



COINWATT, a.s.
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Bratislava, Karlova Ves
Slovak Republic

13 October 2022

Dear Sir,

LEGAL OPINION ON THE APPLICATION OF SINGAPORE'S SECURITIES AND FUTURES ACT TO THE CWA TOKEN AND ITS ISSUER

A. INSTRUCTIONS

1. We have been instructed by Coinwatt, a.s. ("**Issuer**"), a corporation incorporated in the Slovak Republic as a joint-stock company, to provide our legal opinion on whether the Issuer's coin, the CWA Token (the "**Token**"), is likely to constitute a capital markets product under the Securities and Futures Act (Cap. 289) ("**SFA**").
2. We have not been instructed to opine on, or provide any advice, on any query or matter other than that set out in the preceding paragraph. For the avoidance of doubt, we do not undertake any responsibility whatsoever for the contents of the White Paper referred to herein and do not express any opinion on the activities of the Issuer other than those directly related to the issues set out in the preceding paragraph.

B. RELEVANT PROVISIONS OF THE SFA

3. Section 2(1) SFA states:

“capital markets products” means any securities, units in a collective investment scheme, derivatives contracts, spot foreign exchange contracts for the purposes of leveraged foreign exchange trading, and such other products as the Authority may prescribe as capital markets products;”

4. “Securities” is defined in section 2(1) SFA as follows:

“(a) shares, units in a business trust or any instrument conferring or representing a legal or beneficial ownership interest in a corporation, partnership or limited liability partnership;

(b) debentures; or

(c) any other product or class of products as may be prescribed,

But does not include -

(i) any unit of a collective investment scheme;

(ii) any bill of exchange;

(iii) any certificate of deposit issued by a bank or finance company, whether situated in Singapore or elsewhere; or

(iv) such other product or class of products as may be prescribed;”

5. The leading Singapore law treatise on company law (Walter Woon on Company Law (3rd Edition, 2009) at 424) states:

"A share is the interest of a shareholder in the company measured by a sum of money, for the purpose of liability in the first place, and of interest in the second, but also consisting of a series of mutual covenants entered into by all the shareholders inter se in accordance with [s 39(1) of the CA]': per Farwell J in Borland's Trustee v Steel Brothers & Co Ltd. Shares are 'a right of participation in the company on the terms of the articles of association': per curiam, Prudential Assurance Co Ltd v Newman Industries Ltd (No 2). 'Primarily a share in a company is a piece of property conferring rights in relation to distributions of income and of capital': per Dixon J in Peters' American Delicacy Co Ltd v Heath".

6. According to section 2(1) SFA and section 4(1) of the Companies Act, a "share" is defined as *"share in the share capital of a corporation and includes stock except where a distinction between stocks and shares is expressed or implied"*.

7. Section 2(1) SFA defines "debenture" as follows:

- "(a) any debenture stock, bond, note and any other debt securities issued by or proposed to be issued by a corporation or any other entity, whether constituting a charge or not, on the assets of the issuer;*
- (b) any debenture stock, bond, note and any other debt securities issued by or proposed to be issued by a trustee-manager of a business trust in its capacity as trustee-manager of the business trust, or a trustee of a real estate investment trust in its capacity as trustee of the real estate investment trust, whether constituting a charge or not, on the assets of the business trust or real estate investment trust; or*
- (c) such other product or class of products as the Authority may prescribe, but does not include -*
 - (i) a cheque, letter of credit, order for the payment of money or bill of exchange; or*
 - (ii) for the purposes of the application of this definition to a provision of this Act in respect of which any regulations made under that provision provide that the word "debenture" does not include a prescribed document or a document included in a prescribed class of documents, that document or a document included in that class of documents, as the case may be;"*

8. Section 239(3) of the SFA further provides:

"For the purposes of this Division —

- (a) any invitation to a person to deposit money with or to lend money to an entity shall be deemed to be an offer of debentures of the entity; and*
- (b) any document that is issued or intended or required to be issued by an entity acknowledging or evidencing or constituting an acknowledgment of the indebtedness of the entity in respect of any money that is or may be deposited with or lent to the entity in response to such an invitation shall be deemed to be a debenture."*

9. A useful guide to the definition of debenture may be found in the case of *Bensa Sdn Bhd v Malayan Banking Bhd* [1993] 1 MLJ 119, wherein the High Court of Malaysia held that:

"In the present day, a wide range of forms and instruments are introduced to meet the ever changing needs of modern day commerce and for this, the term 'debenture'

should also include besides `debt`, any obligation, covenant, undertaking or guarantee to pay or any acknowledgment thereof.”

