintenance**:

- Maintain detailed records of assessments for a minimum of eight years.

Before engaging in any VA activities, MKX conducts thorough due diligence on Virtual Assets to ensure they meet our established VA Standards. This process involves assessing factors such as the asset's market history, regulatory approvals, underlying technology, and potential risks. MKX implements robust procedures for the continuous monitoring of Virtual Assets, regularly assessing compliance with our VA Standards and promptly addressing any deviations. Detailed records of these assessments are maintained for a minimum of eight (8) years and are available for inspection by VARA upon request. This systematic approach ensures that all Virtual Assets remain suitable for VA activities and adhere to MKX's high standards.

4. SUSPENSION CONDITIONS

If a Virtual Asset no longer meets our VA Standards listed below, MKX promptly suspends the related VA Activities. Clear conditions and procedures for such suspensions are defined, ensuring a structured approach to these situations. Operational procedures and controls are implemented to effectively execute the suspension when necessary. This includes notifying VARA and taking the necessary steps to minimize any adverse impacts on clients. MKX prioritizes the integrity of its services and the protection of its clients' interests, ensuring that any suspension is managed in a way that upholds these principles.

5. NOTIFICATION AND COMPLIANCE

Upon becoming aware that a Virtual Asset no longer meets VA Standards, MKX promptly notifies VARA. Following this notification, MKX takes steps as directed by VARA to minimize adverse impacts on clients. These steps may include temporarily suspending trading of the affected asset, informing clients through official communication channels, and providing clear instructions on actions they need to take. This ensures that MKX maintains the integrity of its operations while protecting the interests of its clients.

6. ACKNOWLEDGMENT OF VARA AUTHORITY

   a. MKX acknowledges VARA's authority to mandate suspension based on reasonable grounds.
   b. MKX will always ensure prompt compliance with VARA directives.

7. TRANSPARENCY

MKX will disclose all relevant procedures, protocols, and methodologies on MKX's official website. MKX will prioritize transparency by publicly disclosing our VA Standards on our official website. This transparency initiative aims to provide clarity to our clients, partners, and regulatory authorities regarding the criteria we use to evaluate Virtual Assets and conduct VA Activities.

8. VIRTUAL ASSET STANDARDS

MKX establishes comprehensive standards for the Virtual Assets it provides VA Activities in relation to, ensuring they meet stringent VA Standards. Thorough due diligence is conducted to ensure all Virtual Assets meet these standards before and throughout the provision of any VA Activities. These VA Standards are published on our website and include several key considerations as follows:

- **Market Capitalization, Fully Diluted Value, and Liquidity:** MKX assesses market capitalization using data from well-known cryptocurrency. The fully diluted value (FDV) is reviewed to understand potential token dilution, and liquidity is examined through trading volumes and bid-ask spreads. Historical data from reliable platforms is gathered and analyzed using statistical tools to identify trends, including plotting the data over time and calculating moving averages. Current metrics are compared with historical data to detect consistent downward trends. Findings are documented with visual representations, such as graphs, and regular reviews are conducted as part of ongoing monitoring. Any identified downward trends are escalated for further action and possible suspension of VA Activities related to the affected Virtual Asset.
- **Design, Features, and Use Cases:** MKX analyses the Virtual Asset's whitepaper to understand its goals, technical details, governance, and security mechanisms. The technical architecture and consensus mechanism are reviewed, along with scalability, interoperability, and intended versus actual use cases.
- **Compliance Features:** To ensure compliance with applicable laws, regulations, rules, or directives (including AML/CFT, sanctions, securities, and intellectual property), MKX reviews the asset's whitepaper and technical documentation to identify relevant features. These features are analyzed against applicable legal and regulatory requirements, consulting with legal and compliance experts as needed. Potential compliance risks are evaluated, documented, and reported with recommendations for mitigating identified risks. Continuous monitoring of the Virtual Asset for changes or updates that may impact compliance is conducted to ensure ongoing adherence to all relevant laws and regulations.
- **Regulatory Treatment:** MKX reviews regulatory notices, circulars, and public announcements from VARA and other relevant authorities. Clarification from VARA is sought if the regulatory status is unclear.
- **Prohibitions:** MKX investigates prohibitions by VARA or other authorities. Due diligence on Virtual Assets banned in other jurisdictions is conducted, and legal opinions are sought if necessary.
- **DLT Protocol Security:** To assess the security and immutability of the underlying Distributed Ledger Technology (DLT) protocol, MKX reviews the consensus mechanism, decentralization level, cryptographic standards, and past security incidents. The evaluation includes analyzing the network size and activity, immutability provisions, and economic incentives for participants. Regular monitoring of updates and security audits is conducted to ensure ongoing robustness. Findings are documented to support informed decision-making regarding Virtual Asset's reliability and security.

