

FOR YOUR EYES, WORKING DRAFT

MEMORANDUM

TO	Tester	FROM	Web3 Ready CLARITY™
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RE Offshore token issuer with U.S. users after the stalled market structure bill

The Issue-Mapping Advantage maps the legal, regulatory, and business exposures that matter to your situation.

§ I, WHERE YOU STAND

Your project runs on an offshore structure common in crypto: a Cayman Islands foundation holds the token treasury, a U.S. development company keeps building the protocol, and a BVI operating company runs the trading venue where your token trades. U.S. customers have been using the platform without being blocked, which means U.S. regulators may claim jurisdiction over relevant parts of the arrangement even though the entities are offshore. The paused staking program and the question of whether your token still travels with promises the development company makes are the two biggest pressure points, because U.S. securities laws can reach arrangements like this when ongoing work by a U.S. company drives the token's value. The decision about geoblocking, registration, or restructuring turns on whether your token is still subject to an investment contract today and whether regulators in the U.S., the Cayman Islands, the BVI, and the EU would treat the existing facts as creating obligations you have not yet met. Your legal and compliance team will need to work through the questions mapped below before the board commits to any of the three paths.

INTAKE CONSISTENCY NOTES

Entity status 'Active' may not capture the paused status of the staking rewards program and the formal U.S. market entry initiative; confirm whether those paused activities create continuing obligations or liabilities.

Parties involved includes 'Foundation / SPV' and 'Custodian / Wallet provider' but does not identify the U.S. development company as a party, even though the narrative describes it as a key actor continuing roadmap work; confirm the development company's legal status and role.

Jurisdictional touchpoints includes 'European Union' but the narrative does not describe any EU-specific activities, entities, or user targeting; confirm whether EU users access the platform and whether any entity is established or solicits in the EU. MiCA's transitional period has ended, so any existing EU-facing activity should be assessed under the currently applicable authorization and conduct framework.

PLAIN-LANGUAGE BRIEF | For boards and non-specialist stakeholders

Your business operates through three connected entities: a foundation in the Cayman Islands that holds the project's token reserves, a development company in the United States that keeps building the technology, and an operating company in the British Virgin Islands that runs the trading platform. U.S. customers have been able to use the

platform, which creates a significant risk that U.S. regulators will claim authority over relevant activities and demand that you register, qualify for an exemption, or shut down U.S. access. The two biggest questions are whether your token is still tied to promises your U.S. team is making, which could mean that transactions involving it remain subject to an investment contract under U.S. law, and whether your trading platform needs to register as an exchange or money transmitter because Americans can use it.

WHAT THIS RAISES, IN PLAIN TERMS

U.S. securities regulators may treat transactions involving your token as still subject to an investment contract if your U.S. development company's ongoing work means purchasers continue to rely on promises or essential managerial efforts that have not yet been completed. That could require registration or an exemption for relevant offers, sales, or trading activity.

The trading platform run by your BVI company may need to register with U.S. authorities as an exchange or money transmitter if the applicable statutory requirements are met, and the offshore setup does not by itself protect the platform from U.S. requirements where the relevant transactions or activities fall within U.S. jurisdiction.

Relaunching the staking rewards program will trigger separate securities and tax questions. Protocol staking as defined in the SEC's March 2026 interpretation is not itself treated as a securities transaction, but arrangements involving fixed, guaranteed, enhanced, or otherwise provider-dependent rewards may require separate analysis. Staking rewards also raise questions about taxable income and information reporting.

Running a trading platform with customers in multiple countries without strong anti-money laundering controls and sanctions screening can result in substantial civil exposure and, where criminal statutes are violated, potential prosecution in the United States even when the company is organized offshore.

The fact that your foundation, your U.S. development company, and your BVI trading platform are connected may cause regulators to examine the arrangement as an integrated enterprise rather than accepting entity separateness at face value.