10. According to section 2(1) SFA and section 2 of the Business Trusts Act (Cap. 31A) (“**BTA**”), business trust means a trust that is established in respect of any property and that has a number of specified characteristics, or a class or description of trust that is declared by the MAS, by notice published in the Gazette, to be a business trust for the purpose of the BTA.

11. Section 2(1) SFA defines “derivatives contract” as follows:

- “(a) any contract or arrangement under which —
- (i) a party to the contract or arrangement is required to, or may be required to, discharge all or any of its obligations under the contract or arrangement at some future time; and
 - (ii) the value of the contract or arrangement is determined (whether directly or indirectly, or whether wholly or in part) by reference to, is derived from, or varies by reference to, either of the following:
 - (A) the value or amount of one or more underlying things;
 - (B) fluctuations in the values or amounts of one or more underlying things; or
- (b) any contract or arrangement that is, or that belongs to a class of contracts or arrangements that is, prescribed to be a derivatives contract, but does not include —
- (i) securities;
 - (ii) any unit in a collective investment scheme;
 - (iii) a spot contract;
 - (iv) a deposit as defined in section 4B of the Banking Act (Cap. 19), where the deposit is accepted by a bank licensed under that Act or a merchant bank approved as a financial institution under the Monetary Authority of Singapore Act (Cap. 186);
 - (v) a deposit as defined in section 2 of the Finance Companies Act (Cap. 108), where the deposit is accepted by a finance company as defined in that section of that Act;
 - (vi) any contract of insurance in relation to any class of insurance business specified in section 2(1) of the Insurance Act (Cap. 142); or
 - (vii) any contract or arrangement that is, or that belongs to a class of contracts or arrangements that is, prescribed not to be a derivatives contract;”

12. Section 2(1) of the SFA defines a collective investment scheme as follows:

- ““collective investment scheme” means —
- (a) an arrangement in respect of any property —
- (i) under which the participants do not have day-to-day control over the management of the property, whether or not the participants have the right to be consulted or to give directions in respect of such management;
 - (ii) under which either or both of the following characteristics are present:
 - (A) the property is managed as a whole by or on behalf of a manager;
 - (B) the contributions of the participants, and the profits or income out of which payments are to be made to the participants, are pooled; and

- (iii) under which either or both of the following characteristics are present:
 - (A) the effect of the arrangement is to enable the participants (whether by acquiring any right, interest, title or benefit in the property or any part of the property or otherwise) —
 - (AA) to participate in or receive profits, income, or other payments or returns arising from the acquisition, holding, management, disposal, exercise, redemption or expiry of, any right, interest, title or benefit in the property or any part of the property; or
 - (AB) to receive sums paid out of such profits, income, or other payments or returns;
 - (B) the purpose, purported purpose or purported effect of the arrangement is to enable the participants (whether by acquiring any right, interest, title or benefit in the property or any part of the property or otherwise) —
 - (BA) to participate in or receive profits, income, or other payments or returns arising from the acquisition, holding, management, disposal, exercise, redemption or expiry of, any right, interest, title or benefit in the property or any part of the property; or
 - (BB) to receive sums paid out of such profits, income, or other payments or returns, whether or not —
 - (I) the arrangement provides for the participants to receive any benefit other than those set out in subparagraph (BA) or (BB) in the event that the purpose, purported purpose or purported effect is not realised; or
 - (II) the purpose, purported purpose or purported effect is realised; or
- (b) an arrangement which is an arrangement, or is of a class or description of arrangements, specified by the Authority as a collective investment scheme by notice published in the Gazette,”

13. “spot foreign exchange contracts” are defined in the Second Schedule SFA as follows:

“a spot contract of which the underlying thing is a currency”

14. “spot contract” is defined in Section 2(1) SFA as follows:

“a contract or arrangement for the sale or purchase of any underlying thing at the spot price, where it is intended for a party to the contract or arrangement to take delivery of the underlying thing immediately or within a period which must not be longer than the period determined by the market convention for delivery of the underlying thing;”

15. “leveraged foreign exchange trading” is defined in the Second Schedule SFA as follows:

“entering into a spot foreign exchange contract where one counterparty provides to the other counterparty or the counterparty’s agent money, securities, property or other collateral which represents only a part of the value of the spot foreign exchange contract;”

