



Date: March 15, 2018
Legal opinion
on sale of CandyCoin tokens

This Legal opinion (hereinafter “Opinion”) is devoted to the examination of a token CandyCoin (hereinafter “token(s)” or “CandyCoin(s)”) issued and sold by company UNICORN GO PTE. LTD. (hereinafter “Company”) through its’ web site www.unicorngo.io on its risks of falling under regulation of securities laws of Singapore. Due to the fact that Company is incorporated in Singapore this Opinion relates only to the laws of Singapore as at the date hereof.

The Company wishes to undertake a sale of 12 million tokens in total, 5 million of which is made accessible for sale in accord to the schedule defined by the Exhibit 1 to the Token Sale Agreement permanently published on <https://unicorngo.io/ru/oferta>. For the avoidance of doubt, Candycoins are not physical tokens but software with cryptographical elements which are made available for sale for the use of UnicornGo Web site only.

The present Opinion consists of two parts:

- 1) Part One describes a legal framework for tokens, essentially securities laws of Singapore, in the light of the Guide to Digital Token Offerings issued by Monetary Authority of Singapore on November 14, 2017.
- 2) Part Two examines whether tokens CandyCoin fall under regulation of securities laws of Singapore.

The defined words and expressions in this Legal opinion unless the context requires otherwise shall have the same meaning as they have in the Terms of use of UnicornGo permanently located at <https://unicorngo.io/ru/terms-of-use>

Part One
Legal framework

Regulatory authority in Singapore - Monetary Authority of Singapore (“MAS”)
Major applicable law - Securities and Futures Act (Chapter 289) (“SFA”)

Currently, there is no law regulating offers or issuers of digital tokens (initial coin offerings or ICOs) in Singapore. Herewith, ICO is not forbidden and Singapore has become a common jurisdiction for token issuance. MAS published its “Guide to Digital Token Offerings” on November 14, 2017, which states that offers or issues of digital tokens may be regulated by MAS if the digital tokens are categorised as capital markets products under the SFA.



Under the section 2(1) of the SFA, “capital market products” means any securities, futures contracts, contracts or arrangements for the purposes of foreign exchange trading, contracts or arrangements for the purposes of leveraged foreign exchange trading, and such other products as MAS may prescribe as capital markets products.

1) MAS in its’ Guide provided examples when tokens may constitute capital markets products (para 2.3):

a) token is a share, where it confers or represents ownership interest in a corporation, represents liability of the token holder in the corporation, and represents mutual covenants with other token holders in the corporation *inter se*.

Under section 2(1) of the SFA, read with section 4(1) of the Companies Act (Cap. 50), “share” means a share in the share capital of a corporation and includes stock except where a distinction between stocks and share is expressed or implied.

b) token is a debenture, where it constitutes or evidences the indebtedness of the issuer of the digital token in respect of any money that is or may be lent to the issuer by a token holder.

c) token is a unit in a collective investment scheme (“CIS”), where it represents a right or interest in a CIS, or an option to acquire a right or interest in a CIS.

Under section 2(1) of the SFA, a “unit”, in relation to a collective investment scheme, means “a right or interest (however described) in a collective investment scheme (whether or not constituted as an entity), and includes an option to acquire any such right or interest in the collective investment scheme.

Under section 2(1) of the SFA, a “collective investment scheme” is an arrangement in respect of any property bearing all of the following characteristics: participants have no day-to-day control over management of the property; property is managed as a whole by or on behalf of a manager; participants’ contributions and profits or income of the arrangement from which payments are to be made to the participants are pooled; and purpose or effect (or purported purpose or effect) of the arrangement is to enable participants to participate in or receive profits, income or other payments or returns arising from acquisition, holding, management or disposal of, the exercise of, the redemption of, or the expiry of any right, interest, title or benefit in the property or any part of the property.

2) MAS observed in its’ Guide that one or more of the following types of intermediaries typically facilitate offers or issues of digital tokens (para. 2.8):

1. a person who operates a platform on which one or more offerors of digital tokens may make primary offers or issues of digital tokens (“primary platform”);
2. a person who provides financial advice in respect of any digital tokens; and



3. a person who operates a platform at which digital tokens are traded (“trading platform”). A person who operates a primary platform in Singapore in relation to digital tokens which constitute any type of capital markets products, may be carrying on business in one or more regulated activities under the SFA. Where the person is carrying on business in any regulated activity, or holds himself out as carrying on such business, he has to obtain a capital markets services licence for that regulated activity under the SFA, unless otherwise exempted.

3) Notably, MAS Guide provided specific indicative and non-conclusive case studies (examples-illustrations) of whether securities laws are applicable to a certain ICO (section 4 of Guide).

After the analysis of provided examples the following conclusions can be made:

- A token that gives holders the right to access and use the issuer’s platform is not a security
- A token that gives holders a share in the issuer’s profits is a security
- A token enabling holders to receive profits from the issuer’s investment portfolio is a security

4) Consequences

If token is considered a security, then operator of ICO that issues such tokens is subject to regulations of securities laws of Singapore. Therefore, he shall comply with the requirements such as obtainment of a respective license and compliance with prospectus requirements.

Part Two Do CandyCoins fall under the regulation of securities laws of Singapore?

1) Token model

UnicornGo is a collection online game which allows its users to buy, sell, give and perform other actions with the components of the game through auctions. As it is stipulated in the Whitepaper (https://unicorngo.io/UnicornGo_White-Paper_en.pdf), UnicornGo game is provided with an in-game currency token CandyCoin, created on the basis of the ERC-20 token. CandyCoins are issued on blockchain Ethereum and represent a digital asset transferred under smart-contract based on ERC20 standard. Users can purchase tokens CandyCoin for Ethers at the price determined by Company within UnicornGo.