WHO WOULD LIKELY TAKE AN INTEREST

SECURITIES AND EXCHANGE COMMISSION (SEC)	The SEC would take an interest because Americans have been trading your token on a platform you control, and if transactions involving your token remain subject to an investment contract because of your U.S. team's ongoing promises or essential managerial efforts, the SEC may examine both the offering and trading-platform implications.
FINANCIAL CRIMES ENFORCEMENT NETWORK (FINCEN)	FinCEN supervises money services businesses subject to the Bank Secrecy Act, and your trading platform may be treated as a money transmitter that needs to register and follow anti-money laundering rules if its activities fall within the U.S. regulatory definition.
OFFICE OF FOREIGN ASSETS CONTROL (OFAC)	OFAC enforces U.S. sanctions, and if your platform does not screen users and transactions to block prohibited dealings with sanctioned persons or jurisdictions, you may face sanctions exposure where transactions have the required U.S. nexus.
INTERNAL REVENUE SERVICE (IRS)	The IRS would be involved if you relaunch the staking program, because staking rewards can constitute taxable income and the distributing entity may have information-reporting, backup-withholding, or other withholding obligations depending on the recipient and payment structure.

CAYMAN ISLANDS MONETARY
AUTHORITY (CIMA)

CIMA supervises virtual asset service providers in the Cayman Islands, and your foundation will need to determine whether its treasury, token-distribution, or other activities constitute regulated virtual asset services and, if so, what registration, licensing, or other requirements apply.

BVI FINANCIAL SERVICES COMMISSION
(BVI FSC)

The BVI FSC registers virtual asset service providers, including providers conducting virtual asset exchange or custody activities, and your operating company will need to confirm that its registration and other regulatory permissions cover the activities it conducts and that it meets applicable AML and custody obligations.

§ II, THE QUESTIONS WORTH YOUR ATTENTION (8)

Nº 01 SECURITIES HIGH PRIORITY

Investment contract status under the March 2026 SEC framework

TOUCHPOINT AUTHORITIES • IDENTIFICATION ONLY

SEC (US)

QUESTIONS WORTH YOUR ATTENTION

1. Is the token subject to an investment contract today under the March 2026 SEC interpretation, given the ongoing development company efforts in the United States?
2. Has the token separated from the issuer's representations or promises of essential managerial efforts, or do the development company's roadmap work and the foundation's treasury-funded activities constitute continuing promises that travel with the token in secondary trading?
3. If the staking rewards program resumes, does it constitute protocol staking as defined in the March 2026 SEC interpretation, which the Commission states does not involve an offer or sale of securities, or do features such as fixed, guaranteed, enhanced, or provider-determined rewards, discretionary managerial activity, or other promises take the arrangement outside that treatment and require a separate investment-contract analysis?
4. Does the foundation's role as holder of the protocol treasury and token reserves, combined with the U.S. development company's ongoing roadmap work, constitute a common enterprise with profits derived from the efforts of others, under traditional Howey analysis as a backstop?
5. If the SEC's proposed Regulation Crypto Assets were adopted, could the project qualify for its conditional safe harbor once the issuer has completed or permanently ceased the essential managerial efforts it represented or promised it would undertake, and what changes to the present structure would be necessary to satisfy the proposed conditions?

WHY IT MATTERS

Whether transactions involving the token remain subject to an investment contract determines whether U.S. securities registration or an exemption is required for continued U.S. user access and related activity. The March 2026 framework makes investment contract status turn in significant part on whether the token has separated from issuer promises, which remains an open question when a U.S. development company continues roadmap work and a foundation treasury funds protocol activities. Protocol staking, as defined by the SEC, is treated separately and is not itself a securities transaction, but the actual reward structure must fit within that framework. The SEC's August 18, 2026 Regulation Crypto Assets proposal would add a conditional safe harbor addressing when a crypto asset ceases to be subject to an investment contract, but the proposal is not current law and comments are due October 20, 2026.

Nº 02 SECURITIES HIGH PRIORITY

Exchange and intermediary registration requirements given U.S. user participation

TOUCHPOINT AUTHORITIES • IDENTIFICATION ONLY

SEC (US)

QUESTIONS WORTH YOUR ATTENTION

1. Does the BVI operating company's trading venue constitute a national securities exchange, alternative trading system, or broker-dealer under U.S. law by virtue of providing a platform for U.S. persons to trade a token that may be subject to an investment contract?
2. Does the operating company's failure to register or claim an exemption, if registration is required, expose the foundation, the U.S. development company, or affiliated parties to secondary liability for operating an unregistered exchange or broker-dealer?
3. If the token has separated from the investment contract, does the venue nonetheless remain subject to SEC antifraud jurisdiction or other applicable U.S. requirements?

