



**BLOCKCHAIN  
INTELLIGENCE  
GROUP**

# **Platform Due Diligence Report**

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**March 31, 2023**



**NETCOINS**

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## Introduction to Blockchain Intelligence Group

BIG - Blockchain Intelligence Group is a search and analytics company providing risk and compliance solutions to the blockchain and virtual asset space since 2015. Blockchain Intelligence Group is a wholly owned subsidiary of BIGG Digital Assets, a public company trading on the Canadian Stock Exchange as BIGG.

CSE: BIGG

OTC: BBKCF

WKN: A2JSKC

## Purpose Scope Methods

This review provides a third party, unbiased and objective review of the counterparty risk associated with **Netcoins Inc.** This analysis includes historical research as well as current research and analytics to provide a comprehensive and chronological review of the entity. Key metrics in the review include but are not limited to the following:

- High-Risk Business Activities
- KYC/AML Policy and Implementation
- Company Registration Status
- Virtual Asset Service Provider Licensing Status
- Jurisdictional Risk
- Adverse Media
- Sanctions
- Regulatory or Law Enforcement Actions
- Offering Goods or Services on Darknet Markets
- Associated with Criminal Activities
- Associated with Terrorism or Extremist Groups
- Requires Encrypted Communication to Obtain Service

### **Proof of Reserve Validation:**

- Assessment of Netcoins' Client Funds in Cold Storage

## Confidentiality

This Enhanced Due Diligence report is private and confidential and may not be disseminated to any third party. The information supplied is for the sole purpose of providing a third-party assessment of the Netcoins, and to provide assurance to its clients that their funds are stored securely.

## Entity Review

**Entity:** Netcoins Inc.  
**Type of Service:** Virtual Asset Service Provider  
**Primary Location:** Vancouver, British Columbia, Canada  
**Company Type:** Publicly Traded - Wholly owned subsidiary of BIGG Digital Assets (CSE: BIGG)

**AML/TF Score:** 100 – Low Risk

**Full Disclosure: Blockchain Intelligence Group and Netcoins are both subsidiaries of BIGG Digital Assets. This exchange due diligence report and the Proof of Reserve validation has been performed by Blockchain Intelligence Group for Netcoins at an arm's length basis.**

Netcoins is Canada's first publicly traded crypto platform that is fully regulated. The exchange first started out as a virtual Bitcoin ATM solution in 2014 before transitioning into a trading platform. Today, Netcoins offers trading in over 30 cryptocurrencies through their website or app. The platform also offers a prepaid debit card that gives users a 1% return in Bitcoin on all purchases.

Netcoins is registered with FINTRAC as a Money Service Business ("MSB"). Since Netcoins is owned by a publicly traded company, it is subject to greater regulatory scrutiny and maintains a higher degree of transparency in its financial reporting as a result.

During our review of Netcoins, the platform expressed that it holds over 80% of its client's funds in a segregated cold-wallet storage provided by BitGo. The reserve held with BitGo is insured by a SPECIE and crime coverage by BitGo Holdings via Lloyd's of London. Netcoins released its primary cold wallet addresses for Blockchain Intelligence Group to review and validate. The results of the reviewed addresses for this cold wallet proof of reserve are below.

