

ANNEX 1

Service Methodology

Specifications

Description of the Service

Pursuant to clause 11 (Services) of the Terms, when the Customer informs Lykke via email that it would like to receive the Services (“**Buy and Delivery Order**”), Lykke after having received the Customer’s LyCI Service Token(s) will perform the Services. The Buy and Deliver Order shall be sent via email to the following email address support@lykke.com . By sending a Buy and Deliver Order the Customer warrants that it shall:

- (a) credit its Account with sufficient Cryptoasset Units / fiat currency to cover the Transaction Fees detailed in the Confirmation of Engagement; and
- (b) provide Lykke with the details for the Service Wallets detailed in the Confirmation of Engagement which are not within the Customer Exchange Wallet.

Failure by the Customer to carry out (a) or (b) above may prevent Lykke from being able to perform the Services.

Cryptoassets

The Selected Cryptoassets are the ten (10) Cryptoassets having the main purpose of creating and maintaining smart contracts and having the highest market capitalization as calculated by Lykke based on the Exchanges published on Lykke’s webpage, excluding any stable coin (e.g. USDT; USDC; PAX; GUSD) and any security token (the “**Selected Cryptoassets**”). The Selected Cryptoassets will be purchased and delivered based on a formula related to each Cryptoassets market capitalization at the time the Buy and Delivery Order email is sent (on a minute-by-minute basis). The Selected Cryptoassets purchased upon receipt of the Buy and Delivery Order will be fully detailed by Lykke, in the Confirmation of Engagement, an example Confirmation of Engagement can be found at Annex 1.

Definition and evolution of the Selected Cryptoassets and the Service Fee

The Selected Cryptoassets value was initiated on **21. March 2019, 12:00** CET at $B_0 = \$100$.

Every minute, the relative return of every constituent, $r_t^{(i)}$, is calculated. The new Relevant Cryptoasset value is calculated as:

$$B_t = B_{t-\delta} \left[\sum_i w_i (1 + r_t^{(i)}) - f \delta \right],$$

where $\delta = 1$ min and w_i is the current weight of Cryptoasset i in the Selected Cryptoassets, and f is the Service Fee of 1.95% per annum.

The Service Fee will be deducted *pro-quota* from each Transfer or from the overall Fiat Currency Value if the Customer opts for Cash Settlement.

The formula to purchase and deliver the Selected Cryptoassets

The weight in the Selected Cryptoassets of each of the Cryptoasset “ (i) ” that will be purchased and delivered by Lykke to the Customer follows the following formula:

The weight of constituent i is defined by:

$$w_i = \frac{m_i}{\sum_j m_j},$$

where m_i is the current market capitalisation of Cryptoasset i , i.e. it is its relative contribution to the overall market capitalisation of the top 10 Cryptoassets.

Calculation of returns

The individual returns for the Selected Cryptoassets, “ $r_t^{(i)}$ ”, is based on an average of Cryptoasset mid prices in US dollars over a number of Cryptoasset Exchanges in order to smooth out return peaks and mitigate manipulation risk. The Cryptoasset Exchanges contributing to this average will be made transparent on the Lykke webpage.

Rebalancing

“Rebalancing” refers to the ongoing rebalance occurring due to the weights of the Cryptoassets in the Selected Cryptoassets being updated in accordance with the most recent market capitalisations.

For the Relevant Cryptoasset value, this is done with every calculation of the Selected Cryptoassets, i.e. on a minute-by-minute basis.

Restructuring

“Restructuring” means the event whereby the composition of the underlying is revisited due to changes in the current market capitalizations of the Cryptoassets triggering the exit of one or more Cryptoassets from the top 10. As a consequence, the constituent Selected Cryptoassets are adapted, i.e. constituents that are no longer among those 10 Cryptoassets with the highest market capitalisation will be eliminated from the Selected Cryptoassets and substituted by those Cryptoassets that are.

For the Relevant Cryptoasset value, restructuring is performed on a day-by-day basis at 0:00 UTC.