WHY IT MATTERS

Operating a trading platform that facilitates domestic transactions in securities or investment contracts can trigger registration obligations under the Exchange Act. For registration claims, the analysis turns on whether the relevant transactions are domestic under Morrison and its progeny, not simply whether offshore activity has effects in the United States. SEC antifraud enforcement may involve separate jurisdictional standards where the required U.S. conduct or effects are present.

Nº 03 AML/KYC/SANCTIONS HIGH PRIORITY

Money services business and money transmission obligations across the structure

TOUCHPOINT AUTHORITIES • IDENTIFICATION ONLY

FinCEN (US) • FATF (International)

QUESTIONS WORTH YOUR ATTENTION

1. Does the BVI operating company, by running the trading venue, engage in money transmission or provide a service covered by FinCEN's 2019 guidance on convertible virtual currency, thereby requiring FinCEN registration as a money services business?
2. Does the custodian or wallet provider identified as a party require separate FinCEN registration, and does it meet the anti-money laundering program requirements under 31 CFR 1022.210?
3. Does the foundation, by holding and potentially distributing token reserves, engage in transmission or exchange that would require MSB registration, or does the development company trigger MSB obligations through its operational role?
4. Where transactions cross borders or involve users in jurisdictions with differing AML regimes, does the platform collect and transmit originator and beneficiary information consistent with the FATF Travel Rule (Recommendation 16)?

WHY IT MATTERS

Operating a covered convertible virtual currency exchange or transmission service without required FinCEN registration can result in civil penalties under 31 U.S.C. 5330 and 31 CFR 1022.380. Separate criminal exposure may arise under 18 U.S.C. 1960 for operating an unlicensed money transmitting business, with criminal prosecution brought by the Department of Justice. The offshore structure does not exempt activities from Bank Secrecy Act requirements where the U.S. statutory and regulatory nexus is satisfied.

Nº 04 AML/KYC/SANCTIONS HIGH PRIORITY

Customer identification, sanctions screening, and AML program sufficiency

TOUCHPOINT AUTHORITIES • IDENTIFICATION ONLY

FinCEN (US) • OFAC (US) • BVI FSC (BVI)

QUESTIONS WORTH YOUR ATTENTION

1. Does the trading venue perform customer identification and verification consistent with the jurisdiction in which it is organized (BVI) and with the reach of U.S. sanctions authorities where U.S. persons or U.S.-connected transactions are involved?
2. Does the platform screen users and transactions against OFAC sanctions lists and maintain records sufficient to demonstrate compliance when U.S. persons, U.S. dollar flows, or other U.S. jurisdictional connections are involved?
3. Does the AML program, if one exists, designate a compliance officer, provide training, and include independent review as required under the applicable jurisdiction's AML framework and under 31 CFR 1022.210 if FinCEN registration is required?

WHY IT MATTERS

Failure to maintain an adequate AML program or to screen for sanctions exposure can result in enforcement by FinCEN, OFAC, or the BVI Financial Services Commission, with penalties scaled to the conduct, transaction volume, and degree of institutional

failure. Criminal violations, where present, are prosecuted by the appropriate law-enforcement authorities rather than by FinCEN or OFAC themselves.

Nº 05 MARKET INTEGRITY MEDIUM PRIORITY

Market manipulation and trading practices given multi-jurisdiction user base

TOUCHPOINT AUTHORITIES • IDENTIFICATION ONLY

SEC (US) • CFTC (US) • BVI FSC (BVI) • ESMA (EU)

QUESTIONS WORTH YOUR ATTENTION

1. Does the trading venue maintain surveillance and controls adequate to detect and prevent market manipulation, wash trading, or other prohibited trading practices under the laws of the BVI, the United States, if securities or investment contracts are involved, and other jurisdictions from which users access the platform?
2. Where the foundation holds significant token reserves, does the foundation's potential to influence supply or trading activity create insider-trading, disclosure, or market-manipulation exposure under any applicable regime?
3. Does the venue's order-matching or price-formation mechanism, or any affiliate trading activity, create conflicts of interest or front-running exposure that would require disclosure or structural mitigation?