Crypto Device	Total Netcoins Customer Funds <sup>1</sup>	Crypto Funds in Cold Wallet Storage <sup>2</sup>	Fiat Value of Cold Wallet Storage	Percentage of Funds in Cold Storage	Validation Timestamp
BTC	██████	██████	██████████	104.07%	03-31-2023 09:56
ETH	██████	██████	██████████	105.01%	03-31-2023 09:59
ADA	████████	████████	██████	106.53%	03-31-2023 10:02
SOL	██████	██████	██████████	100.88%	03-31-2023 10:04
LTC	██████	██████	██████████	103.50%	03-31-2023 10:11
BCH	██████	██████	██████████	101.72%	03-31-2023 10:15
DOT	██████	██████	██████████	120.56%	03-31-2023 10:18
DAI	██████	██████	██████	103.58%	03-31-2023 10:48
UNI	██████	██████	██████████	100.50%	03-31-2023 10:48
NEAR	██████	██████	██████████	100.09%	03-31-2023 10:35
QNT	██████	██████	██████████	101.17%	03-31-2023 10:48
SAND	████████	████████	██████████	105.78%	03-31-2023 10:48
AXS	██████	██████	██████████	122.19%	03-31-2023 10:48
MKR	████	████	██████████	120.71%	03-31-2023 10:48
AAVE	██████	██████	██████████	102.10%	03-31-2023 10:48
GRT	████████	████████	██████████	101.65%	03-31-2023 10:48
CHZ	████████	████████	██████████	109.99%	03-31-2023 10:48
BAT	████████	████████	██████████	149.74%	03-31-2023 10:48
GALA	████████	████████	██████████	100.01%	03-31-2023 10:48
DOGE	████████	████████	██████████	100.19%	03-31-2023 10:37
APE	████████	████████	██████████	100.13%	03-31-2023 10:48
MATIC	████████	████████	██████████	108.07%	03-31-2023 10:48

<sup>1</sup> Netcoins Inc. has transparently and proactively furnished all relevant compliance and company information to Blockchain Intelligence Group to facilitate an easier review process.

<sup>2</sup> Information gathered using Blockchain Intelligence Group's Compliance Suite

SHIB				104.41%	03-31-2023 10:48
LINK				100.55%	03-31-2023 10:48
SUSHI				102.65%	03-31-2023 10:48
YFI				480.92%	03-31-2023 10:48
ENJ				107.95%	03-31-2023 10:48
FTM				101.07%	03-31-2023 10:48
CRV				151.89%	03-31-2023 10:48
USDC				118.84%	03-31-2023 10:48
XRP				100.11%	03-31-2023 10:39
XLM				100.03%	03-31-2023 10:42
ALGO				101.30%	03-31-2023 10:44
AVAX				107.99%	03-31-2023 10:46
EOS				110.01%	03-31-2023 10:47

Netcoins meets and exceeds its mandate requiring 80% of customer funds to be held in cold wallet storage. Netcoins doesn't hold Cosmos, Tezos, and Decentraland in cold storage as the current version of their cold wallet provider doesn't support these currencies. All the funds for these currencies are held securely in a hot wallet provided by Fireblocks which is insured by Coincover. Although their mandate requires them to hold over 80% of user funds in cold storage, Netcoins maintains a reserve ratio of over 100% for all the cryptocurrencies custodied in its cold wallet.

Netcoins Inc. (Netcoins) is committed to preventing, detecting, and deterring money laundering and terrorist financing (ML/TF) activities. The platform mentions in its terms of service that collects identifying information that it validates internally and through third-party data and service providers.<sup>3</sup> In its privacy policy, it identifies compliance with Canadian and international laws as one of the reasons for collecting user information.<sup>4</sup> Furthermore, in one of the articles on its FAQ page, Netcoins states that its verification process is compliant with FINTRAC regulations. It also states that properly verifying each

<sup>3</sup> <https://netcoins.app/terms-of-service>

<sup>4</sup> <https://netcoins.app/privacy-policy>

of its users allows it to reduce the risk of fraud and identity theft.<sup>5</sup> Other articles on the FAQ page also explain parts of its verification process.<sup>6</sup>

Netcoins requires its users to go through an identity verification process at sign up where users are required to present a valid government issued ID and go through a selfie and liveness check. Netcoins monitors and reviews user activity and transactions based on compliance policies and procedures to ensure compliance and security. Netcoins hires third-party service providers such as SubSub, ComplyAdvantage and Chainalysis for KYC, AML and transaction monitoring purposes.