C. LEGAL ANALYSIS

i. Factual matrix

16. We refer to the “White Paper CoinWatt A.S. (SK) CWA Coin” (the “**White Paper**”).
17. We are instructed that the key features of the Token are as follows:
 - a. The Issuer with the percentage share due from the proceeds from the sale of the renewable energy produced, will purchase the Tokens in the marketplace, which will be distributed to the owners of the NFT according to the above entitlements, participating in the sustenance of the value of the Token.
 - b. The internal management program will verify and send, in proportion to all wallets miners holding ENERGY-NFT, the due entitlements in Tokens.
 - c. Platform of Games, with games that will take place in blockchain at the closing of each block and that will also take place with Tokens.
 - d. The new version, which will be called the Product Certification Platform, will allow companies registered in the Community to purchase certification packages in blockchain with the Tokens.
 - e. The player will be able to purchase additional bytes through the Tokens in the dedicated platform, which will be added to the computing power of their server.
 - f. Token holders will be able to do the following purchases with the Tokens:
 - i. NFT of renewable energy plants;
 - ii. NFT of white certificates for CO2 savings;
 - iii. Subscriptions to the **Multimedia Platform** (initially EUR 180,00 per year per single member of the *community*);
 - iv. Use of the **My Cloud – Mail Server Platform**;
 - v. *Servers*, including software integration to upgrade them;
 - vi. Certification packages for **NFT Art** and **Product Certification Platform**;
 - vii. Products, goods and services offered by the companies that join and that will join the *Community*, including insurance contracts and private health services;
 - viii. Fees for subscribing to games on **Platform of Games**.
 - g. The Tokens are strict utility tokens and as such can only be used on CoinWatt platforms and are not assimilable or definable as financial instruments.

ii. Application of SFA

18. The Token does not purport to represent or confer on the Token holders ownership interest in a corporation, liability in the corporation, or mutual covenants with other Token holders in the corporation *inter se* or any right in relation to distributions of income out of the profits of a corporation. The Token does not confer any equity ownership or any governance, voting rights or control over the management of the Issuer or any other corporation. Accordingly, the Tokens would not constitute shares in the share capital of a corporation. It is therefore unlikely that the Token would constitute a security in the form of a share, under the SFA.
19. The Token does not constitute a debt instrument in any way or acknowledge a loan or debt. The Token does not represent a right to repayment or a right to return on an investment. There is no promise or guarantee by the Issuer to buy-back Tokens or to exchange Tokens for money or money's equivalent directly from Token holders. The Token does not constitute “an obligation, covenant, undertaking or guarantee to pay,” or an acknowledgement thereof, to every Token holder. The Token holders would not have a right to redeem their Tokens, but only to use their Tokens on the Platform. Hence, the Tokens are unlikely to constitute debentures under the SFA.

20. The Token is unlikely to be units in a trust that is established in respect of any property and are not units in what is declared by the MAS to be a business trust. Hence, Token is unlikely to constitute business trust units.
21. The Token is not an instrument conferring or representing a legal or beneficial ownership interest in a corporation, partnership or limited liability partnership. Further, the MAS has not prescribed digital assets or similar things as "such other product or class of products" as "securities" within the meaning of section 2(1) of the SFA. It is therefore unlikely that the Tokens would be caught by this definition in the SFA.
22. The Token does not represent a contract or arrangement for the discharge of obligations thereunder at a future time or belong to a class of contracts or arrangements that is, prescribed to be a derivatives contract. Hence, the Token is unlikely to constitute "derivative contracts" under the SFA.
23. The Token holders would not be participating in an arrangement under which they would not have day-to-day control over its management. The contributions of the Token holders and the profits out of which payments are to be made to the Token holders are not pooled. The Token holders will not be able to participate in or receive profits, income, or other payments or returns arising from the acquisition, holding, management or disposal of, any right, interest, title or benefit in the ledger as a service or any part thereof and will not be able to receive sums paid out of such profits, income, or other payments or returns. Hence, the Tokens is unlikely to constitute units in a collective investment scheme.
24. The Token is not a contract or arrangement for the sale or purchase of any underlying thing at the spot price. Hence, the Token is unlikely to constitute a spot contract or a spot foreign exchange contract for the purposes of leveraged foreign exchange trading, under the SFA.

iii. Conclusion

25. On the basis of the analysis above, we are of the view that the Token is likely to be deemed a utility Token.

D. COMPLIANCE WITH AML/CFT REQUIREMENTS

26. The related Anti-Money Laundering/ Counter-Financing of Terrorism ("**AML/CFT**") legislation/ notices in Singapore include the following:
 - a. Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Cap. 65A) ("**CDSA**");
 - b. Terrorism (Suppression of Financing) Act (Cap. 325) ("**TSFA**"); and
 - c. MAS Notice SFA04-N02 "Prevention of Money Laundering and Countering the Financing of Terrorism – Capital Markets Intermediaries".
27. Entities regulated under the SFA would have to comply with the MAS Notices issued thereunder. Additionally, entities, whether regulated or unregulated, are legally obliged to comply with the CDSA and TSFA, as stated in paragraph 3.3 of the Guide to Digital Token Offerings dated 26 May 2020 issued by MAS. In order to ensure compliance with the CDSA and TSFA, the Issuer would need to carry out a level of customer due diligence which entails collecting basic information and documents of their customers.
28. Section 39 CDSA provides for the obligations to report suspicious transactions with the Suspicious Transaction Reporting Office, Commercial Affairs Department of the Singapore Police