WHY IT MATTERS

Market manipulation and fraud prohibitions may apply even where the underlying asset is not classified as a security in every jurisdiction. Multi-jurisdiction access without effective controls creates potential parallel exposure under U.S. antifraud or anti-manipulation provisions, BVI market-conduct rules, and EU market-abuse frameworks where EU users are present. MiCA's transitional period has ended, making the current EU authorization and market-conduct framework directly relevant to any EU-facing operations.

Nº 06 TAX HIGH PRIORITY

Staking rewards characterization and withholding obligations

TOUCHPOINT AUTHORITIES • IDENTIFICATION ONLY

IRS (US)

QUESTIONS WORTH YOUR ATTENTION

1. If the staking program resumes, how would the IRS characterize the rewards, and does Revenue Ruling 2023-14 or subsequent guidance determine when those rewards constitute gross income to recipients?
2. For U.S. recipients, does the entity distributing staking rewards have information-reporting obligations under IRC Section 6041 or another applicable provision, and can backup withholding under IRC Section 3406 apply where required taxpayer information has not been provided or another statutory trigger is present?

3. Where rewards are paid to non-U.S. persons, do the withholding provisions of Subchapter A of Chapter 3 of the Internal Revenue Code apply, does the foundation need to obtain Forms W-8 or equivalent documentation, and does any treaty relief apply?
4. Does the paused staking program, if it involved prior distributions, create unfiled reporting obligations or amended-return exposure for the foundation or for U.S. recipients who failed to report income?

WHY IT MATTERS

Revenue Ruling 2023-14 provides that staking rewards received by a cash-method taxpayer generally constitute gross income when the taxpayer obtains dominion and control over the rewards. For U.S. recipients, information reporting and backup withholding should be analyzed under the provisions applicable to domestic payees, including Sections 6041 and 3406 where applicable, rather than Chapter 3. Chapter 3 withholding is relevant to payments to foreign persons. Failure to comply with applicable reporting or withholding obligations can result in penalties to the responsible payor, while recipients may separately face tax, interest, and penalty exposure.

Nº 07 CUSTODY/SAFEKEEPING MEDIUM PRIORITY

Custody obligations for the foundation treasury and user-held assets

TOUCHPOINT AUTHORITIES • IDENTIFICATION ONLY

CIMA (Cayman Islands) • BVI FSC (BVI) • SEC (US)

QUESTIONS WORTH YOUR ATTENTION

1. Does the foundation, by holding the protocol treasury and token reserves, act as a custodian under the laws of the Cayman Islands, and if so, does it meet the custody and safeguarding obligations under the Virtual Asset (Service Providers) Act, 2020 and subsequent amendments?
2. Where the operating company or a custodian holds user assets on the trading venue, do those arrangements meet the custody, segregation, and other applicable requirements of the BVI's Securities and Investment Business Act, 2010 and the Virtual Assets Service Providers Act, 2022, including applicable registration conditions for virtual asset custody or exchange services?
3. Does the custody arrangement satisfy applicable SEC custody rules or state-law trust requirements if U.S. securities or investment contract characterization applies, and does the arrangement qualify for an exemption or safe harbor?
4. Does the custodian or wallet provider identified as a party maintain key-management, disaster-recovery, and cybersecurity controls adequate to meet expectations of the applicable supervisors in the jurisdictions where users are located?

WHY IT MATTERS

Custody failures can result in loss of user assets, regulatory sanctions, and civil liability. Multi-jurisdiction user access means the arrangement may need to satisfy the custody frameworks of the Cayman Islands, the BVI, the United States, and the EU simultaneously, or demonstrate that particular frameworks do not apply. Former SEC Staff Accounting Bulletin No. 121 and

former OCC Interpretive Letter 1179 do not govern the Cayman foundation's safeguarding obligations and should not be treated as authority for that question.