Netcoins is a restricted dealer approved by the Canadian Securities Administrators, the British Columbian Securities Commission, and the Ontario Securities Commission.<sup>7</sup> This means that Bitcoin, Ether, Bitcoin Cash and Litecoin can be purchased without any restrictions on the Netcoins platform. Other cryptocurrencies offered by the platform can be traded without any restrictions in Alberta, British Columbia, Manitoba or Québec but can only be acquired up to \$30,000 CAD per year in the provinces of Ontario, New Brunswick, Newfoundland, Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Saskatchewan, and Yukon.<sup>8</sup>

Legally operating as “Netcoins”, Netcoins Inc. is a wholly owned subsidiary of BIGG Digital Assets Inc. (CSE: BIGG, OTCQX: BBKCF, and WKN: A2PS9W), a publicly traded company in Canada.<sup>9</sup> Blockchain Technology Group Inc., operating as “Blockchain Intelligence Group” is another wholly owned subsidiary of BIGG Digital Assets Inc. Lastly, TerraZero Technologies Inc. is an affiliate company which is 30% BIGG owned.<sup>10</sup>

Netcoins is based out of Vancouver, and it currently offers its services to Canadian residents and residents of some U.S. states. Residents of unsupported jurisdictions cannot access the platform but can buy bitcoin using a credit card through Netcoins. In this review, we only cover Netcoins’ Canadian operations.

### **Adverse Media:**

There is only one adverse media article identified with Netcoins. Notably propitious press releases and the single adverse media article identified are as follows:

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<sup>5</sup> <https://netcoins.zendesk.com/hc/en-us/articles/360038665852-Why-is-the-verification-process-so-rigorous->

<sup>6</sup> <https://netcoins.zendesk.com/hc/en-us/sections/360008308892-Registration-Verification>

<sup>7</sup> <https://netcoins.zendesk.com/hc/en-us/articles/4408519716116-What-does-a-restricted-dealer-license-mean->

<sup>8</sup> <https://netcoins.zendesk.com/hc/en-us/articles/4408519811476-What-does-regulation-mean-for-Netcoins-customers->

<sup>9</sup> <https://netcoins.ca/investors/>

<sup>10</sup> <https://biggdigitalassets.com/>

**December 21, 2022 (BIGG Digital)** – BIGG Digital Assets Inc. launches Netcoins in the U.S., initially available in California, Michigan, Pennsylvania, Virginia, and Missouri.<sup>11</sup>

**November 14, 2022 (BIGG Digital)** – BIGG Digital Assets Inc. announced that neither BIGG nor any of its operating subsidiaries have any exposure to FTX, the FTT token, Alameda research, Crypto.com, or the Cronos token.<sup>12</sup>

**November 09, 2022 (BIGG Digital)** – Netcoins announce the re-launch of Netcoins Pay in partnership with Koho Financial Inc. and Mastercard.<sup>13</sup>

**September 06, 2022 (BIGG Digital)** – Netcoins announced its plans to launch in the US in Q4 2022. Netcoins USA Inc. is a Wyoming based entity which aims to start offerings its services in the states of California, Pennsylvania, Michigan, and Virginia during this time. It also plans to launch in additional states in Q1 2023 pending approvals.<sup>14</sup>

**April 14, 2022 (Betakit)** – According to a press release by Bigg Digital Assets Inc., a security lapse at its subsidiary Netcoins reportedly allowed a user to fraudulently withdraw 24 BTC and 275k XRP valued at an estimated \$1.58 million CAD. The breach occurred on April 7th after Netcoins internal control systems discovered suspicious activity from a single verified user demanding anomalous withdrawals. Netcoins' automated systems intervened within 3 minutes to prevent further withdrawals and its staff froze the bad actor's account within 15 minutes. Blockchain Intelligence Group immediately started tracking the withdrawn funds. Netcoins announced that no customer accounts were compromised or accessed, and all the stolen funds were from Netcoins' own float. The platform's development team fixed the security issue within an hour from the breach.<sup>15</sup>

### Management Team:

A search of the U.S. Treasury's Office of Foreign Assets Control sanctions database examining Netcoins as well as associated members of senior management yielded no relevant results.<sup>16</sup>

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<sup>11</sup> <https://www.globenewswire.com/en/news-release/2022/12/21/2577837/0/en/BIGG-Digital-Assets-Inc-Subsidiary-Netcoins-Launches-in-the-United-States.html>

<sup>12</sup> <https://biggdigitalassets.com/press-releases/big-digital-assets-inc-confirms-no-exposure-to-ftx-ft-token-alameda-research-crypto-com-and-or-cronos-token/>