- **Future Development:** MKX assesses the future development of a Virtual Asset by reviewing the asset's roadmap, white paper, and related communications to understand planned features and timelines. The feasibility and credibility of these development plans are evaluated, and potential risks such as delays, and technical challenges are identified. Progress is regularly monitored against communicated milestones, and findings are documented in comprehensive reports. This process ensures MKX stays informed about the asset's future development, enabling proactive management of associated risks and opportunities.
- **Price Manipulation Risks:** MKX analyzes trading patterns, liquidity, holder distribution, and acceptance by other exchanges to assess whether a Virtual Asset may be susceptible to price manipulation. Metrics such as market capitalization, trading volumes, and the concentration of holdings are reviewed to identify potential vulnerabilities. If susceptibility to price manipulation is detected, MKX implements mitigations such as enhanced monitoring, stricter listing criteria, and real-time surveillance to detect and address manipulative activities promptly. Findings and mitigation measures are documented to ensure transparency and proactive risk management.
- **Conflict of Interest:** MKX identifies and mitigates potential conflicts of interest related to providing VA Activities. This involves analyzing the relationships between the Virtual Asset, its issuers, and MKX's own operations. Any identified conflicts are documented, and relevant mitigations such as transparency measures, third-party audits, and segregation of duties are implemented to ensure impartiality and fairness.
- **Issuer's Background:** MKX conducts background checks on the Issuer, focusing on their experience and any history of fraud or deceit. The Issuer's experience in the Virtual Asset sector, including past projects and their success, is reviewed. A thorough check is conducted to determine if the Issuer has been subject to any investigations or claims related to fraud or deceit, helping to assess the credibility and reliability of the Issuer.
- **Virtual Asset Rights:** MKX evaluates the enforceability of rights represented by the Virtual Asset. If the Virtual Asset represents rights to any other assets, MKX reviews the legal documentation, the jurisdiction governing the rights, and any past precedents of enforcing similar rights to ensure enforceability and maintain the trust and security of the Virtual Asset.
- **Virtual Asset Availability:** MKX ensures sufficient assets are available to meet obligations related to VA Activities by assessing the liquidity and availability of the underlying assets. Regular audits and real-time monitoring confirm that the necessary assets are accessible and sufficient to meet all obligations related to VA Activities.
- **Alignment with Physical Markets (if applicable):** MKX ensures that the terms and conditions of Virtual Assets reflect the operation of any underlying physical markets. Periodic reviews of these terms and conditions are conducted to ensure appropriate correlation with physical markets.
- **Implementation and Control:**

  1. Regularly assess relevant information to maintain continuous compliance with tailored VA Standards.

2. Maintain detailed records of assessments for eight (8) years, accessible for VARA inspection.
3. Define conditions for suspending VA Activities, implementing necessary operational procedures and controls.
4. Promptly notify VARA if assets no longer meet tailored VA Standards, taking direct steps to minimize adverse impacts on clients.
5. Acknowledge VARA's authority to mandate the suspension of VA Activities for if reasonable grounds exist.

MKX recognizes VARA's authority in regulating Virtual Asset activities and commits to cooperating fully with the regulatory body. We will promptly respond to any requests or directives from VARA, including the suspension of VA Activities if deemed necessary for regulatory compliance or consumer protection purposes.

By incorporating these measures into our operations, MKX demonstrates its commitment to upholding the highest standards of market conduct and regulatory compliance in the Virtual Asset Industry. We believe that aligning with VARA's guidelines not only ensures our own credibility and integrity but also contributes to the overall stability and legitimacy of the Virtual Asset ecosystem.

9. REVIEW AND UPDATES

MKX will establish a systematic process for regularly assessing Virtual Assets to ensure they continue to meet our VA Standards. This ongoing assessment will involve monitoring market trends, regulatory developments, and any other relevant information that may impact on the suitability of Virtual Assets for VA Activities. We will maintain detailed records of these assessments for a minimum of eight years and make them available for inspection by VARA upon request.

Please reach out to our customer support team if you have any questions or require further information at contact@mkx.ae.