Nº 08 CORPORATE/GOVERNANCE MEDIUM PRIORITY

Affiliate transaction scrutiny and common control across the foundation, development company, and operating company

TOUCHPOINT AUTHORITIES • IDENTIFICATION ONLY

SEC (US) • CIMA (Cayman Islands) • BVI FSC (BVI)

QUESTIONS WORTH YOUR ATTENTION

1. Do the foundation, the U.S. development company, and the BVI operating company constitute affiliates under common control, shared ownership, or operational coordination, and if so, how does that common-control relationship affect the characterization of the token offering, the trading venue, and the staking program under each applicable jurisdiction's laws?
2. Does the foundation's governance structure and its relationship with the development company create fiduciary duties or disclosure obligations under Cayman Islands law, and do those obligations extend to token holders?
3. Where the development company continues roadmap work funded by the foundation or by token reserves, do those payments constitute self-dealing, related-party transactions, or conflicts of interest requiring board approval, disclosure, or independent review under the foundation's governing documents or Cayman Islands law?
4. Does the operating company's role as venue operator, combined with its affiliation with the foundation and the development company, create a vertical integration that triggers additional registration, disclosure, or fairness obligations under the BVI regime or under U.S. law if U.S. persons are involved?

WHY IT MATTERS

When a protocol treasury, a development company, and a trading venue are under common control or affiliation, regulators and courts may examine the substance of the integrated arrangement rather than treating each legal entity in isolation. Depending on the applicable law and facts, that analysis can affect whether particular offers, sales, trading activities, money-transmission activities, or fiduciary obligations fall within a regulatory regime.

DOMAINS NOT SURFACED, AND WHY

CONSUMER PROTECTION: No retail-facing marketing claims, product disclosures, or consumer complaint mechanisms were described that would generate standalone consumer protection issues beyond those captured in the Securities and Market Integrity domains.

DATA & PRIVACY: The scenario does not describe the collection, processing, or storage of personal data from EU or other multi-jurisdiction users in sufficient detail to generate privacy-specific questions, though privacy obligations will arise if the platform collects KYC data or tracks user activity.

CYBERSECURITY: No facts were provided regarding the platform's cybersecurity controls, incident-response plans, or historical breaches; these are critical operational matters but are not surfaced as discrete regulatory issues without additional facts.

COMMODITIES/DERIVATIVES: The token is described as a native protocol token without indication that it is a commodity futures contract, swap, or other derivative instrument that would trigger standalone CFTC registration or compliance obligations beyond antifraud and anti-manipulation authority.

BANKING & PAYMENTS: The scenario describes token trading and custody but does not describe fiat on-ramps, off-ramps, or banking relationships that would generate standalone banking supervision or payment-system questions beyond the MSB issues covered in the AML/KYC/Sanctions domain.

IP/SMART CONTRACT: No facts were provided regarding the protocol's smart contract code, open-source licensing, intellectual property ownership, or audit history that would generate standalone IP or smart contract issues.

§ III, BROADER DILIGENCE THREADS

1. What measures, if any, does the trading venue currently employ to identify, exclude, or limit U.S. persons, and are those measures consistent with the platform's terms of service, privacy policy, and representations to supervisors in the BVI or elsewhere?
2. Has the foundation, the development company, or the operating company received any inquiry, information request, subpoena, Wells notice, or other contact from the SEC, FinCEN, OFAC, the CFTC, CIMA, the BVI FSC, AMLA, ESMA, or any EU national competent authority, and if so, what is the status of that matter?
3. What is the basis for the professional's statement that 'most users are outside the United States': does that reflect IP-address geolocation, self-certification, know-your-customer records, or another method, and how reliable is that method?
4. Has counsel rendered an opinion on the token's investment contract status, and if so, what facts did that opinion rely on, and have those facts changed since the opinion was issued, particularly with respect to the development company's ongoing work or the foundation's treasury activity?
5. When the two initiatives, staking rewards and formal U.S. market entry, were paused, what alternative structures or timelines were considered, and what conditions would need to be satisfied for the board to approve resuming either initiative?