Allowed instruments

Any Cryptoasset other than stable coins and security tokens is eligible for inclusion in the Selected Cryptoassets. Lykke retains the right to assess individual tokens for those characteristics and, if applicable, consider them as not admissible for the Selected Cryptoassets. A list of currently admissible Cryptoassets (whitelist) will be published on a regular basis on the Lykke webpage. For the sake of clarity, the selection of the admissible Cryptoassets in whitelist is determined in Lykke’s sole discretion.

Hard forks of Cryptoassets

In case of hard forks of any of the Cryptoassets listed on the whitelist, Lykke will assess the new Cryptoasset and decide in its sole discretion, whether or not to insert the new Cryptoasset into the whitelist.

Price Feeds Failure, Market Manipulation

In case of reasonable doubt about the legitimacy of market capitalisation feed, including but not limited to unexplained jumps in the market capitalisation, Lykke retains the right to temporarily not perform rebalancing or restructuring of the Selected Cryptoassets.

In case of reasonable doubt about the legitimacy of price feeds, including but not limited to price jumps or high volatility not confirmed at other exchanges, Lykke retains the right to temporarily not include those price feeds into the return calculation.

Technical problems

Lykke is committed to providing the Selected Cryptoassets value on a reasonable endeavors basis only. Lykke does not guarantee and disclaims any warranties and conditions, whether express or implied in respect of Lykke’s provision and calculation of the Selected Cryptoassets value, including warranties or conditions as to satisfactory quality or fitness for any particular use or purpose.

Lykke provides the Selected Cryptoassets value with reasonable care and skill but does not guarantee that Selected Cryptoassets value will not be affected by interruptions, suspension delays or anomalies, in whole or in part. However, in case the Selected Cryptoassets value is affected by the above-mentioned shortcomings, Lykke will use reasonable endeavours to remedy any possible effects.

In the unlikely case of technical problems, Lykke may temporarily freeze the evolution of the Selected Cryptoassets value, i.e. the Selected Cryptoassets value will not be updated. In that case, the first value of the Selected Cryptoassets after the technical issues have been resolved and the Selected Cryptoassets has been unfrozen, will be calculated as:

$$B_t = B_{t-\Delta} \sum_i w_i (1 + r_{t,\Delta}^{(i)}),$$

where Δ is the time difference in which the Relevant Cryptoasset value has been frozen, $B_{t-\Delta}$ is the last reliable Relevant Cryptoasset value prior to freezing, and " $r_{t,\Delta}^{(i)}$ " is the return of the Cryptoasset " i " over the full period the Relevant Cryptoasset value has been frozen. This may prevent deviation from the performance of the Cryptoasset market during the freeze period.

ANNEX 1
CONFIRMATION OF ENGAGEMENT
Template Example

| | | | |
|------------|----------------------------|------------------|-------------------|
| Client | [•] <i>Address Line</i> | Date & Time | 1/8/2019 11:31:45 |
| Account ID | [•] | Settlement Value | \$112.85 |

We hereby confirm the mandate to purchase on your behalf the following Selected Cryptoassets in the market. This service is payable in LyCI Service Tokens as indicated below.

| Position | Coin / Token | Weight | Price | Value |
|-------------|--|----------------|----------|----------------|
| 0.77040 | Coin 1 (e.g. ETH) | 59.94% | \$125.32 | \$75.12 |
| 1,702.34065 | Coin 2 (e.g. EOS) | 13.26% | \$3.22 | \$0.43 |
| 4.24206 | Coin 3 (e.g. XLM) | 7.13% | \$0.08 | \$0.006 |
| 1.19494 | Coin 4 (e.g. TRX) | 6.46% | \$0.02 | \$0.001 |
| 0.44898 | Coin 5 | 2.2% | \$100.00 | \$2.20 |
| 0.44898 | Coin 6 | 2.2% | \$100.00 | \$2.20 |
| 0.44898 | Coin 7 | 2.2% | \$100.00 | \$2.20 |
| 0.44898 | Coin 8 | 2.2% | \$100.00 | \$2.20 |
| 0.44898 | Coin 9 | 2.2% | \$100.00 | \$2.20 |
| 0.44898 | Coin 10 | 2.2% | \$100.00 | \$2.20 |
| | Total | 100.00% | | \$88.76 |
| | SmartLyCI Service Tokens (SLYCI) payable | 50 | | \$88.76 |