Force through <https://www.police.gov.sg/sonar> as soon as is reasonably practicable. A failure to file an STR would constitute a criminal offence under the CDSA.

29. Section 39(1) of the CDSA states:

*"Where a person knows or has reasonable grounds to suspect that any property—
(a) in whole or in part, directly or indirectly, represents the proceeds of;
(b) was used in connection with; or
(c) is intended to be used in connection with,
any act which may constitute drug dealing or criminal conduct, as the case may be,
and the information or matter on which the knowledge or suspicion is based came to
his attention in the course of his trade, profession, business or employment, he shall
disclose the knowledge or suspicion or the information or other matter on which that
knowledge or suspicion is based to a Suspicious Transaction Reporting Officer as soon
as is reasonably practicable after it comes to his attention."*

30. The Issuer and its employees should disclose to the police any possession, custody or control of any property belonging to any terrorist or terrorist entity, or any information about any transaction or proposed transaction in respect of any property belonging to any terrorist or terrorist entity in accordance with the First Schedule of the TSFA (<https://sso.agc.gov.sg/Act/TSFA2002#Sc1->).

31. The Issuer should also ensure that it complies with the financial sanction requirements in relation to the designated individuals and entities pursuant to the TSFA, as set out in the website of the Ministry of Home Affairs ([https://www.mha.gov.sg/inter-ministry-committee-terrorist-designation-\(imc-td\)](https://www.mha.gov.sg/inter-ministry-committee-terrorist-designation-(imc-td))), and the various regulations giving effect to the United Nations Security Council Resolutions, as set out on the MAS website (<https://www.mas.gov.sg/regulation/anti-money-laundering/targeted-financial-sanctions>).

32. The Issuer, if regulated by MAS, would have to comply with the requirements in the MAS Notices as set out in the following paragraphs.

33. The Issuer should require customers to provide the following information:

- a. Full name, including any aliases;
- b. Unique identification number (such as an identity card number, birth certificate number or passport number, or where the customer is not a natural person, the incorporation number or business registration number);
- c. Residential address or registered or business address, and if different, principal place of business, as may be appropriate;
- d. Date of birth, establishment, incorporation or registration (as may be appropriate); and
- e. Nationality, place of incorporation or place of registration (as may be appropriate).

34. Where the customer is a legal person or legal arrangement (as opposed to an individual), the Issuer should, apart from identifying the purchaser, also identify the legal form, constitution and powers that regulate and bind the legal person or legal arrangement, and understand the nature of the customer's business and its ownership and control structure.

35. Where the customer is a legal person or legal arrangement (as opposed to an individual), the Issuer should identify the connected parties of the customer, by obtaining at least the following information of each connected party:

- a. Full name, including any aliases; and
- b. Unique identification number (such as an identity card number, birth certificate number or passport number of the connected party).

36. The Issuer should verify the identity of the customer using reliable, independent source data, documents or information. Where the customer is a legal person or legal arrangement, the Issuer should verify the legal form, proof of existence, constitution and powers that regulate and bind the customer, using reliable, independent source data, documents or information.
37. Where a customer appoints one or more natural persons to act on its behalf in establishing business relations with the Issuer or the customer is not a natural person, the Issuer should:
 - a. Identify each natural person who acts or is appointed to act on behalf of the customer by obtaining at least the following information of such natural person:
 - i. Full name, including any aliases;
 - ii. Unique identification number (such as an identity card number, birth certificate number or passport number);
 - iii. Residential address;
 - iv. Date of birth;
 - v. Nationality; and
 - b. Verify the identity of each natural person using reliable, independent source data, documents or information.
38. The Issuer should verify the due authority of each natural person appointed to act on behalf of the customer by obtaining at least the appropriate documentary evidence authorising the appointment of such natural person by the customer to act on his or its behalf and the specimen signature of such natural person appointed.
39. The Issuer should identify the beneficial owners, if any, in relation to its customers, and take reasonable measures to verify the identities of the beneficial owners using the relevant information or data obtained from reliable independent sources.
40. The Issuer should, when processing the application to establish business relations or to undertake a relevant business transaction without an account being opened, understand and as appropriate, obtain from the customer information as to the purpose and intended nature of such account relationship or relevant business transaction.
41. Where the Issuer undertakes one or more relevant business transactions for a customer without an account being opened, the Issuer should review the earlier relevant business transactions undertaken by that customer to ensure that the current relevant business transaction is consistent with the Issuer's knowledge of the customer, its business and risk profile and where appropriate, the source of funds.
42. Where the Issuer establishes an account relationship with a customer, the Issuer should review any relevant business transaction undertaken before the business relations are established, to ensure that the business relations are consistent with the Issuer's knowledge of the customer, its business and risk profile and where appropriate, the source of funds.
43. The Issuer should perform customer due diligence measures when:
 - a. The Issuer establishes business relations or an account relationship with any customer;
 - b. The Issuer undertakes any transaction of a value exceeding S\$5,000.00 for any customer who has not otherwise established business relations with the Issuer;
 - c. The Issuer undertakes any transaction for the purposes of carrying on its business of providing cross-border money transfer service, for any customer who has not otherwise established business relations with the Issuer;