§ IV, WATCH-OUTS

If U.S. persons have accessed the trading venue without geoblocking or other controls, the SEC and FinCEN may examine whether U.S. law applies to particular transactions or activities, particularly if the token remains subject to an investment contract or if the platform facilitates regulated money transmission.

Where a U.S. development company continues roadmap work and the foundation holds protocol treasury reserves, the March 2026 SEC framework's separation analysis may not be satisfied, meaning transactions involving the token may continue to be subject to an investment contract. The SEC's proposed Regulation Crypto Assets creates a possible future safe-harbor pathway based on completion or permanent cessation of promised essential managerial efforts, but that proposal is not yet law.

If the staking program resumes without resolving both the securities characterization of the actual staking arrangement and the tax reporting and withholding questions, the project may face regulatory or tax exposure and U.S. recipients may face underpayment penalties and interest.

Where the foundation, development company, and operating company are under common control or affiliation, regulators may analyze the arrangement as an integrated enterprise, potentially affecting the application of securities, exchange, money-transmission, governance, and other requirements.

If the trading venue does not maintain adequate AML controls, sanctions screening, and transaction monitoring, FinCEN may impose civil penalties for Bank Secrecy Act or MSB-registration violations and OFAC may pursue sanctions enforcement where its jurisdictional requirements are satisfied. Criminal prosecution under 18 U.S.C. 1960 or criminal sanctions statutes is brought by the Department of Justice.

APPENDIX A, SUPERVISORY HIERARCHY · IDENTIFICATION ONLY

UNITED STATES

SEC	Administers the federal securities laws, including registration and antifraud provisions applicable to offerings and trading platforms involving securities or investment contracts. Registration claims involving offshore arrangements require analysis of whether the relevant transactions are domestic under applicable Supreme Court and lower-court precedent. SEC enforcement of antifraud provisions may involve separate statutory conduct-and-effects jurisdiction.
FINCEN	Administers the Bank Secrecy Act, registers money services businesses including covered convertible virtual currency exchanges and transmitters, and enforces AML program, registration, reporting, and recordkeeping requirements. Failure to comply with MSB registration requirements can carry civil penalties under 31 U.S.C. 5330 and 31 CFR 1022.380; criminal violations under 18 U.S.C. 1960 are prosecuted by the Department of Justice.
OFAC	Administers economic and trade sanctions programs, including prohibitions on transactions involving sanctioned persons and jurisdictions, and asserts jurisdiction over U.S. persons and other transactions or activities within applicable U.S. sanctions jurisdiction.
CFTC	Regulates commodity futures and derivatives markets, asserts antifraud and anti-manipulation authority over relevant spot virtual currency markets, and supervises designated contract markets and swap execution facilities.

IRS	Administers the Internal Revenue Code, including income-characterization rules for staking rewards and digital asset transactions. Revenue Ruling 2023-14 addresses when staking rewards received by a cash-method taxpayer are includible in gross income. For U.S. payees, applicable information-reporting and backup-withholding provisions can include IRC Sections 6041 and 3406; Chapter 3 withholding provisions generally address payments to foreign persons.
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CAYMAN ISLANDS

CIMA	Supervises virtual asset service providers under the Virtual Asset (Service Providers) Act, 2020, as amended, including applicable registration and licensing requirements for virtual asset activities, and enforces relevant regulatory and AML obligations, including those arising under the Cayman Islands Proceeds of Crime Act and related regulations.
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BRITISH VIRGIN ISLANDS

BVI FSC	Supervises virtual asset service providers under the Virtual Assets Service Providers Act, 2022, which establishes a registration regime for VASPs, including virtual asset custody and exchange businesses. The Commission also administers the Securities and Investment Business Act, 2010 for activities falling within the BVI investment-business framework.
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EUROPEAN UNION

ESMA	Coordinates national competent authorities under the Markets in Crypto-Assets Regulation (MiCA), issues guidelines affecting crypto-asset service providers and market conduct, and promotes supervisory convergence across EU member states. MiCA's transitional period ended by July 1, 2026, making the post-transition authorization framework relevant to firms serving EU users.
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EBA	Continues to perform its prudential and other remaining functions relevant to the financial sector, including functions connected to MiCA where assigned, but no longer holds the EU's stand-alone AML/CFT mandate.
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AMLA	The Authority for Anti-Money Laundering and Countering the Financing of Terrorism assumed all AML/CFT mandates and functions previously held by the EBA on January 1, 2026. AMLA leads EU-level AML/CFT supervisory convergence and will directly supervise selected high-risk financial institutions and groups under the new EU AML framework.
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INTERNATIONAL