The main goal of UnicornGo is to create the first decentralized game featuring deficit of gaming resources. The game developers will control as little as possible in this game, while the society will be able to check all transactions and actions without a need in third parties.



White paper (page 19) states the following “tokens acquired shall not be interpreted, classified or treated as currency, equities, shares, options or derivative instruments relating to such bonds or shares”. Article 3.7 of Token Sale Agreement states that: “Agreement is not a prospectus of any kind, is not an offer to invest, is not an initial public offer or a share in the capital, has nothing to do with the placement of securities in any jurisdiction”.

2) Whether a token is a security depends on the facts and circumstances of the ICO and its fundamental nature and what rights arise from holding of CandyCoins. Below the most substantial attributes of common securities will correlated to the tokens at the analysis.

A thorough investigation of the Company’s documents (White paper, Terms of Use, Token Sale Agreement) reveal that:

1. **Profit nature.** Token holders do not receive profits from passive holding of tokens. There is no capital appreciation, cash return on the Ethers used by Users to purchase tokens or any other earnings or monetary compensation. UnicornGo is not raising funds for general use or to finance the Company in exchange for profit. Company does not offer any profit or any other benefit, nor expectation of profit as it is typically provided by securities.
2. **Ownership in company.** One of the main features of share is that it confers or represents share in the share capital of the corporation. UnicornGo does not provide User who holds tokens with any ownership interest in Company as it is usually provided by shares.
3. **Secondary market.** The secondary market is where investors buy and sell securities they already own. Company has not indicated to Users, who purchase tokens, that any secondary market will ever exist for CandyCoin tokens. There is no mention in Company’s documents that Company intends to facilitate or arrange secondary trading market or any similar market, that would provide with an opportunity to monetise tokens or exchange them for the fiat currency or any cryptocurrency.
4. **Debt.** MAS’ had confirmed in its regulatory position dated August 01, 2017 that a digital token that represents a debt owed by an issuer is a debenture. There is nothing in Company’s documents that suggests or constitutes that purchase of tokens entails indebtedness of the Company in respect to any amounts paid by the User - token holder. Thus, CandyCoins are unlikely to be regarded as debentures and therefore “securities” within the meaning of Section 239 of the SFA.
5. **Management of property.** Providing the Ethers to the Company in exchange for Candycoins, the Users are giving “property” to the Company to manage. But Ethers or other cryptocurrencies are not property to be managed in the same way real estate or financial instruments are managed by a professional manager. Instead, Ethers are used as payment



for tokens, they are utility tokens (non-security tokens) that are essential just to run the blockchain which the UnicornGo is based on. Hence, UnicornGo ICO shall not be considered a collective investment scheme within the meaning of section 2(1) of the SFA, even though some characteristics of CIS might fit to the ICO at analysis (“*participants have no day-to-day control over management of the property, property is managed as a whole by or on behalf of a manager*”). In addition, as was mentioned above in item 1 of this Part two, passive holding of tokens does not result any profit, income or other payments or returns arising from tokens.

6. As was mentioned in Part One (item 3), that MAS in its’ Guide set out several examples relating to different types of digital token offerings to help current and potential participants assess whether or not the relevant legislation and regulations apply.

In particular, the following illustration (along with other) was included into Guide:

Company A plans to set up a platform to enable sharing and rental of computing power amongst the users of the platform. Company A intends to offer digital tokens (“Token A”) in Singapore to raise funds to develop the platform. Token A will give token holders access rights to use Company A’s platform. The token can be used to pay for renting computing power provided by other platform users. Token A will not have any other rights or functions attached to it. Company A intends to offer Token A to any person globally, including in Singapore.

Application of securities laws administered by MAS in respect of an offer of Token A

- *A holder of Token A will only have rights to access and use Company A’s platform, and the right to use Token A to pay for rental of computing power provided by other users. Token A will not provide its holder any other rights or functions attached to it. Hence, Token A will not constitute securities under the SFA.*
- *Company A’s offer of Token A will not be subject to any requirement under the SFA or the FAA.*

Obviously, one can observe the similarities between the introduced by MAS case study and the UnicornGo platform. No any other rights are attached to the tokens at the example above except for the right to use the services of platform - renting computing power which is analogically to the UnicornGo where tokens solely enable Users to use Platform Services - participating in game and take actions with game components (purchase, sell).

7. **Intermediaries** (see above item 2 of Part One or para 2.8 of the Guide). UnicornGo platform has no features of a primary platform in the meaning of Guide , as it does not provide offerors of digital tokens to make primary offers or issues of digital tokens. UnicornGo does not provide financial advice in respect of any digital tokens. UnicornGo is not a platform for trading digital tokens (trading platform).



Conclusion

The examination, performed on the basis of Guide of MAS, indicates that tokens CandyCoins give the Users purely participatory rights to use UnicornGo Services, in the first place, to purchase and sell game components, thus standing out as means of payment within the platform. CandyCoin is not a security, meaning that, the issue of CandyCoins is not a public offer of securities. The key ground is that tokens Candycoins are not designed as investments, they do not purport to provide purchasers with any prospective returns on their purchase or have any investment feature. Therefore, tokens CandyCoin and its' issuance by the Company shall not be subject to any requirements under SFA or any other applicable to this extent law of Singapore.