- d. The Issuer effects or receives any funds by cross-border wire transfer, for any customer who has not otherwise established business relations with the Issuer;
 - e. There is a suspicion of money laundering or terrorism financing; or
 - f. The Issuer has doubts about the veracity or adequacy of any information previously obtained.
44. Where the Issuer suspects that two or more transactions are or may be related, linked or the result of a deliberate restructuring of an otherwise single transaction into smaller transactions in order to evade the Issuer's customer due diligence measures, the Issuer should treat the transactions as a single transaction and aggregate their values.
45. The Issuer should, in addition to performing the above customer due diligence measures, perform at least the following enhanced customer due diligence measures where a customer or any beneficial owner of a customer is determined by the Issuer to be a politically exposed person, or a family member or close associate of a politically exposed person:
- a. Obtain approval from the Issuer's senior management to establish or continue business relations or an account relationship with the customer or undertake any relevant business transaction without an account being opened for the customer;
 - b. Establish, by appropriate and reasonable means, the source of wealth and source of funds of the customer and any beneficial owner of the customer; and
 - c. Conduct, during the course of business relations with the customer, enhanced monitoring of the business relations with the customer, in particular, increase the degree and nature of monitoring of the business relations with and transactions for the customer, in order to determine whether they appear unusual or suspicious.
46. The aforesaid measures and guidelines are not exhaustive. The Issuer should refer to the entire set of MAS Notices and Guidelines, as applicable, to ensure compliance with AML/CFT measures.

E. DISCLAIMERS

47. This legal opinion is based on Singapore law as it stands on the date of this opinion, and is based solely on the instructions, information and documents which have been provided by you to us and set out above, the veracity of which we shall not be held responsible for. For the purpose of this opinion, we have assumed that the information you have provided to us is complete, up to date and accurate.
48. This legal opinion is strictly based on the fact pattern enumerated in the White Paper referred to herein only, and we have not in any way opined on the accuracy of any information, content or legality of any other information or website. We have not been apprised of any other information, facts nor have we sighted any legal documentation or financial data or any other information memorandum or details that would affect our legal assessment. This legal opinion is limited to an analysis of the application of the SFA to the Tokens only and does not express any opinion on the legality of the various activities that may be undertaken by the Issuer nor any other legislation including the Payment Services Act. We do not advise on any commercial, tax, accounting or financial issues that may be related to the Tokens. We have also not opined on the characteristics, features or attributes of the various NFTs mentioned in the White Paper.

49. We express no opinion on any other law as it affects or would be applied in any jurisdiction other than Singapore. We have not made any investigation of, and do not express any opinion on, any other law. You are advised to obtain legal advice from other jurisdictions as applicable.
50. This legal opinion is intended solely for you only and shall not be relied on by any other party for any purpose. This legal opinion may not be transmitted to any other person except any Singaporean or foreign bank, brokers/dealers and/or exchanges/trading systems/ payment system with the purpose to open or maintain a business relationship with such bank, broker/dealer and/or exchange/trading system/payment system. For the avoidance of doubt, the abovementioned parties, to whom this legal opinion may be transmitted, may not rely on this legal opinion. The provision of this legal opinion shall not imply that we owe any duty of care to anyone other than you in relation to the subject matter of this legal opinion and shall not create or give rise to any solicitor-client relationship between us and any third party.
51. This legal opinion is to be governed by and construed in accordance with the laws of the Republic of Singapore.

Yours faithfully,



KGP Legal LLC