FATF	Sets international standards for anti-money laundering and countering the financing of terrorism, including Recommendation 16, the Travel Rule, applicable to covered virtual asset transfers, and conducts mutual evaluations of member jurisdictions' compliance.
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This appendix names the authorities whose remits touch the issues above. It does not opine on how any authority would treat these facts and does not compare jurisdictions.

APPENDIX B, PRECEDENT-ADJACENT PUBLIC MATTERS • RESEARCH ORIENTATION ONLY

SEC v. Telegram Group Inc.

The SEC brought an enforcement action against Telegram Group Inc. and TON Issuer Inc., both British Virgin Islands companies, arising from the sale of contractual rights to acquire Grams and the contemplated distribution of the tokens. The court concluded at the preliminary-injunction stage that the relevant scheme involved an offering of securities for which no registration statement was in effect.

WHY IT IS ADJACENT

Involved offshore issuer entities and participation by U.S. purchasers, together with an analysis of the initial transactions and contemplated downstream token distribution. It is factually adjacent to the present scenario's combination of offshore entities, token activity, and U.S. market participation, without implying that the corporate structure or facts are identical.

In the Matter of Poloniex, LLC (SEC settlement)

The SEC settled with Poloniex after finding that it operated a digital asset trading platform meeting the definition of an 'exchange' under the federal securities laws without registering as a national securities exchange or operating pursuant to an exemption, in violation of Exchange Act Section 5. The order did not make a separate broker-dealer violation finding.

WHY IT IS ADJACENT

Involved a digital asset trading platform accessible to U.S. persons and tokens that the SEC treated as securities, which is factually adjacent to the BVI operating company's trading venue with U.S. user participation in the present scenario.

CFTC and FinCEN enforcement actions against unregistered offshore exchanges

The CFTC, FinCEN, and federal law-enforcement authorities have pursued matters involving offshore cryptocurrency businesses whose activities reached U.S. customers or otherwise fell within applicable U.S. statutory requirements, including failures to register or maintain required AML controls.

WHY IT IS ADJACENT

Involved offshore platforms with U.S. user access and insufficient restrictions or compliance controls, which is factually adjacent to the present scenario's BVI operating company allowing U.S. persons to trade without exclusion.

Publicly reported matters listed as research starting points only. Verify each matter independently before reliance; nothing here characterizes any holding as controlling or predicts an outcome on these facts.

REGULATORY CURRENCY NOTICE

Regulatory frameworks evolve rapidly. Professionals should verify current requirements in each jurisdiction before relying on any analysis derived from this memorandum.

SELECTED REGULATORY AND LEGAL SOURCES

- Application of the Federal Securities Laws to Certain Types of Crypto Assets and Certain Transactions Involving Crypto Assets, Release Nos. 33-11412; 34-105020; File No. S7-2026-09 · 2026-03-17 · Primary source