<sup>13</sup> <https://biggdigitalassets.com/press-releases/big-digital-assets-inc-subsidiary-netcoins-announces-the-re-launch-of-netcoins-pay-in-partnership-with-koho-financial-inc-and-mastercard/>

<sup>14</sup> <https://biggdigitalassets.com/press-releases/big-digital-assets-inc-subsidiary-netcoins-announces-plans-for-us-expansion/>

<sup>15</sup> <https://betakit.com/netcoins-user-walks-away-with-an-estimated-1-58-million-after-software-vulnerability/>

<sup>16</sup> <https://sanctionssearch.ofac.treas.gov/>



- **Fraser Matthews – President**

Mr. Matthews has more than 15 years of expertise in the Financial Services sector in strategic initiatives and organizational growth. Prior to joining Netcoins, he worked for companies such as Banque Saudi Fransi (BSF), TribalScale Middle East, PwC's Financial Services Advisory Practice, and Capco's Technology Advisory Group, where he helped develop products and businesses.<sup>17</sup>

- **Kim Dwyer – Chief Operating Officer**

Ms. Dwyer is a professional in strategy and operations with expertise in financial services and consulting. During her time at PwC, she advised clients from a variety of industries on strategy and transformation. She also led the digital strategy for CIBC's retail web properties.<sup>18</sup>

- **Dora McGowan – Chief Financial Officer**

Ms. McGowan joined Netcoins as a VP of Finance in May 2021 and was promoted to CFO in September 2022. Her prior experience includes working in KPMG Canada. Ms. McGowan is a Chartered Professional Accountants of British Columbia.<sup>19</sup>

- **Ankit Anne – Director, Strategy and Operations**

Mr. Anne joined Netcoins in December 2021. Prior to this, Ankit was Director of Product Transformation at CIBC. He held various positions at the bank over a 6-year period, driving digital transformation for the retail banking division with progressive experience in business strategy and product management.<sup>20</sup>

- **Mike Rogers – Global Head of Compliance**

Mike has 19 years of compliance experience as an executive. He was previously the Chief Compliance Officer of what was Canada's largest Exempt Market Dealer, Walton Global Investments. Apart from his role at Netcoins, he currently serves as the Chairman of Ternion Financial Services Inc. and as the Chief Compliance Officer of Welch Capital Partners, a subsidiary of Welch LLP, one of Canada's largest accounting firms.<sup>21</sup>

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<sup>17</sup> <https://www.linkedin.com/in/frasermatthews/>

<sup>18</sup> <https://www.linkedin.com/in/kim-dwyer-8950581a>

<sup>19</sup> <https://www.linkedin.com/in/doramcgowan/>

<sup>20</sup> <https://www.linkedin.com/in/ankitanne/>

<sup>21</sup> <https://www.linkedin.com/in/mike-rogers-mba-cci-06690928/>

**Licensing/Regulator:****Canada:**

**British Columbia Business Corporations Act** – “Netcoins Inc.” is registered in British Columbia, Canada with the business number 805024973 and registry ID BC1007550.<sup>22</sup> “BIGG Digital Assets Inc.” is registered in British Columbia, Canada with the business number 828832980 and registry ID BC1016555.<sup>23</sup>

**Quebec Registraire des entreprises** – “Netcoins Inc.” is registered in Quebec, Canada with the registry ID 1176466226.<sup>24</sup>

**British Columbia Securities Commission** – “Netcoins Inc.” (d.b.a. Netcoins) is registered with the BCSC as a “restricted dealer” in British Columbia. This registration is under the order number 2022 BCSECCOM 97.<sup>25</sup>

**Ontario Securities Commission** – “Netcoins Inc.” (d.b.a. Netcoins) is registered with the OSC as a “restricted dealer” in Ontario.<sup>26</sup>

**Canadian Securities Administrators** – “Netcoins Inc.” (d.b.a. Netcoins) is registered with the CSA as a “restricted dealer” in Canada. This registration is under the National Registration Database number 70000.<sup>27</sup>