- Regulation Crypto Assets, Release Nos. 33-11434; 34-106150; File No. S7-2026-27 · 2026-08-18 · Proposed rule; comments due 2026-10-20
- SEC v. W.J. Howey Co., 328 U.S. 293 · 1946 · Primary authority
- Morrison v. National Australia Bank Ltd., 561 U.S. 247 · 2010 · Primary authority
- In the Matter of Poloniex, LLC, Administrative Proceeding File No. 3-20455 · 2021-08-09 · Primary source
- SEC v. Telegram Group Inc. and TON Issuer Inc., No. 19-cv-09439 (S.D.N.Y.) · complaint filed 2019-10-11; preliminary injunction 2020-03-24
- Digital Asset Market Clarity Act of 2025, H.R. 3633 · Senate cloture not invoked, 49-50, 2026-09-15
- FIN-2013-G001, FinCEN virtual-currency guidance · 2013-03-18
- FIN-2019-G001, FinCEN convertible-virtual-currency business models · 2019-05-09
- 31 CFR 1010.100(ff), definition of money services business
- 31 CFR 1022.210, Anti-money laundering programs for money services businesses
- 31 U.S.C. 5330, Registration of money transmitting businesses
- 31 CFR 1022.380, Registration of money services businesses
- 18 U.S.C. 1960, Prohibition of unlicensed money transmitting businesses
- International Emergency Economic Powers Act, 50 U.S.C. 1701 et seq.
- 31 CFR 1010.410(e) and (f), recordkeeping and travel rule
- FATF Recommendation 16
- Notice 2014-21 · 2014-04-14
- Notice 2023-34 · 2023-05-08
- Revenue Ruling 2023-14 · 2023-07-31
- IRC Section 6041, Information at source
- IRC Section 3406, Backup withholding
- IRC Sections 1441 through 1446, foreign-person withholding provisions
- Virtual Asset (Service Providers) Act, 2020, as amended · Cayman Islands
- CIMA Rule and Statement of Guidance: Virtual Asset Custodians and Virtual Asset Trading Platforms
- CIMA Rule and Statement of Guidance: Market Conduct for Virtual Asset Service Providers · 2026-02
- Cayman Islands Proceeds of Crime Act
- Virtual Assets Service Providers Act, 2022 (No. 17 of 2022) · British Virgin Islands · effective 2023-02-01
- Securities and Investment Business Act, 2010 · British Virgin Islands
- BVI Anti-money Laundering Regulations and applicable AML/CFT requirements
- Guidance on Regulation of Virtual Assets in the Virgin Islands (BVI) · 2020-07-13
- Regulation (EU) 2023/1114 on markets in crypto-assets (MiCA)
- MiCA, Title V: authorization and operating conditions for crypto-asset service providers · applicable 2024-12-30
- MiCA, Titles II and VI: crypto-asset white papers, marketing communications and market abuse · applicable 2024-12-30
- MiCA, Articles 70 and 75: custody and safeguarding · applicable 2024-12-30
- Regulation (EU) 2023/1113 on information accompanying transfers of funds and certain crypto-assets · applicable 2024-12-30
- EBA and AMLA, transfer of AML/CFT mandates and functions · effective 2026-01-01

RESPECTFULLY PREPARED BY

Web3 Ready CLARITY™

Issue-Mapping ADVANTAGE · A Dr. Tonya M. Evans practice resource

THE LOGICAL NEXT STEP

Unlock Your STRATEGY Action Plan

This Issue-Mapping Advantage report maps the legal, regulatory, and business exposures that matter in your situation. The Strategic Advantage is how you decide what to do next: the STRATEGY Action Plan is a prioritized, expert-built plan of action for each mapped issue, sequenced by urgency, with the professionals and workstreams each step requires.

CONSULT AN EXPERT

Consult an Expert connects you with Dr. Evans' pre-screened legal network: practitioners vetted for digital assets competence and matched to the domains this report maps.

COMPLEX MATTER?

Request a Strategic Advantage Briefing

Move from mapped issues to a tailored discussion of priorities, decisions, and next steps. Briefings are custom-tailored by Advantage Evans experts and quoted based on the complexity of the matter.

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This tool is for educational and issue-identification purposes only. It does not constitute legal advice and does not create an attorney-client relationship. Jurisdictional authorities are named for issue-identification only; this memorandum does not render comparative analysis across jurisdictions and does not opine on how any named authority would apply its rules to the facts described.

YOUR INTAKE SNAPSHOT

ASSET Native protocol token

ASSET DETAIL A foundation organized in the Cayman Islands holds the protocol treasury and token reserves

TRANSACTION Issuance / Primary distribution; Secondary market trading; Custody / Safekeeping

PARTIES Issuer / Sponsor, Retail investors, Centralized exchange, Custodian / Wallet provider, Foundation / SPV

TOUCHPOINTS United States, Cayman Islands / BVI, European Union

CONCERNS U.S. jurisdiction over the offshore structure; investment contract status given ongoing development company efforts; staking rewards treatment; adequacy of geoblocking or access controls.