**Financial Transactions and Reporting Analysis Centre (FinTRAC)** – “Netcoins Inc.” (d.b.a. Netcoins) is registered in Canada under the Ministry of Finance as a Money Service Business and Virtual Asset Service Provider with the MSB registration number M15560893.<sup>28</sup>

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<sup>22</sup> <https://beta.canadasbusinessregistries.ca/search/results?search=%7Bnetcoins%7D&status=Active>

<sup>23</sup>

<https://beta.canadasbusinessregistries.ca/search/results?search=%7BBIGG%20digital%7D&status=Active>

<sup>24</sup>

[https://www.registreentreprises.gouv.qc.ca/RQAnonymeGR/GR/GR03/GR03A2\\_19A\\_PIU\\_RechEnt\\_PC/PageEtatRens.aspx?T1.JetonStatic=7ce04558-4797-45d4-8b5e-ddf635a2846e&T1.CodeService=S00436](https://www.registreentreprises.gouv.qc.ca/RQAnonymeGR/GR/GR03/GR03A2_19A_PIU_RechEnt_PC/PageEtatRens.aspx?T1.JetonStatic=7ce04558-4797-45d4-8b5e-ddf635a2846e&T1.CodeService=S00436)

<sup>25</sup> <https://www.bcsc.bc.ca/securities-law/law-and-policy/exemption-orders----2002-to-present/s7s4s6s2s7sas7s8s6sds7sfs7s0>

<sup>26</sup> <https://www.osc.ca/en/securities-law/orders-rulings-decisions/netcoins-inc-1>

<sup>27</sup> <https://info.securities-administrators.ca/nrsmobile/nrssearch.aspx>

<sup>28</sup> <https://www10.fintrac-canafe.gc.ca/msb-esm/public/detailed-information/msb-details/7b226d73624f72674e756d626572223a3134323136392c227072696d617279536561726368223a7b226f72674e616d65223a224e6574636f696e73222c2273656172636854797065223a317d7d/>

**Locations:**

- [REDACTED]

**Jurisdictional Risk:**

The jurisdictional risk for the entity is measured using the Basel Institute on Governance's AML Index, an independent country ranking and risk assessment tool for money laundering and terrorist financing (ML/TF). This index includes country risk scores which are calculated based on various metrics like the countries' quality of AML/CFT framework, corruption and bribery risk, political and legal risk, financial transparency and standards, and public transparency and accountability.

- Canada is rated 4.25 which makes it a medium-risk jurisdiction.
- United States of America is rated 4.28 which makes it a medium-risk jurisdiction.

**Regulatory Issues and Illicit Activities:**

Netcoins hasn't been subject to any material regulatory or law enforcement action. The entity also hasn't been involved in any illicit activities and doesn't have any known associations with darknet markets, and terrorist or extremist groups.

**Score Determination Factors:**

- No High-Risk Business Activities
- Identified KYC Policy – Implemented and Enforced
- Company Registration Verified in Jurisdictions of Operations
- Virtual Asset Service Provider License Obtained
- Does Not Operate in High-Risk Jurisdictions
- Adverse Media Associated with Netcoins
- No Regulatory or Law Enforcement Actions Taken Against Netcoins
- No Goods or Services Offered on Darknet Markets
- No Associations with Terrorism or Extremist Groups
- Does Not Require Encrypted Communication

**Proof of Reserve Factor:**

- Cold Wallet Storage Validation – Over 100% Reserve Ratio Maintained for All Cryptocurrencies Stored in the Custodied Cold Wallet

Netcoins describes its KYC/AML procedures on its support page. Its KYC process was verified at the time of review. The company holds the appropriate licensing and registration with the Canadian states of British Columbia, Quebec, and Ontario and the Financial Transactions and Reporting Analysis Centre. There is only one material adverse media article associated with Netcoins while most of its media coverage has been propitious. Furthermore, Blockchain Intelligence Group has validated Netcoins' cold wallet reserves to meet and exceed their mandate of 80%. Based on the research findings, Netcoins is at a lower risk for theft, fraud, money laundering, sanctions evasion, and terrorist financing.